

Shinkong Textile Co., Ltd.

Parent Company Only Financial
Statements for the Years Ended
December 31, 2020 and 2019 and
Independent Auditors' Report

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Independent Auditors' Report

To Shinkong Textile Co., Ltd.

Audit opinion

We have audited the parent company only balance sheets of Shinkong Textile Co., Ltd. (hereinafter referred to as the "Company") as of December 31, 2020 and 2019; and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to parent company only financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial status of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2020 based on our professional judgment. These matters have been covered during the audit of the overall parent company only financial statements and in forming the audit opinion. We will not express a separate opinion on these matters.

Key audit matters of the parent company only financial statements for the year ended December 31, 2020 are as follows:

Authenticity of sales revenue from specific customers

The Company's principal source of income is the sale of various types of fabrics and finished clothing, apparel agency and property leasing. Significant risk is presumed in revenue recognition in view of significance and auditing standards. In our opinion, the authenticity on revenue from customers with specific trading terms has significant impact on the financial statements. Thus, we identified the authenticity of sales revenue from specific customers as a key audit matter. For the accounting policies related to revenue recognition, please refer to Note IV(XIII) of the notes to parent company only financial statements.

Our corresponding audit procedures were as follows:

1. We understood and tested the design and implementation of internal controls in relation to the recognition of sales revenue from specific customers.
2. From the sales details of specific customers above, we selected proper samples to inspect the relevant supporting documents and tested the collection conditions to confirm the authenticity of sales transactions.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal controls associated with the preparation in order to ensure the parent company only financial statements are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Amounts of misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users of the parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern based on the audit evidence obtained. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the key audit matters of the Company's parent company only financial statements for the year ended December 31, 2020. We describe these matters in our independent auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter shall not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
CPA Li-Huang Li

CPA Jui-Chuan Chih

Securities and Futures Commission
Approval No.
Tai-Cai-Zheng-6-0930128050

Financial Supervisory Commission Approval
No.
Jin-Guan-Zheng-Shen-1060023872

March 30, 2021

Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Shinkong Textile Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 6, 31 and 32)	\$ 506,335	4	\$ 498,881	4
1110	Financial assets at fair value through profit or loss (Note 7)	187,529	2	105,558	1
1120	Financial assets at fair value through other comprehensive income - current (Note VIII)	1,240,057	10	1,007,723	9
1150	Notes receivable (Notes 10 and 31)	7,152	-	6,882	-
1170	Accounts receivable (Note 10)	282,717	2	172,626	1
1180	Accounts receivable - related parties, net (Notes 10 and 31)	37,908	-	32,778	-
1200	Other receivables (Note 10)	8,891	-	9,774	-
1210	Other receivables - related parties (Notes 10 and 31)	19,640	-	21,177	-
1220	Current tax assets (Note 25)	848	-	848	-
130X	Inventories (Note 11)	446,537	4	481,921	4
1410	Prepayments (Note 17)	56,335	-	56,508	1
1470	Other current assets (Note 17)	<u>7,737</u>	<u>-</u>	<u>842</u>	<u>-</u>
11XX	Total current assets	<u>2,801,686</u>	<u>22</u>	<u>2,395,518</u>	<u>20</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8, 31 and 32)	4,216,295	34	4,070,325	34
1535	Financial assets at amortized cost - non-current (Notes 4, 31 and 32)	1,800	-	4,050	-
1550	Investments accounted for using the equity method (Note 12)	2,332,254	19	2,256,547	19
1600	Property, plant and equipment (Notes 13 and 28)	271,270	2	295,788	3
1755	Right-of-use assets (Note 14)	95,613	1	138,856	1
1760	Investment properties (Notes 15 and 32)	2,666,789	21	2,689,790	23
1780	Other intangible assets (Note 16)	2,218	-	2,752	-
1840	Deferred tax assets (Note 25)	36,326	-	4,943	-
1990	Other non-current assets (Note 17)	<u>52,841</u>	<u>1</u>	<u>17,662</u>	<u>-</u>
15XX	Total non-current assets	<u>9,675,406</u>	<u>78</u>	<u>9,480,713</u>	<u>80</u>
1XXX	Total Assets	<u>\$ 12,477,092</u>	<u>100</u>	<u>\$ 11,876,231</u>	<u>100</u>
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Notes 18 and 32)	\$ 1,350,000	11	\$ 1,410,000	12
2110	Short-term bills payable (Note 18)	858,849	7	589,297	5
2130	Contract liabilities - current (Notes 23 and 31)	49,901	-	37,974	-
2150	Notes payable (Note 19)	99,439	1	99,912	1
2160	Notes payable - related parties (Notes 19 and 31)	12,039	-	2,613	-
2170	Accounts payable (Note 19)	58,740	-	59,313	1
2180	Accounts payable - related parties (Notes 19 and 31)	529	-	1,074	-
2219	Other payables (Note 20)	80,718	1	74,194	1
2220	Other payables - related parties (Notes 20 and 31)	1,231	-	8,382	-
2230	Current tax liabilities (Note 25)	28,560	-	-	-
2280	Lease liabilities - current (Note 14)	36,117	-	42,711	-
2320	Current portion of long-term borrowings (Note 18)	190,000	2	-	-
2399	Other current liabilities (Note 20)	<u>2,260</u>	<u>-</u>	<u>2,139</u>	<u>-</u>
21XX	Total current liabilities	<u>2,768,383</u>	<u>22</u>	<u>2,327,609</u>	<u>20</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 18)	-	-	190,000	2
2570	Deferred tax liabilities (Note 25)	517,977	4	515,915	4
2580	Lease liabilities - non-current (Note 14)	60,887	1	97,011	1
2645	Guarantee deposits received (Notes 20 and 31)	<u>42,481</u>	<u>-</u>	<u>41,304</u>	<u>-</u>
25XX	Total non-current liabilities	<u>621,345</u>	<u>5</u>	<u>844,230</u>	<u>7</u>
2XXX	Total liabilities	<u>3,389,728</u>	<u>27</u>	<u>3,171,839</u>	<u>27</u>
	Equity (Note 22)				
	Share capital				
3110	Common stock	<u>3,000,413</u>	<u>24</u>	<u>3,000,413</u>	<u>25</u>
3200	Capital surplus	<u>7,911</u>	<u>-</u>	<u>6,916</u>	<u>-</u>
	Retained earnings				
3310	Legal reserve	459,911	4	421,099	4
3320	Special reserve	1,006,548	8	1,006,548	8
3350	Unappropriated earnings	<u>951,961</u>	<u>7</u>	<u>912,129</u>	<u>8</u>
3300	Total retained earnings	<u>2,418,420</u>	<u>19</u>	<u>2,339,776</u>	<u>20</u>
	Other equity				
3410	Exchange differences on translating the financial statements of foreign operations	(5,019)	-	(1,416)	-
3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	<u>3,678,813</u>	<u>30</u>	<u>3,371,877</u>	<u>28</u>
3400	Total other equity	<u>3,673,794</u>	<u>30</u>	<u>3,370,461</u>	<u>28</u>
3500	Treasury share	(13,174)	-	(13,174)	-
3XXX	Total equity	<u>9,087,364</u>	<u>73</u>	<u>8,704,392</u>	<u>73</u>
	Total Liabilities and Equity	<u>\$ 12,477,092</u>	<u>100</u>	<u>\$ 11,876,231</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

Shinkong Textile Co., Ltd.**Parent Company Only Statements of Comprehensive Income****For the Years Ended December 31, 2020 and 2019****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

Code		2020		2019	
		Amount	%	Amount	%
	Operating revenue (Notes 23 and 31)				
4100	Sales revenue	\$ 1,791,614	92	\$ 1,741,225	92
4300	Rental revenue	153,486	8	149,420	8
4800	Other operating revenue	996	-	1,021	-
4000	Total operating revenue	<u>1,946,096</u>	<u>100</u>	<u>1,891,666</u>	<u>100</u>
	Operating costs (Notes 11, 24 and 31)				
5110	Cost of goods sold	(1,410,896)	(73)	(1,382,453)	(73)
5300	Rental costs	(44,425)	(2)	(42,463)	(2)
5000	Total operating costs	<u>(1,455,321)</u>	<u>(75)</u>	<u>(1,424,916)</u>	<u>(75)</u>
5900	Gross Profit	<u>490,775</u>	<u>25</u>	<u>466,750</u>	<u>25</u>
	Operating expenses (Notes 24 and 31)				
6100	Selling and marketing	(305,145)	(16)	(331,907)	(18)
6200	General and administrative	(91,398)	(5)	(89,625)	(5)
6300	Research and development	(23,704)	(1)	(27,837)	(1)
6400	Expected credit (loss)/gain	(650)	-	157	-
6000	Total operating expenses	<u>(420,897)</u>	<u>(22)</u>	<u>(449,212)</u>	<u>(24)</u>
6500	Other operating income and expenses	<u>(102)</u>	<u>-</u>	<u>41</u>	<u>-</u>
6900	Profit/(loss) from operations	<u>69,776</u>	<u>3</u>	<u>17,579</u>	<u>1</u>
	Non-operating income and expenses (Notes 24 and 31)				
7100	Interest income	1,950	-	4,801	-
7190	Other income	242,415	13	292,425	16

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Code		2020		2019	
		Amount	%	Amount	%
7020	Other gains and losses	(34,722)	(2)	(10,825)	-
7050	Finance costs	(21,158)	(1)	(20,783)	(1)
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>117,840</u>	<u>6</u>	<u>81,191</u>	<u>4</u>
7000	Total non-operating income and expenses	<u>306,325</u>	<u>16</u>	<u>346,809</u>	<u>19</u>
7900	Income before income tax	376,101	19	364,388	20
7950	Income tax (expense)/ benefit (Note XXV)	(<u>11,076</u>)	<u>-</u>	<u>23,043</u>	<u>1</u>
8200	Net income	<u>365,025</u>	<u>19</u>	<u>387,431</u>	<u>21</u>
8310	Other comprehensive income Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	3,110	-	(584)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	320,507	17	196,203	10
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	5,043	-	3,641	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	(24)	-	(233)	-

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Code		2020		2019	
		Amount	%	Amount	%
8370	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(3,584)	(1)	(1,072)	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	<u>5</u>	<u>-</u>	<u>47</u>	<u>-</u>
8300	Total other comprehensive income, net of tax	<u>325,057</u>	<u>16</u>	<u>198,002</u>	<u>10</u>
8500	Total comprehensive income	<u>\$ 690,082</u>	<u>35</u>	<u>\$ 585,433</u>	<u>31</u>
Earnings per share (Note XXVI)					
	From continuing operations				
9710	Basic	<u>\$ 1.22</u>		<u>\$ 1.29</u>	
9810	Diluted	<u>\$ 1.22</u>		<u>\$ 1.29</u>	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman:
Hsing-En Wu

Managerial officer:
Chin-Fa Chiu

Principal accounting officer:
Su-Chuan Ko

Shinkong Textile Co., Ltd.
**Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)**

		Share capital		Retained earnings			Other equity				
Code		Number of Shares (in Thousands)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Treasury share	Total Equity
A1	Balance at January 1, 2019	300,041	\$ 3,000,413	\$ 5,957	\$ 392,844	\$ 1,006,548	\$ 806,554	(\$ 158)	\$ 3,173,308	(\$ 13,174)	\$ 8,372,292
	Appropriation and distribution of earnings for 2018:										
B1	Legal reserve	-	-	-	28,255	-	(28,255)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(254,292)	-	-	-	(254,292)
	Other changes in capital surplus:										
M1	Changes in capital surplus from dividends paid to subsidiaries	-	-	681	-	-	-	-	-	-	681
T1	Dividends not collected before the designated date	-	-	278	-	-	-	-	-	-	278
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,275	-	(1,275)	-	-
D1	Net income in 2019	-	-	-	-	-	387,431	-	-	-	387,431
D3	Other comprehensive income in 2019, net of tax	-	-	-	-	-	(584)	(1,258)	199,844	-	198,002
D5	Total comprehensive income in 2019	-	-	-	-	-	386,847	(1,258)	199,844	-	585,433
Z1	Balance at December 31, 2019	300,041	3,000,413	6,916	421,099	1,006,548	912,129	(1,416)	3,371,877	(13,174)	8,704,392
	Appropriation and distribution of earnings for 2019:										
B1	Legal reserve	-	-	-	38,812	-	(38,812)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	(300,041)	-	-	-	(300,041)
	Other changes in capital surplus:										
M1	Changes in capital surplus from dividends paid to subsidiaries	-	-	804	-	-	-	-	-	-	804
M7	Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(8,064)	-	-	-	(8,064)
T1	Dividends not collected before the designated date	-	-	191	-	-	-	-	-	-	191
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	18,614	-	(18,614)	-	-
D1	Net income in 2020	-	-	-	-	-	365,025	-	-	-	365,025
D3	Other comprehensive income in 2020, net of tax	-	-	-	-	-	3,110	(3,603)	325,550	-	325,057
D5	Total comprehensive income in 2020	-	-	-	-	-	368,135	(3,603)	325,550	-	690,082
Z1	Balance at December 31, 2020	300,041	\$ 3,000,413	\$ 7,911	\$ 459,911	\$ 1,006,548	\$ 951,961	(\$ 5,019)	\$ 3,678,813	(\$ 13,174)	\$ 9,087,364
The accompanying notes are an integral part of the parent company only financial statements.											

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Hsing-En Wu

Managerial officer: Chin-Fa Chiu

Principal accounting officer: Su-Chuan Ko

Shinkong Textile Co., Ltd.
**Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)**

Code		2020	2019
	Cash flows from operating activities		
A10000	Income before income tax	\$ 376,101	\$ 364,388
A20010	Adjustments:		
A20100	Depreciation	121,418	138,199
A20200	Amortization	1,568	1,199
A20300	Expected credit loss/(gain)	650	(157)
A20400	Net losses (gains) on financial assets and liabilities at fair value through profit or loss	4,275	(4,657)
A20900	Finance costs	21,158	20,783
A21200	Interest income	(1,950)	(4,801)
A21300	Dividend income	(232,894)	(287,764)
A22400	Share of profit or loss of subsidiaries and associates accounted for using the equity method	(117,840)	(81,191)
A22500	(Gain)/loss on disposal of property, plant and equipment	(150)	725
A23200	Loss on disposal of investments accounted for using the equity method	-	158
A23800	Write-downs of inventories	20,489	18,588
A24500	Dividends not collected before the designated date reclassified to capital surplus	191	278
A29900	Gains (losses) on lease modification	98	(41)
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	(270)	9,540
A31150	Accounts receivable	(115,871)	(38,570)
A31180	Other receivables	22,059	8,870
A31200	Inventories	14,895	(79,945)
A31230	Prepayments	(47)	(6,297)
A31240	Other current assets	(6,895)	(176)
A32125	Contract liabilities	11,927	7,317
A32130	Notes payable	8,953	1,559
A32150	Accounts payable	(1,118)	16,407
A32180	Other payables	(653)	14,350
A32230	Other current liabilities	204	50
A32240	Net defined benefit liabilities	(819)	(772)
A33000	Cash generated from operations	125,479	98,040
A33300	Interest paid	(21,580)	(21,180)

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Code		2020	2019
A33500	Income tax paid	(<u>30,576</u>)	(<u>614</u>)
AAAA	Net cash generated from operating activities	<u>73,323</u>	<u>76,246</u>
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(125,717)	(129,206)
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	24,394	9,934
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	28,257	14,066
B00040	Acquisition of financial assets at amortized cost	-	(100)
B00050	Disposal of financial assets at amortized cost	2,250	-
B00100	Acquisition of financial assets at fair value through profit or loss	(176,587)	(25,001)
B00200	Disposal of financial assets at fair value through profit or loss	90,341	15,271
B01800	Acquisition of long-term investment in shares accounted for using the equity method	(9,607)	(63,684)
B02300	Net cash inflow on disposal of subsidiaries	-	52,650
B02700	Acquisition of property, plant, and equipment	(28,782)	(17,886)
B02800	Proceeds from disposal of property, plant, and equipment	150	50
B03800	Decrease in refundable deposits	1,647	478
B04300	Decrease in other receivables - related parties	-	95,000
B04500	Acquisition of intangible assets	(814)	(2,720)
B07100	Increase in prepayments for equipment	(39,349)	(1,558)
B07500	Interest received	1,950	4,801
B07600	Dividends received from subsidiaries/associates	60,289	70,709
B07600	Other dividends received	<u>232,894</u>	<u>287,764</u>
BBBB	Net cash generated from investing activities	<u>61,316</u>	<u>310,568</u>
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(60,000)	(270,000)
C00500	Increase in short-term bills payable	270,000	-
C00600	Decrease in short-term bills payable	-	(10,000)
C01600	Proceeds from long-term borrowings	-	190,000
C03000	Proceeds from guarantee deposits received	1,177	5,173
C04020	Repayment of the principal portion of lease liabilities	(38,321)	(41,061)
C04500	Dividends paid	(<u>300,041</u>)	(<u>254,292</u>)
CCCC	Net cash used in financing activities	(<u>127,185</u>)	(<u>380,180</u>)
EEEE	Net increase in cash and cash equivalents	7,454	6,634

(Continued on the next page)

(Continued from the previous page)

<u>Code</u>		<u>2020</u>	<u>2019</u>
E00100	Cash and cash equivalents at beginning of year	<u>498,881</u>	<u>492,247</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 506,335</u>	<u>\$ 498,881</u>

The accompanying notes are an integral part of the parent company only financial statements.

Chairman:
Hsing-En Wu

Managerial officer:
Chin-Fa Chiu

Principal accounting officer:
Su-Chuan Ko

Shinkong Textile Co., Ltd.

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company History

Shinkong Textile Co., Ltd. (the "Company") was founded in Taipei in June 1955. The Company's principal businesses are the production and sale of a variety of cotton yarn, CVC yarn, synthetic fibers, fabrics, and finished fabrics; agency for the import and sale of garments, and the leasing and sale of buildings and public housing units constructed by builders commissioned by the Company.

The Company's shares have been listed on the Taiwan Stock Exchange since March, 1977.

The Company's parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

2. Date and Procedures of Authorization of Financial Statements

The parent company only financial statements of the Company were approved and authorized for issue in the Board of Directors' meeting on March 30, 2021.

3. Application of New and Amended Standards and Interpretations

- a. The first-time adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

With the exception of the following, the application of the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC shall not result in significant changes in the accounting policies of the Company:

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

The Company adopted the amendments on January 1, 2020. The threshold for materiality was amended to be "could reasonably be expected to influence users" and the disclosures in the parent company only financial statements were adjusted by removing immaterial information which may obscure material information.

- b. Adoption of IFRSs endorsed by the FSC from 2021 onward

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by International Accounting Standards Board (IASB)</u>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective from the date of promulgation
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	Effective from annual reporting periods beginning on January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	Effective from annual reporting periods beginning on June 1, 2020

c. IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRSs 2018-2020 Cycle"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Updating the Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure Initiative - Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, the aforementioned new/revised/amended standards and interpretations shall be effective from annual reporting periods after the specified dates.

Note 2: The amendments to IFRS 9 apply to the exchanges of financial liabilities or the alterations in its terms that occur during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" apply to the fair value measurements during the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" apply retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments apply to business combinations with acquisition dates in annual reporting periods beginning on or after January 1, 2022.

Note 4: The amendments apply to property, plant and equipment that arrived at the location and achieved the condition required for their operating method expected by the management on or after January 1, 2021.

Note 5: The amendments apply to contracts with unfulfilled obligations on or after January 1, 2022.

Note 6: The amendments apply prospectively to annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments apply to changes in accounting estimates and accounting policies on or after January 1, 2023.

As of the date of authorization of the parent company only financial statements, the Company has continued to assess the effects of amendments to other standards and interpretations on its financial conditions and performance. Related impacts will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

a. Statement of compliance

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by FSC.

b. Basis of preparation

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less fair value of plan assets.

The fair value measurement is classified into three levels based on the observability and importance of related input:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., deduced from prices).
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the parent company only financial statements, the Company accounts for investments in subsidiaries, associates, or joint ventures using the equity method. In order to align profit or loss, other comprehensive income, and equity of the current year in the parent company only financial statements with those attributable to the owners of the Company in the consolidated financial statements, the differences in accounting treatment with parent company only and consolidated basis have led to adjustments in "investments accounted for using the equity method", "share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method", "share of other comprehensive income of subsidiary , associates, and joint ventures accounted for using the equity method" and related equity items.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for trading purposes;
- 2) Assets expected to be realized within 12 months after the balance sheet date; and
- 3) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

- 1) Liabilities held primarily for trading purposes;
- 2) Liabilities due to settle within 12 months after the balance sheet date; and
- 3) Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

All other assets or liabilities that are not specified above are classified as non-current.

d. Foreign currency

In the preparation of financial statements, transactions denominated in a currency other than the Company's functional currency (i.e., foreign currency) are translated into the Company's functional currency by using the exchange rate at the date of the transaction.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising on the settlement or on translating of monetary items are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss, except for items whose changes in fair value are recognized in other comprehensive income, where the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the parent company only financial statements, the assets and liabilities of foreign operations (including subsidiaries that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the rate of exchange prevailing on the balance sheet date. Income and expenses are translated at the average rate of the period. The exchange differences arising are recognized in other comprehensive income.

On the disposal of the entire interest in the foreign operation, the disposal of partial interest in foreign operation's subsidiary with a loss of control, or the disposal of foreign operation's joint arrangement or associate where the retained interests are financial assets and accounted for using the accounting policies for financial instruments, all of the accumulated exchange differences associated with the foreign operation are reclassified to profit or loss.

In relation to a partial disposal of a foreign operation's subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals of a foreign operation, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

e. Inventories

Inventories comprise raw materials, supplies, finished goods and work in progress. Inventory costs are calculated using the weighted average method. Inventories are measured at the lower of cost and net realizable value. The comparison between cost and net realizable value is based on individual items except for the same type of inventory. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The weighted-average method is adopted for the calculation of inventory costs.

f. Investment in subsidiaries

The Company accounts for its investments in subsidiaries using the equity method,

Subsidiary is an entity (including structured entity) that is controlled by the Company.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiaries. In addition, changes in the Company's share of subsidiaries' other equity are recognized in proportion to its shareholding ratio.

When a change in the Company's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be accounted for as an equity transaction. The difference between the carrying amount of the investments and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals to or exceeds its interest in said subsidiary (which includes any carrying amount of the investment accounted for using the equity method and other long-term interest that, in substance, forms part of the Company's net investment in said subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of subsidiaries (which constitute a business) recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of subsidiaries (which constitute a business) over the cost of acquisition is recognized as profit or loss in the current year.

When the Company assesses impairment, the test shall be performed on the basis of cash-generating units (CGUs) within the financial statements. The recoverable amount and the carrying amount of CGUs shall be compared. If the recoverable amount of the asset subsequently increases, the Company recognizes reversal of the impairment loss as a gain. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior periods. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any proceeds from disposal and the carrying amount of the previous investment at the date when control is lost is recognized in profit or loss. Also, the Company accounted for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The unrealized profit or loss in downstream transactions between the Company and the subsidiaries shall be eliminated in the parent company only financial statements. Profit or loss from upstream and lateral transactions between the Company and the subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

An associate is an entity over which the Company has significant influence other than a subsidiary or a joint venture.

The Company accounts for its investments in associates using the equity method,

Under the equity method, the investments in associates are initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the associates. In addition, changes in the Company's share of associates' equity are recognized in proportion to its shareholding ratio.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of associates recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage which in turn changes its net interest in the

associate, the difference is recorded as an adjustment to capital surplus – changes in the net interests in associates and joint ventures accounted for using the equity method and investments accounted for using the equity method. If the subscription or acquisition at a percentage different from the existing ownership percentage results in a decrease in ownership interest in the associates, the proportionate amount previously recognized in other comprehensive income in relation to that associate is reclassified on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. When the adjustment shall be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

Further loss shall be disregarded when the Company's share of loss to the associates is equal to or greater than its interest (including the carrying amount of the investment in associates accounted for using the equity method and other long-term equity that are essentially part of the Company's net investment in the associates) in the associates. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of said associates.

To assess impairment, the Company has to consider the overall carrying amount of the investment (including goodwill) as a single asset to compare the recoverable and carrying amounts. The impairment loss recognized is not allocated to any assets which form parts of the carrying amount of the investment, including goodwill. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The Company shall cease the use of equity method from the date when its investment is no longer an associate. Its retained interest in the associate is measured at fair value, and the difference between the fair value of the retained interest plus proceeds from disposal and the carrying amount of the previous investment at the date when the use of equity method is halted is recognized in profit or loss. Also, the Company accounted for all amounts recognized in other comprehensive income in relation to the associate on the same basis as would be required if the associate had directly disposed of the related assets and liabilities. If an investment in an associate becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the retained interest.

Profit or loss from upstream, downstream and lateral transactions between the Company and associates are recognized in the parent company only financial statements only to the extent of interests in the associates that are not related to the Company.

h. Property, plant and equipment (PP&E)

PP&E are stated at cost and subsequently measured at cost less accumulated depreciation and impairment.

PP&E under construction is recognized at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are classified into the appropriate categories of PP&E and depreciated when they are completed and ready for their intended use.

The depreciation of PP&E in its useful life is made on a straight-line basis for each major part/component separately. Where the lease term is less than the useful life of an asset, the depreciation is recognized over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

When PP&E is derecognized, the difference between the net proceeds from disposal and the carrying amount of the asset shall be recognized in profit or loss.

i. Investment property

Investment property is property held for rent or capital appreciation or both. Investment property also includes land held for a currently undetermined future use.

Freehold investment property is initially measured at costs (including transaction costs) and is subsequently measured at costs less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis.

In the event of derecognition, the difference between the net proceeds from disposal and the carrying amount of investment property is recognized in profit or loss.

j. Intangible assets

1) Separate acquisition

Intangible assets with finite useful lives that are acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the useful lives. The estimated useful lives, residual values and amortization method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

2) Derecognition

In the event of derecognition, the difference between the net proceeds from disposal and the carrying amount of intangible assets is recognized in profit or loss.

k. Impairment of PP&E, right-of-use assets, intangible assets and assets related to the contract costs

The Company assesses whether there is any indication that PP&E, right-of-use assets and intangible assets may be impaired on each balance sheet date. If any such indication exists, the recoverable amount of the asset is estimated. If it is not possible to determine the recoverable amount for an individual asset, the Company shall estimate the recoverable amount of the asset's CGU.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the fair value less costs to sell or the value in use, whichever is higher. If the recoverable amount of individual asset or the CGU is lower than its carrying amount, the carrying amount of the asset or the CGU shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

Impairment loss is recognized for inventory, PP&E and intangible assets under customer contracts in accordance with inventory impairment rules and the afore-mentioned rules. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services. The carrying amount of assets related to the contract costs are then included in the CGU to which they belong for the purpose of evaluating the CGU' impairment.

When an impairment loss is subsequently reversed, the carrying amount of the asset, CGU or assets related to the contract costs is increased to the revised recoverable amount, but only to the extent of the carrying amount that would have been determined, net of

amortization or depreciation, had no impairment loss been recognized for the asset, CGU or assets related to contract costs in prior periods. A reversal of an impairment loss is recognized in profit or loss.

1. Financial instruments

Financial assets and financial liabilities shall be recognized in the parent company only balance sheets when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

a) Types of measurement

Financial assets held by the Company are classified as financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments not designated as at fair value through other comprehensive income, and investments in debt instruments which do not meet the criteria to be classified as measured at amortized cost or at fair value through other comprehensive income.

Financial assets are designated as measured at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through profit or loss are measured at fair value, of which any dividends and interest accrued are recognized as other income and interest income. Gain or loss on remeasurement are recognized in other gains or losses. Please refer to Note 30 for methods adopted in determining the fair values.

ii. Financial assets at amortized cost

When the Company's investments in financial assets match the following two conditions simultaneously, they are classified as financial assets at amortized cost:

- i) Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- ii) The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

Subsequent to initial recognition, financial assets at amortized costs (including cash and cash equivalents and accounts receivable, notes receivable, other receivables and refundable deposits that are measured at amortized cost) are measured at the gross carrying amount as determined using the effective interest method less any impairment loss. Foreign exchange gain or loss arising therefrom is recognized in profit or loss.

Except for the following two circumstances, interest income is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

- i) For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- ii) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortized cost of the financial assets in the subsequent period.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties or defaults, the debtor is likely to claim bankruptcy or other financial restructuring, or disappearance of an active market for the financial asset due to financial difficulties.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. They are used for meeting short-term cash commitments.

- iii. Investments in equity instruments at fair value through other comprehensive income

The Company may, at initial recognition, make an irrevocable decision to designate an investment in equity instrument that is neither held for trading nor contingent consideration arising from a business combination to be measured at fair value through other comprehensive income.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

Dividends of investments in equity instruments at fair value through other comprehensive income are recognized in profit or loss when the Company's right to receive payment is confirmed unless such dividends clearly represent the recovery of a part of the investment cost.

- b) Impairment of financial assets and contract assets

The Company evaluates impairment losses of financial assets (including accounts receivable) at amortized cost, investments in debt instruments at fair value through other comprehensive income, lease receivable and contract assets based on expected credit loss (ECL) at each balance sheet date.

Loss allowances for accounts receivable, lease receivables and contract assets are recognized based on the lifetime ECL. Loss allowance for other financial assets whose credit risk has not increased significantly since initial recognition is measured

at an amount equal to 12-month ECL. If the credit risk has increased significantly, the loss allowance is measured at an amount equal to lifetime ECL.

The ECL is the weighted average credit loss determined by the risk of default. The 12-month ECL represents the ECL arising from the possible default of the financial instrument in the 12 months after the balance sheet date, and the lifetime ECL represents the ECL arising from all possible defaults of the financial instrument during the expected existence period.

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- i. There is internal or external information indicating that it is impossible for the debtor to settle the debt.
- ii. Overdue for more than 90 days, unless there is reasonable and supportable information showing that a delayed default base is more appropriate.

For all financial assets, the impairment loss is reflected by reducing the carrying amount through the loss allowance account, except for investments in debt instruments at fair value through other comprehensive income where the impairment loss is recognized in other comprehensive income and the carrying amount is not reduced.

c) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

If the Company neither transfers nor retains nearly all risks and rewards of the ownership of the financial assets and retains control over the assets, it shall continue to recognize the assets within the scope of continuous participation in the asset and recognize relevant liabilities for the possible payable amount. If the Company retains almost all risks and reward of the ownership of the financial assets, the assets shall continue to be recognized, and the proceeds collected shall be recognized as secured loans.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. On derecognition of investments in debt instruments at fair value through other comprehensive income in its entirety, the difference between the carrying amount and the consideration received plus the cumulative gain or loss already recognized in other comprehensive income is recognized in profit or loss. On derecognition of investments in equity instruments at fair value through other comprehensive income in its entirety, the cumulative gain or loss is directly transferred to retained earnings and not reclassified to profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

The equity instrument issued by the Company shall be recognized by the payment net of the direct cost of issuance.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

When financial liabilities are derecognized, the difference between their carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) shall be recognized in profit or loss.

m. Revenue recognition

After the Company identifies its performance obligations in contracts with customers, it shall allocate the transaction prices to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of textile products. Unless otherwise specified, when goods are shipped, customers obtain the rights to set the prices and use the goods, take on the primary responsibility for sales to future customers, and bear the risks of obsolescence. The Company would recognize revenue and accounts receivable at that time.

The Company does not recognize revenue on materials delivered to subcontractors for processing because the delivery does not involve a transfer of control.

n. Leases

The Company assesses whether the contract is (or includes) a lease on the date of its establishment.

1) Where the Company is a lessor:

If the lease transfers substantially all of the risks and rewards incidental to the underlying asset's ownership to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as income on a straight-line basis over the relevant lease term.

Variable lease payments that are not determined by an index or a rate are recognized as income in the periods in which they are incurred.

When a lease simultaneously include land and building elements, the Company classifies them as finance lease or operating lease based on whether substantially all of the risks and rewards from ownership of the elements have been transferred to the lessee. Lease payments are apportioned to land and buildings in proportion to the fair value of land and building lease rights on the contract establishment date. If lease payments can be apportioned reliably to these two elements, each element is treated according to the applicable lease classification. If lease payments cannot be allocated reliably to the two elements, the entire lease is classified as a finance lease, except when both elements clearly meet the standards of operating leases, the entire lease would be classified as an operating lease.

2) Where the Company is a lessee:

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for lease payments of low-value asset leases and short-term leases subject to recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

The right-of-use asset is initially measured at cost (including the initial measurement amount of lease liabilities, all lease payments made on or before the commencement date, less any lease incentives received, the initial direct cost and the estimated cost for restoring the underlying asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. Right-of-use assets are separately presented on the parent company only balance sheets.

A right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of the lease payments (including fixed payments). If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the Company would use the incremental borrowing rate of lessee.

Subsequently, the lease liability is measured at amortized cost using the effective interest method with interest expense recognized over the lease terms. When there is a change in future lease payments during the lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is already reduced to zero, the remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are separately presented on the parent company only balance sheets.

o. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of such assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized as profit or loss in the period in which they are incurred.

p. Government grants

Government grants are recognized only when they can be reasonably assured that the Company would comply with the conditions imposed for the government grants and that such grants can be received.

Government grants related to income are recognized in profit or loss on a systematic basis during the period when the Company recognizes the relevant costs that such grants are intended to compensate as expenses. Government grants that require the Company to acquire, construct or obtain non-current assets in other means as conditions for receiving the grants are recognized as deferred income and shall be transferred to profit or loss on a reasonable and systematic basis during the useful lives of related assets.

If the government grants are used to compensate fees or losses that had incurred, or are given to the Company for the purpose of immediate financial support without related future costs, such grants may be recognized in profit or loss within the collectible period.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the non-discounted amount of the benefits expected to be paid in exchange for the employees' services.

2) Post-employment benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The costs of defined benefits under the defined benefit retirement plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current period) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses when they are incurred. Remeasurement (comprising actuarial gains and losses, and return on plan assets net of interests) is recognized in other comprehensive income and included in retained earnings. It is not reclassified to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the deficit (surplus) of the contribution made according to the defined benefit retirement plan. A net defined benefit asset shall not exceed the present value of the contributions to be refunded from the plan, or the reductions in future contributions.

r. Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1) Current income tax

An additional tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the current income tax.

2) Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities in the financial statements and the tax basis of the taxable income.

Deferred tax liabilities are generally recognized based on all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that there is taxable income to be applied to deductible temporary differences or unused tax credits.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to recover all or part of the assets. A previously unrecognized deferred tax asset is also reviewed on each balance sheet date with carrying amount increased to the extent that it is probable that sufficient taxable income will be available to recover all or part of the assets.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities on the balance sheet date.

3) Current and deferred income taxes

Current and deferred income taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred income tax are also recognized in other comprehensive income or directly in equity, respectively.

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When the Company adopts accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from these estimates.

The Company takes into account the economic impact of the COVID-19 pandemic in its critical accounting estimates, and the management will constantly review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

6. Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand and working capital	\$ 769	\$ 362
Checks and demand deposits in banks	505,566	468,539
Cash equivalent (investments with original maturities within three months)		
Time deposits in banks	-	29,980
	<u>\$ 506,335</u>	<u>\$ 498,881</u>

Interest rate ranges at the balance sheet date were as follows:

	December 31, 2020	December 31, 2019
Bank deposits	0.001%~0.2%	0.001%~2.18%

7. Financial Instruments at Fair Value through Profit or Loss

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets - current</u>		
Designated as at fair value through profit or loss		
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 35,846	\$ 32,474
Mandatorily measured at fair value through profit		
- Fund beneficiary certificates	<u>151,683</u>	<u>73,084</u>
	<u>\$ 187,529</u>	<u>\$ 105,558</u>

8. Financial Assets at Fair Value through Other Comprehensive Income - Investments in Equity Instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Domestic		
Stocks listed on TWSE or TPEX	<u>\$ 1,240,057</u>	<u>\$ 1,007,723</u>
<u>Non-current</u>		
Domestic		
Stocks listed on TWSE or TPEX	\$ 2,477,176	\$ 2,438,063
Unlisted stocks	<u>1,739,119</u>	<u>1,632,262</u>
Subtotal	<u>\$ 4,216,295</u>	<u>\$ 4,070,325</u>

The Company invested in afore-mentioned items pursuant to its medium-term and long-term strategies for the purpose of making a profit through long-term investment. The management chose to designate these investments to be measured at fair value through other comprehensive income as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

Please refer to Note 32 for details of investments in equity instruments at fair value through other comprehensive income pledged.

9. Financial Assets at Amortized Cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Domestic		
Time deposits with original maturities over three months	<u>\$ 1,800</u>	<u>\$ 4,050</u>

- As of December 31, 2020 and 2019, the interest rate ranges of time deposits with original maturities over three months were 0.41% to 0.765% and 0.66% to 1.23%, respectively.
- Financial assets at amortized cost are classified as current or non-current pursuant to the maturity dates on the contracts or the pledged periods.
- Please refer to Note 32 for details of financial assets at amortized cost pledged.

10. Notes Receivables, Accounts Receivables, and Other Receivables

	December 31, 2020	December 31, 2019
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 7,152	\$ 6,882
Less: loss allowance	-	-
	<u>\$ 7,152</u>	<u>\$ 6,882</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 284,381	\$ 173,640
Less: loss allowance	(1,664)	(1,014)
	<u>\$ 282,717</u>	<u>\$ 172,626</u>
Accounts receivable - related parties (Note 31)	<u>\$ 37,908</u>	<u>\$ 32,778</u>
<u>Other receivables</u>		
Other receivables - related parties (Note 31)	\$ 19,640	\$ 21,177
Others	8,891	9,774
	<u>\$ 28,531</u>	<u>\$ 30,951</u>

Notes and accounts receivable

The Company allows an average credit period of 60 days for the sale of goods with non-interest-bearing accounts receivables. It assesses credit risk based on contracts with positive fair value as of the balance sheet date. Counterparties of the Company are financial institutions and companies with sound credit ratings. The Company reviews recoverable amounts of receivables one by one on the balance sheet date to ensure impairment loss is provided for unrecoverable receivables. Thus, no significant credit risk is expected.

The Company recognizes loss allowance for accounts receivables based on lifetime ECL. The lifetime ECL is calculated based on a provision matrix that takes into account the default history and current financial position of customers, industry economics well as GDP forecasts and industry prospective. The Company's experience in credit loss shows that there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the ECL rate based on the overdue days of accounts receivable.

The Company writes off accounts receivable when there is evidence indicating that the counterparty is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. The Company continues to engage in enforcement activity to recover the receivables after the write-off. Where recoveries are made, they are recognized in profit or loss.

Loss allowances for notes and accounts receivables based on the provision matrix are as follows:

December 31, 2020

	Billed for 1~60 Days	Billed for 61~120 Days	Billed for 121~180 Days	Billed over 180 Days	Total
ECL rate	0.01%~0.15%	2.17%~3.42%	4.85%~16.48%	11.94%~100%	
Total carrying amount	\$ 308,169	\$ 19,227	\$ 892	\$ 1,153	\$ 329,441
loss allowance (lifetime ECL)	(157)	(402)	(62)	(1,043)	(1,664)
Amortized cost	<u>\$ 308,012</u>	<u>\$ 18,825</u>	<u>\$ 830</u>	<u>\$ 110</u>	<u>\$ 327,777</u>

December 31, 2019

	Billed for 1~60 Days	Billed for 61~120 Days	Billed for 121~180 Days	Billed over 180 Days	Total
ECL rate	0%~0.15%	2.11%~2.56%	11.20%~11.27%	12.97%~100%	
Total carrying amount	\$ 200,953	\$ 7,531	\$ 3,693	\$ 1,123	\$ 213,300
loss allowance (lifetime ECL)	(507)	(403)	(26)	(78)	(1,014)
Amortized cost	<u>\$ 200,446</u>	<u>\$ 7,128</u>	<u>\$ 3,667</u>	<u>\$ 1,045</u>	<u>\$ 212,286</u>

Changes in loss allowances for accounts receivables are as follows:

	2020	2019
Beginning balance	\$ 1,014	\$ 1,171
Add: Impairment loss provided for in the year	650	-
Add: Impairment loss reversed in the year	-	(157)
Ending balance	<u>\$ 1,664</u>	<u>\$ 1,014</u>

11. Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 158,719	\$ 149,845
Work in progress	61,972	60,023
Raw materials	64,792	49,419
Merchandise inventories	<u>161,054</u>	<u>222,634</u>
	<u>\$ 446,537</u>	<u>\$ 481,921</u>

The cost of goods sold related to inventories for the years ended December 31, 2020 and 2019 was NT\$1,410,896 thousand and NT\$1,382,453 thousand respectively. The cost of goods sold for the years ended December 31, 2020 and 2019 included inventory write-down of NT\$20,489 thousand and NT\$18,588 thousand respectively.

12. Investments Accounted for Using the Equity Method

	December 31, 2020	December 31, 2019
Investments in subsidiaries	\$ 1,636,568	\$ 1,592,906
Investments in associates	<u>695,686</u>	<u>663,641</u>
	<u>\$ 2,332,254</u>	<u>\$ 2,256,547</u>

a. Investments in subsidiaries

	December 31, 2020	December 31, 2019
Shinkong Asset Management Co., Ltd.	\$ 1,638,340	\$ 1,599,158
SK INNOVATION CO., LTD.	11,402	15,833
Less: Unrealized gains on disposal	-	(8,911)
Reclassified to treasury shares (Note 22 (5))	(13,174)	(13,174)
	<u>\$ 1,636,568</u>	<u>\$ 1,592,906</u>

The unrealized gains on disposal were due to the trading of the same marketable securities by the Company and Shinkong Asset Management Co., Ltd., which was accounted for using the equity method, at the centralized securities exchange market in 1997. The gains on disposal were deemed as unrealized during a certain period of time.

Name of subsidiary	Percentage of Ownership Interest and Voting Rights	
	December 31, 2020	December 31, 2019
Shinkong Asset Management Co., Ltd.	100%	100%
SK INNOVATION CO., LTD.	100%	100%

The share of profit or loss and other comprehensive income of subsidiaries accounted for using the equity method for the years ended December 31, 2020 and 2019 is calculated based on the subsidiaries' audited financial statements for the same periods.

b. Investments in associates

	December 31, 2020	December 31, 2019
<u>Associates that are individually material</u>		
Unlisted companies		
Lian Quan Investment Co., Ltd.	\$ 364,139	\$ 349,431
Shang De Motor Co., Ltd.	264,006	246,139
Less: Unrealized gains on disposal	-	(6,358)
	<u>\$ 628,145</u>	<u>\$ 589,212</u>
<u>Associates that are not individually material</u>		
WPI-High Street LLC	<u>\$ 67,541</u>	<u>\$ 74,429</u>

The unrealized gains on disposal were due to the trading of the same marketable securities by the Company and Lian Quan Investment Co., Ltd., which was accounted for using the equity method, at the centralized securities exchange market in 1997. The gains on disposal were deemed as unrealized during a certain period of time.

1) Associates that are individually material

The percentage of ownership interest and voting rights of the Company in associates on the balance sheet date are as follows:

Name of Company	December 31, 2020	December 31, 2019
Lian Quan Investment Co., Ltd.	48.89%	48.89%
Shang De Motor Co., Ltd.	33.50%	33.50%

Please refer to Table V "Names, locations, and other information of investees" for the aforementioned associates' nature of business, main business premises, and countries of registration.

The investments accounted for using the equity method and share of profit or loss and other comprehensive income of these associates are calculated based on the associates' audited financial statements for the same periods.

All the aforementioned associates are accounted for using the equity method.

The summary of financial information below is based on individual associates' consolidated financial statements prepared in accordance with the IFRSs and adjustments made for the use of the equity method are included.

Lian Quan Investment Co., Ltd.

	December 31, 2020	December 31, 2019
Current assets	\$ 10,482	\$ 4,316
Non-current assets	965,140	953,511
Current liabilities	(230,809)	(243,096)
Equity	<u>\$ 744,813</u>	<u>\$ 714,731</u>
Percentage of shares held by the Group	48.89%	48.89%
Interests of the Group	\$ 364,139	\$ 349,431
Unrealized gains on disposal	-	(6,358)
Carrying amount of investments	<u>\$ 364,139</u>	<u>\$ 343,073</u>

	2020	2019
Operating revenue	\$ 22,365	\$ 19,253
Net income	\$ 18,453	\$ 12,043
Other comprehensive income	11,628	(63,763)
Total comprehensive income	\$ 30,081	(\$ 51,720)

Shang De Motor Co., Ltd.

	December 31, 2020	December 31, 2019
Current assets	\$ 828,446	\$ 848,683
Non-current assets	538,542	570,494
Current liabilities	(878,988)	(985,988)
Non-current liabilities	(107,855)	(106,381)
Equity	\$ 380,145	\$ 326,808
Percentage of shares held by the Group	33.50%	33.50%
Interests of the Group	\$ 127,348	\$ 109,481
investment premium	136,658	136,658
Carrying amount of investments	\$ 264,006	\$ 246,139

	2020	2019
Operating revenue	\$ 3,676,067	\$ 3,126,542
Net income (loss)	\$ 53,336	\$ 3,885
Total comprehensive income	\$ 53,336	\$ 3,885

2) Aggregate information of associates that are not individually material

WPI-High Street, LLC

	2020	2019
The Company's share of:		
Net income (loss) of continuing operations	\$ 22,786	(\$ 3,727)
Other comprehensive income	(4,483)	32,299
Total comprehensive income	\$ 18,303	\$ 28,572

13. Property, Plant, and Equipment

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Hydropower Equipment	Miscellaneous Equipment	Lease Improvement	Construction in Progress	Total
Cost									
Balance at January 1, 2020	\$ 92,452	\$ 245,528	\$ 539,223	\$ 7,625	\$ 84,041	\$ 106,344	\$ 45,051	\$ 156	\$ 1,120,420
Additions	-	-	631	-	219	12,762	-	15,170	28,782
Reclassifications	-	-	11,141	-	1,300	3,553	2,328	(11,870)	6,452
Disposals	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Balance at December 31, 2020	\$ 92,452	\$ 245,528	\$ 550,766	\$ 7,625	\$ 84,880	\$ 121,714	\$ 15,159	\$ 3,456	\$ 1,121,580
Accumulated depreciation and impairment									
Balance at January 1, 2020	\$ -	\$ 235,670	\$ 410,363	\$ 5,726	\$ 68,928	\$ 73,343	\$ 30,602	\$ -	\$ 824,632
Depreciation	-	1,275	30,340	784	4,983	8,784	13,586	-	59,752
Disposals	-	-	(229)	-	(680)	(945)	(32,220)	-	(34,074)
Balance at December 31, 2020	\$ -	\$ 236,945	\$ 440,474	\$ 6,510	\$ 73,231	\$ 81,182	\$ 11,968	\$ -	\$ 850,310
Net balance at December 31, 2020	\$ 92,452	\$ 8,583	\$ 110,292	\$ 1,115	\$ 11,649	\$ 40,532	\$ 3,191	\$ 3,456	\$ 271,270
Cost									
Balance at January 1, 2019	\$ 92,452	\$ 245,178	\$ 538,685	\$ 7,625	\$ 83,141	\$ 98,482	\$ 77,630	\$ 141	\$ 1,143,334
Additions	-	350	557	-	1,330	4,170	11,323	156	17,886
Reclassifications	-	-	-	-	570	3,692	896	(141)	5,017
Disposals	-	-	(19)	-	(1,000)	-	(44,798)	-	(45,817)
Balance at December 31, 2019	\$ 92,452	\$ 245,528	\$ 539,223	\$ 7,625	\$ 84,041	\$ 106,344	\$ 45,051	\$ 156	\$ 1,120,420
Accumulated depreciation and impairment									
Balance at January 1, 2019	\$ -	\$ 233,763	\$ 378,694	\$ 4,926	\$ 63,969	\$ 65,150	\$ 49,861	\$ -	\$ 796,363
Depreciation	-	1,907	31,688	800	5,184	8,193	25,539	-	73,311
Disposals	-	-	(19)	-	(225)	-	(44,798)	-	(45,042)
Balance at December 31, 2019	\$ -	\$ 235,670	\$ 410,363	\$ 5,726	\$ 68,928	\$ 73,343	\$ 30,602	\$ -	\$ 824,632
Net balance at December 31, 2019	\$ 92,452	\$ 9,858	\$ 128,860	\$ 1,899	\$ 15,113	\$ 33,001	\$ 14,449	\$ 156	\$ 295,788

For the years ended December 31, 2020 and 2019, as there was no sign of impairment, the Company did not conduct impairment assessments.

Depreciation of PP&E on a straight-line basis is calculated according to the following useful lives:

Buildings	
Main building of the plant	15~35 years
Others	3~10 years
Machinery and Equipment	2~15 years
Transportation Equipment	5~7 years
Hydropower Equipment	5~20 years
Miscellaneous Equipment	1~20 years
Lease Improvement	1~5 years

14. Lease Agreements

a. Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amount of right-of-use assets		
Buildings	\$ 92,813	\$ 134,691
Office equipment	450	412
Transportation Equipment	1,798	2,812
Other equipment	<u>552</u>	<u>941</u>
	<u>\$ 95,613</u>	<u>\$ 138,856</u>
	2020	2019
Additions to right-of-use assets	<u>\$ 1,319</u>	<u>\$ 134,736</u>
Disposal of right-of use assets	<u>\$ 6,410</u>	<u>\$ 198</u>
Depreciation of right-of-use assets		
Buildings	\$ 35,893	\$ 39,071
Office equipment	288	289
Transportation Equipment	2,177	2,140
Other equipment	<u>390</u>	<u>469</u>
	<u>\$ 38,748</u>	<u>\$ 41,969</u>
	2020	2019
Lease modification loss (gain) by functions		
Operating costs	(\$ 4)	\$ -
Operating expenses	<u>102</u>	<u>(41)</u>
	<u>\$ 98</u>	<u>(\$ 41)</u>

b. Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount of lease liabilities		
Current	\$ 36,117	\$ 42,711
Non-current	<u>60,887</u>	<u>97,011</u>
	<u>\$ 97,004</u>	<u>\$ 139,722</u>

Discount rate ranges for lease liabilities are as follows:

	December 31, 2020	December 31, 2019
Buildings	0.952%~1.008%	1.008%~1.010%
Office equipment	0.981%~1.028%	1.008%
Transportation Equipment	1.003%~1.008%	1.008%~1.010%
Other equipment	1.008%	1.008%

c. Major lease activities and terms

The Company leases buildings, office equipment, transportation equipment and other equipment to be used as factories, employee dormitory, business outlets, business vehicles and employee offices with lease terms of 2 to 6 years. At the end of the lease period, the Company has no bargain purchase option for the leased building.

d. Other lease information

Please refer to Note XV for agreements on investment property leased under operating leases.

	2020	2019
Short-term lease expenses	\$ 1,404	\$ 1,224
Total cash outflow for leases	(\$ 40,877)	(\$ 43,799)

The Company elects to apply the recognition exemption on certain other equipment and leases which meet the criteria for short-term leases and thus, does not recognize right-of-use assets and lease liabilities for these leases.

15. Investment property

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 2,234,993	\$ 1,111,611	\$ 3,346,604
Balance at December 31, 2020	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ -	\$ 656,814	\$ 656,814
Depreciation	-	23,001	23,001
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 679,815</u>	<u>\$ 679,815</u>
Net balance at December 31, 2020	<u>\$ 2,234,993</u>	<u>\$ 431,796</u>	<u>\$ 2,666,789</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 2,234,993	\$ 1,111,611	\$ 3,346,604
Balance at December 31, 2019	<u>\$ 2,234,993</u>	<u>\$ 1,111,611</u>	<u>\$ 3,346,604</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 633,812	\$ 633,812
Depreciation	-	23,002	23,002
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 656,814</u>	<u>\$ 656,814</u>
Net balance at December 31, 2019	<u>\$ 2,234,993</u>	<u>\$ 454,797</u>	<u>\$ 2,689,790</u>

The investment property is subject to lease terms of 1 to 18 years. All operating lease agreements contain a provision whereby the lessee, in exercising the right to renew the lease, adjusts the rent in accordance with 3% to 5% of the prevailing market rent rate. Lessees do not have the bargain purchase option to acquire the property at the end of the lease term.

The total amount of future lease payments to be collected for investment property on operating lease for the years ended December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Year 1	\$ 147,270	\$ 142,800
Year 2	125,356	107,649
Year 3	108,153	81,528
Year 4	88,538	69,766
Year 5	73,395	62,693
Over 5 years	<u>311,511</u>	<u>355,645</u>
	<u>\$ 854,223</u>	<u>\$ 820,081</u>

Depreciation of investment property on a straight-line basis is calculated according to the following useful lives:

Buildings	31~50 years
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The fair value of the investment properties as of December 31, 2020 and 2019 was based on the valuations carried out by independent qualified professional valuers Mr. Chen-Hsing Lin and Mr. Yu-Hua Lo in 2019 and Mr. I-Chuan Chang in 2018 from Y.C.R.E., respectively, all members of certified ROC real estate appraisers. The comparison method and income approaches were adopted. The fair values of investment properties were as follows:

	December 31, 2020	December 31, 2019
Fair value	<u>\$ 9,750,016</u>	<u>\$ 9,274,249</u>

The Company held freehold interests in all of its investment properties. Please refer to Note 32 for the amount of investment property pledged as collateral for borrowings.

16. Other Intangible Assets

	Computer Software
<u>Cost</u>	
Balance at January 1, 2020	\$ 22,448
Separate acquisitions	814
Reclassifications	220
Disposals	(18,328)
Balance at December 31, 2020	<u>\$ 5,154</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ 19,696
Amortization	1,568
Disposals	(18,328)
Balance at December 31, 2020	<u>\$ 2,936</u>
Net balance at December 31, 2020	<u>\$ 2,218</u>

<u>Cost</u>	
Balance at January 1, 2019	\$ 19,728
Separate acquisitions	<u>2,720</u>
Balance at December 31, 2019	<u>\$ 22,448</u>

<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2019	(\$ 18,497)
Amortization	(<u>1,199</u>)
Balance at December 31, 2019	(<u>\$ 19,696</u>)
Net balance at December 31, 2019	<u>\$ 2,752</u>

Amortization expense is calculated on a straight-line basis over the following useful lives:

Computer Software	1~5 years
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17. Other Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepaid expenses	\$ 13,697	\$ 20,842
Prepayments to suppliers	42,638	35,666
Other financial assets	5,348	-
Others	<u>2,389</u>	<u>842</u>
	<u>\$ 64,072</u>	<u>\$ 57,350</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 33,876	\$ 979
Refundable deposits	10,979	12,626
Net defined benefit assets (Note XXI)	<u>7,986</u>	<u>4,057</u>
	<u>\$ 52,841</u>	<u>\$ 17,662</u>

18. Borrowings

a. Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings (Note 32)</u>		
- Bank borrowings	<u>\$ 1,350,000</u>	<u>\$ 1,410,000</u>

The ranges of interest rates on bank borrowings were 0.93% to 0.96% and 0.98% to 1.02% as of December, 31, 2020 and 2019, respectively.

b. Short-term bills payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commercial paper payable	\$ 860,000	\$ 590,000
Less: Discounts on short-term bills payable	(<u>1,151</u>)	(<u>703</u>)
	<u>\$ 858,849</u>	<u>\$ 589,297</u>

The outstanding short-term bills payable as of the balance sheet date are as follows:

December 31, 2020

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying Amount of Collateral
International Bills Finance Corporation (I)	\$ 50,000	(\$ 87)	\$ 49,913	0.620%	None	None
International Bills Finance Corporation (II)	150,000	(208)	149,792	0.620%	None	None
Ta Ching Bills Finance Corporation (I)	40,000	(56)	39,944	0.710%	None	None
Ta Ching Bills Finance Corporation (II)	50,000	(17)	49,983	0.710%	None	None
China Bills Finance Corporation	170,000	(361)	169,639	0.250%	None	None
Taiwan Finance Cooperation	100,000	(66)	99,934	0.660%	None	None
Taiwan Cooperative Bills Finance Corporation (I)	70,000	(35)	69,965	0.810%	None	None
Taiwan Cooperative Bills Finance Corporation (II)	60,000	(83)	59,917	0.810%	None	None
Taiwan Cooperative Bills Finance Corporation (III)	70,000	(46)	69,954	0.810%	None	None
Mega Bills Finance Co., Ltd.	<u>100,000</u>	<u>(192)</u>	<u>99,808</u>	0.600%	None	None
	<u>\$ 860,000</u>	<u>(\$ 1,151)</u>	<u>\$ 858,849</u>			

December 31, 2019

Guarantor/Accepting Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying Amount of Collateral
Ta Ching Bills Finance Corporation	\$ 100,000	(\$ 141)	\$ 99,859	0.760%	None	None
China Bills Finance Corporation	200,000	(282)	199,718	0.550%	None	None
Taiwan Finance Cooperation	150,000	(207)	149,793	0.700%	None	None
Taiwan Cooperative Bills Finance Corporation	90,000	(47)	89,953	0.800%	None	None
Mega Bills Finance Co., Ltd.	<u>50,000</u>	<u>(26)</u>	<u>49,974</u>	0.670%	None	None
	<u>\$ 590,000</u>	<u>(\$ 703)</u>	<u>\$ 589,297</u>			

c. Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings (Note 32)</u>		
Bank borrowings	\$ 190,000	\$ 190,000
Less: Current portion	(<u>190,000</u>)	<u>-</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ 190,000</u>

- 1) The Company obtained NT\$190,000 thousand from the drawdown of a new bank borrowing which is due on June 25, 2021. As of December 31, 2020, the effective interest rate is 0.97% p.a. with monthly interest payments and full repayment on principal when due.
- 2) In 2019, the Company obtained NT\$190,000 thousand from the drawdown of a new bank borrowing which is due on January 11, 2021. As of December 31, 2019, the effective interest rate is 1.2% p.a. with monthly interest payments. The Company made early repayment on the borrowing in January 1, 2020.
- 3) The above long-term borrowings were secured by the pledge of the Company's investment property (Please refer to Note 32).

19. Notes and Accounts Payable

The Company has financial risk management policies to ensure that all payables are paid within the pre-agreed payment terms.

20. Other Liabilities

	December 31, 2020	December 31, 2019
<u>Current</u>		
Other payables		
Salaries and bonus payable	\$ 33,903	\$ 33,134
Employee compensation payable	7,400	7,600
Director and supervisor remuneration payable	7,400	7,600
Tax payable	2,759	2,800
Pension payable	2,059	1,994
Electricity and fuels payable	817	1,040
Interest payable	546	520
Services expense payable	890	1,140
Machinery and equipment payable	1,324	60
Investment payable	733	258
Others	<u>22,887</u>	<u>18,048</u>
	<u>\$ 80,718</u>	<u>\$ 74,194</u>
Other payables - related parties	<u>\$ 1,231</u>	<u>\$ 8,382</u>
Other liabilities		
Receipts under custody	\$ 2,006	\$ 1,931
Temporary credits	143	14
Deferred revenue	<u>111</u>	<u>194</u>
	<u>\$ 2,260</u>	<u>\$ 2,139</u>

Deferred revenue is related to the Company's A+ Industrial Innovative R&D program by Ministry of Economic Affairs and was mainly used to establish a research and development center in Taiwan. The purchases of PP&E were recognized as deferred revenue. Changes are as follows:

	2020	2019
Beginning balance	\$ 194	\$ 277
Amortization for the period (recognized as deductions to depreciation)	(<u>83</u>)	(<u>83</u>)
Ending balance	<u>\$ 111</u>	<u>\$ 194</u>

21. Post-employment Benefit Plans

a. Defined contribution plans

The Company adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries and wages.

b. Defined benefit plans

The pension system adopted by the Company under the "Labor Standards Act" is a state-managed defined benefit plan. The payment of the employee's pension is based on the period of service and the average salary of six months before the approved retirement date. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan under the name of The Supervisory Committee of Workers' Retirement Fund. Before the end of year, if the balance at the retirement fund is not sufficient to pay employees who will meet the

retirement criteria next year, a lump-sum deposit for the shortfall should be made before the end of March of the following year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

The amounts of defined benefit plans included in the parent company only balance sheets are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	\$ 41,339	\$ 42,554
Fair value of plan assets	(49,325)	(46,611)
Net defined benefit assets	(\$ 7,986)	(\$ 4,057)

Changes in net defined benefit assets are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Balance at January 1, 2019	<u>\$ 39,834</u>	<u>(\$ 43,703)</u>	<u>(\$ 3,869)</u>
Service costs			
Current service costs	198	-	198
Interest expense (income)	<u>398</u>	<u>(442)</u>	<u>(44)</u>
Recognized in profit or loss	<u>596</u>	<u>(442)</u>	<u>154</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(1,540)	(1,540)
Actuarial losses - changes in financial assumptions	991	-	991
Actuarial losses - experience adjustments	<u>1,133</u>	<u>-</u>	<u>1,133</u>
Recognized in other comprehensive income	<u>2,124</u>	<u>(1,540)</u>	<u>584</u>
Contributions from the employer	<u>-</u>	<u>(926)</u>	<u>(926)</u>
Balance at December 31, 2019	<u>42,554</u>	<u>(46,611)</u>	<u>(4,057)</u>
Service costs			
Current service costs	135	-	135
Interest expense (income)	<u>319</u>	<u>(353)</u>	<u>(34)</u>
Recognized in profit or loss	<u>454</u>	<u>(353)</u>	<u>101</u>
Remeasurements			
Return on plan assets (excluding amounts that are included in net interest)	-	(1,516)	(1,516)
Actuarial losses - changes in financial assumptions	888	-	888
Actuarial losses - experience adjustments	<u>(2,482)</u>	<u>-</u>	<u>(2,482)</u>
Recognized in other comprehensive income	<u>(1,594)</u>	<u>(1,516)</u>	<u>(3,110)</u>
Contributions from the employer	<u>-</u>	<u>(920)</u>	<u>(920)</u>
Plan assets paid	<u>(75)</u>	<u>75</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 41,339</u>	<u>(\$ 49,325)</u>	<u>(\$ 7,986)</u>

The Company has the following risks owing to the implementation of the pension system under the Labor Standards Act:

- 1) Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in domestic (foreign) equity securities, debt securities, and bank deposits at its own discretion or under the mandated management. However, the distributed amount from the plan assets to the Company shall not be lower than interest on a two-year time deposit at a local bank.
- 2) Interest rate risk: The decrease in the interest rate of government bonds will increase the present value of defined benefit obligations, but the return on debt investment of plan assets will also increase accordingly. These two will partially offset the impact on net defined benefit liabilities.
- 3) Salary risk: The present value of defined benefit obligations is calculated with reference to future salaries of plan members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.500%	0.750%
Expected rate of salary increase	2.250%	2.250%

If reasonable possible changes in major actuarial assumptions occur while other assumptions remain unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
Increase by 0.25%	(\$ 889)	(\$ 991)
Decrease by 0.25%	\$ 919	\$ 1,027
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected rate of salary increase		
Increase by 0.25%	\$ 887	\$ 994
Decrease by 0.25%	(\$ 863)	(\$ 965)

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected contributions to the plan for the next year	\$ 930	\$ 936
Average duration of defined benefit obligations	8.6 years	9.4 years

22. Equity

a. Share capital

Common stock

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized (in thousands)	<u>360,000</u>	<u>360,000</u>
Share capital authorized	<u>\$ 3,600,000</u>	<u>\$ 3,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>300,041</u>	<u>300,041</u>
Share capital issued	<u>\$ 3,000,413</u>	<u>\$ 3,000,413</u>

Common stocks issued have a par value of NT\$10. Each share is entitled to one voting right as well as the right to dividends.

b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May not be used for any purpose</u>		
Treasury share transactions	\$ 6,736	\$ 5,932
Dividends not collected before the designated date	<u>1,175</u>	<u>984</u>
	<u>\$ 7,911</u>	<u>\$ 6,916</u>

Capital surplus - treasury shares represent dividends received from the holding of the parent company's shares by the 100%-owned subsidiary.

c. Retained earnings and dividend policy

In the shareholders' meeting on June 14, 2019, the Company had resolved to amend the Articles of Incorporation where the Board of Directors is authorized by the Company to make special resolutions concerning the distribution of dividends and bonuses in the form of cash and report to the shareholders' meeting. The distribution of earnings in the form of stock dividends is to be determined by the shareholders' meeting.

Based on the earnings distribution policy stated in the amended Articles of Association, the annual earnings of the Company, if any, shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earnings to the legal reserve (not applicable where accumulated legal reserve has equaled the Company's paid-in capital). A special reserve is then appropriated or reversed pursuant to applicable laws and regulations. The Board of Director would then prepare earnings distribution proposal based on the remaining balance together with accumulated unappropriated earnings. Where the earnings are distributed in the form of cash, the Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting. Where they are distributed in the form of stock dividends, the distribution shall be resolved at the shareholders' meeting. For the policies on distribution of compensation to employees and remuneration of directors and supervisors in the Company's Articles of Incorporation, please refer to Note XXIV(VII) Compensation to employees and remuneration to directors and supervisors.

The Company shall set aside a legal reserve until its balance equals the Company's paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve exceeding 25% of the total paid-in capital may be appropriated in the form of cash, in addition to being transferred to share capital.

The distribution of earnings for years ended December 31, 2019 and 2018 approved in the shareholders' meetings on June 19, 2020 and June 14, 2019, respectively, was as follows:

	Distribution of Earnings		Dividends Per Share (NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 38,812	\$ 28,255	\$ -	\$ -
Cash dividends	300,041	254,292	1	0.8475

The distribution of earnings for year ended December 31, 2020 approved in the Board of Directors' meeting on March 30, 2021 was as follows:

	Distribution of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 37,868	\$ -
Cash dividends	300,041	1

The above distribution of cash dividends is approved by the Board of Directors and is subject to the resolution of the shareholders' meeting to be held on June 18, 2021.

d. Other equity

Unrealized gains (losses) on financial assets at fair value through other comprehensive income

	2020	2019
Beginning balance	<u>\$ 3,371,877</u>	<u>\$ 3,173,308</u>
Unrealized gains (losses) incurred during the year		
Equity instruments	320,507	196,203
Share of associates accounted for using the equity method	<u>5,043</u>	<u>3,641</u>
Other comprehensive income for the year	<u>325,550</u>	<u>199,844</u>
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	(<u>18,614</u>)	(<u>1,275</u>)
Ending balance	<u>\$ 3,678,813</u>	<u>\$ 3,371,877</u>

e. Treasury share

Reason for repurchase	Shares of Parent Company Held by Subsidiary (in thousands)
As of January 1, 2020	<u>804</u>
As of December 31, 2020	<u>804</u>
As of January 1, 2019	<u>804</u>
As of December 31, 2019	<u>804</u>

Information on subsidiaries holding the Company's shares on the balance sheet date is as follows:

December 31, 2020

Name of subsidiary	No. of Shares Held (in thousands)	Carrying amount	Market Value
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 34,002</u>

December 31, 2019

Name of subsidiary	No. of Shares Held (in thousands)	Carrying amount	Market Value
Shinkong Asset Management Co., Ltd.	<u>804</u>	<u>\$ 13,174</u>	<u>\$ 33,527</u>

Treasury shares held by the Company may be neither pledged nor assigned rights such as dividend distribution and voting rights in accordance with the Securities and Exchange Act. Subsidiaries holding the Company's shares, which are considered treasury shares, are bestowed shareholders' rights, except for the rights to participate in any share issuance for cash and to vote.

23. Revenue

	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,791,614	\$ 1,741,225
Rental revenue	153,486	149,420
Others	<u>996</u>	<u>1,021</u>
	<u>\$ 1,946,096</u>	<u>\$ 1,891,666</u>

a. Details on contracts with customers

The prices of fabrics sold by the textile business unit of the Marketing Department to garment manufacturers and products sold by the Retail Department were fixed by mutual agreements.

For investment properties leased under operating leases by the Real Estate Department, the Company negotiated the lease contracts with reference to market rentals.

b. Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (Note X)	<u>\$ 7,152</u>	<u>\$ 6,882</u>	<u>\$ 16,422</u>
Accounts receivable (Note X)	<u>320,625</u>	<u>205,404</u>	<u>166,677</u>
	<u>\$ 327,777</u>	<u>\$ 212,286</u>	<u>\$ 183,099</u>
Contract liabilities			
Sale of goods	\$ 33,111	\$ 19,161	\$ 9,538
Rental revenue of investment property	<u>16,790</u>	<u>18,813</u>	<u>21,119</u>
Contract liabilities - current	<u>\$ 49,901</u>	<u>\$ 37,974</u>	<u>\$ 30,657</u>

c. Breakdown of revenue from contracts with customers

	2020	2019
<u>Types of goods or services</u>		
Textile	\$ 1,159,247	\$ 1,205,222
Retail sale/Garment	<u>632,367</u>	<u>536,003</u>
	<u>\$ 1,791,614</u>	<u>\$ 1,741,225</u>

24. Net Income

a. Interest income

	2020	2019
Bank deposits	\$ 1,912	\$ 4,296
Loans to related parties	-	455
Others	<u>38</u>	<u>50</u>
	<u>\$ 1,950</u>	<u>\$ 4,801</u>

b. Other income

	2020	2019
Dividend income	\$ 232,894	\$ 287,764
Others	<u>9,521</u>	<u>4,661</u>
	<u>\$ 242,415</u>	<u>\$ 292,425</u>

c. Other gains and losses

	2020	2019
Gains on financial assets and financial liabilities		
Financial assets designated as at fair value through profit or loss	\$ 3,372	\$ 1,704
Financial assets mandatorily measured at fair value through profit or loss	(7,647)	2,953
Gain/(loss) on disposal of property, plant and equipment	150	(725)
Net foreign exchange losses	(27,582)	(12,029)
Loss on disposal of investments	-	(158)
Other expenses	<u>(3,015)</u>	<u>(2,570)</u>
	<u>(\$ 34,722)</u>	<u>(\$ 10,825)</u>

d. Finance costs

	2020	2019
Interest on bank borrowings	\$ 16,352	\$ 16,261
Interest on short-term bills	3,654	3,008
Interest on lease liabilities	<u>1,152</u>	<u>1,514</u>
	<u>\$ 21,158</u>	<u>\$ 20,783</u>

e. Depreciation and amortization

	2020	2019
Depreciation by functions		
Operating costs	\$ 83,021	\$ 84,745
Operating expenses	<u>38,397</u>	<u>53,454</u>
	<u>\$ 121,418</u>	<u>\$ 138,199</u>
Amortization by functions		
Operating costs	\$ 299	\$ 280
Operating expenses	<u>1,269</u>	<u>919</u>
	<u>\$ 1,568</u>	<u>\$ 1,199</u>

f. Employee benefit expense

	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 11,898	\$ 11,815
Defined benefit plans (Note 21)	<u>101</u>	<u>154</u>
	11,999	11,969
Other employee benefits	<u>331,863</u>	<u>343,301</u>
Total employee benefit expense	<u>\$ 343,862</u>	<u>\$ 355,270</u>
By functions		
Operating costs	\$ 124,703	\$ 134,524
Operating expenses	<u>219,159</u>	<u>220,746</u>
	<u>\$ 343,862</u>	<u>\$ 355,270</u>

g. Compensation to employees and remuneration to directors and supervisors

According to the Company's Articles of Incorporation, the compensation to employees shall not be lower than one percent and the remuneration to directors and supervisors shall not be higher than five percent of the income before income tax, compensation to employees and remuneration to directors and supervisors. Compensation to employees and remuneration to directors and supervisors for the years ended December 31, 2020 and 2019 resolved in the Board of Directors meetings on March 30, 2021 and March 26, 2020, respectively, were as follows:

Accrual rate

	2020	2019
Compensation to employees	1.89%	2.00%
Remuneration to Directors and Supervisors	1.89%	2.00%

Amount

	Cash	
	2020	2019
Compensation to employees	<u>\$ 7,400</u>	<u>\$ 7,600</u>
Remuneration to Directors and Supervisors	<u>\$ 7,400</u>	<u>\$ 7,600</u>

If the amount changed after the annual parent company only financial statements are authorized for issue, the differences shall be treated as a change in accounting estimates in the following year.

The actual amounts of compensation to employees and the remuneration to directors and supervisors distributed for the years ended December 31, 2019 and 2018 were consistent with the amounts recognized in the parent company only financial statements for the same periods.

For information on the Company's compensation to employees and the remuneration to directors and supervisors as resolved in the Board of Directors' meeting in 2020 and 2019, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

h. Foreign exchange (loss) gain

	2020	2019
Total foreign exchange gains	\$ 1,080	\$ 3,520
Total foreign exchange losses	(28,662)	(15,549)
Net losses	(\$ 27,582)	(\$ 12,029)

25. Income Tax

a. Income tax recognized in profit or loss

Major components of income tax expenses (benefits) are as follows:

	2020	2019
Current income tax		
Incurred this year	\$ 13,943	\$ -
Income tax benefit - tax consolidation	-	(21,176)
Additional tax levied on the unappropriated earnings	2,463	416
Adjustments for previous years	<u>23,091</u>	<u>205</u>
	<u>39,497</u>	(<u>20,555</u>)
Deferred income tax		
Incurred this year	(<u>28,421</u>)	(<u>2,488</u>)
Income tax expenses (benefits) recognized in profit or loss	<u>\$ 11,076</u>	(<u>\$ 23,043</u>)

The reconciliation of accounting profit and income tax benefit is as follows:

	2020	2019
Income before income tax	<u>\$ 376,101</u>	<u>\$ 364,388</u>
Income tax expenses calculated at the statutory tax rate	\$ 75,220	\$ 72,878
Tax-exempted income	(64,273)	(77,290)
Additional tax levied on the unappropriated earnings	2,463	416
Unrecognized deductible temporary difference	(25,425)	1,924
Adjustments for previous years	23,091	205
Income tax benefit - tax consolidation	<u>-</u>	(<u>21,176</u>)
Income tax expenses (benefits) recognized in profit or loss	<u>\$ 11,076</u>	(<u>\$ 23,043</u>)

In July 2019, the President put into effect the amended Statute for Industrial Innovation, stipulating that from 2018 onwards, any unappropriated earnings, if taken for building or purchasing specific assets or technologies, can be listed as a deduction in the calculation of unappropriated earnings. The Company deducted only the amount of the unappropriated

earnings that was reinvested as capital expenditure when calculating the tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	2020	2019
<u>Deferred income tax</u>		
Incurring this year		
- Translating the financial statements of foreign operations	(\$ 5)	(\$ 47)
- Share of other comprehensive income of associates accounted for using the equity method	(<u>895</u>)	(<u>516</u>)
	(<u>\$ 900</u>)	(<u>\$ 563</u>)

c. Current tax assets and liabilities

	December 31, 2020	December 31, 2019
Current tax assets		
Tax refunds receivable	<u>\$ 848</u>	<u>\$ 848</u>
Current tax liabilities		
Income tax payable	<u>\$ 28,560</u>	<u>\$ -</u>

d. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-down	\$ -	\$ 29,525	\$ -	\$ 29,525
Difference on unrealized foreign exchange gain (loss)	2,563	2,735	-	5,298
Gains (losses) on foreign investments accounted for using the equity method	1,777	(1,777)	-	-
Exchange differences on translating the financial statements of foreign operations	602	-	900	1,502
Others	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 4,943</u>	<u>\$ 30,483</u>	<u>\$ 900</u>	<u>\$ 36,326</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 2,379	\$ 164	\$ -	\$ 2,543
Gains (losses) on foreign investments accounted for using the equity method	-	1,898	-	1,898
Land value increment tax	<u>513,536</u>	<u>-</u>	<u>-</u>	<u>513,536</u>
	<u>\$ 515,915</u>	<u>\$ 2,062</u>	<u>\$ -</u>	<u>\$ 517,977</u>

2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Temporary differences				
Difference on unrealized foreign exchange gain (loss)	\$ 1,571	\$ 992	\$ -	\$ 2,563
Gains (losses) on foreign investments accounted for using the equity method	126	1,651	-	1,777
Exchange differences on translating the financial statements of foreign operations	39	-	563	602
Others	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 1,737</u>	<u>\$ 2,643</u>	<u>\$ 563</u>	<u>\$ 4,943</u>
Deferred tax liabilities				
Temporary differences				
Defined benefit plans	\$ 2,224	\$ 155	\$ -	\$ 2,379
Land value increment tax	<u>513,536</u>	<u>-</u>	<u>-</u>	<u>513,536</u>
	<u>\$ 515,760</u>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 515,915</u>

Land revaluation of the Company's freehold land was carried out at the assessed present value in July 1981 and November 2000, respectively, and the provision for land value increment tax of NT\$513,536 thousand (under deferred tax liabilities) was recognized as of December 31, 2020 and 2019.

- e. Deductible temporary difference for which no deferred tax assets have been recognized in the parent company only balance sheets

	December 31, 2020	December 31, 2019
Deductible temporary difference		
Inventory write-down	\$ -	\$ 25,428
Impairment loss	<u>12,673</u>	<u>12,673</u>
	<u>\$ 12,673</u>	<u>\$ 38,101</u>

- f. Income tax assessment

The business income tax returns of the Company through 2016 have been assessed by the tax authorities.

Pursuant to Article 40 of the Business Mergers and Acquisitions Act, the Company is elected to be the tax payer to file a combined final business income tax return as well as declare the unappropriated earnings with an additional ten percent of business income tax with the 100%-owned Shinkong Asset Management Co., Ltd.

26. Earnings per Share (EPS)

	(NT\$ per Share)	
	2020	2019
Basic EPS	<u>\$ 1.22</u>	<u>\$ 1.29</u>
Diluted EPS	<u>\$ 1.22</u>	<u>\$ 1.29</u>

Net income and weighted average number of common stocks used for the calculation of EPS are as follows:

Net income

	2020	2019
Net income for basic EPS	<u>\$ 365,025</u>	<u>\$ 387,431</u>
Net income for the calculation of diluted EPS	<u>\$ 365,025</u>	<u>\$ 387,431</u>

Number of shares

	(In Thousands of Shares)	
	2020	2019
Weighted average number of common shares used for calculation of basic earnings per share	299,237	299,237
Effect of potentially dilutive common shares:		
Compensation to employees	<u>222</u>	<u>182</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>299,459</u>	<u>299,419</u>

If the Company may choose to offer employee compensation in the form of cash or stock, while calculating the diluted earnings per share, it shall assume the compensation is to be paid in the form of stock, and include the potentially dilutive common shares in the weighted average number of outstanding shares for the calculation of diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating the diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

27. Government Grants

The Company received government grants of NT\$24,930 thousand from the Ministry of Economic Affairs due to COVID-19. The amount was recognized as a deduction to salaries, electricity and other expenses.

28. Cash Flow Information

a. Non-cash transactions

Besides disclosures in other notes, the Company engaged in the following non-cash investing activities for the years ended December 31, 2020 and 2019:

- 1) The Company reclassified prepayments for equipment of NT\$6,452 thousand and NT\$5,017 thousand to PP&E for the years ended December 31, 2020 and 2019, respectively (please refer to Note XIII for details);
- 2) The Company reclassified prepaid expenses of NT\$220 thousand to other intangible assets for the year ended December 31, 2020 (please refer to Note XVI for details);
- 3) The Company reclassified investment prepayments of NT\$6,832 thousand to financial assets at fair value through other comprehensive income - non-current for the year ended December 31, 2019.

b. Changes in liabilities from financing activities

2020

	January 1, 2020	Cash Flows	Non-cash Changes					December 31, 2020
			Additional Leases	Interest Expenses	Remeasurement on Lease Modifications	Remeasurem ent on Termination	Interest Paid	
Lease liabilities (Note XIV)	\$ 139,722	(\$ 38,321)	\$ 1,319	\$ 1,152	\$ 596	(\$ 6,312)	(\$ 1,152)	\$ 97,004

2019

	January 1, 2019	Cash Flows	Non-cash Changes					December 31, 2019
			Additional Leases	Interest Expenses	Remeasurement on Lease Modifications	Remeasure- ment on Termination	Interest Paid	
Lease liabilities (Note XIV)	\$ 105,045	(\$ 41,061)	\$ 134,736	\$ 1,514	(\$ 58,759)	(\$ 239)	(\$ 1,514)	\$ 139,722

29. Capital Risk Management

The Company carries out capital management to ensure that entities within the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company's capital structure consists of net debts (i.e., borrowings less cash and cash equivalents) and equity (i.e., share capital, capital surplus, retained earnings, and other equity).

The Company is not subject to any other external capital requirements.

The Company's key management reassesses the capital structure quarterly. The review includes assessment of various costs of capital and related risks. According to the key management's recommendations, the Company balances its overall capital structure through the payment of dividends, issuance of shares, repurchase of shares, issuance of new debts, repayment of old debts, etc.

30. Financial Instruments

- a. Information on fair value - financial instruments not measured at fair value

The Company's management thinks that the carrying amounts of financial assets not at fair value are close to their fair values due to short maturity terms or a future consideration receivable/payable approximating the carrying amount.

- b. Information on fair value - financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic stocks listed on TWSE or TPEx or emerging stocks	\$ 35,846	\$ -	\$ -	\$ 35,846
Fund beneficiary certificates	151,683	-	-	151,683
Total	<u>\$ 187,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,529</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic stocks listed on TWSE or TPEx or emerging stocks	\$ 3,717,233	\$ -	\$ -	\$ 3,717,233
- Domestic stocks not listed on TWSE or TPEx	-	-	1,739,119	1,739,119
Total	<u>\$ 3,717,233</u>	<u>\$ -</u>	<u>\$ 1,739,119</u>	<u>\$ 5,456,352</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 32,474	\$ -	\$ -	\$ 32,474
Fund beneficiary certificates	<u>73,084</u>	<u>-</u>	<u>-</u>	<u>73,084</u>
Total	<u>\$ 105,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,558</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
- Domestic stocks listed on TWSE or TPEX or emerging stocks	\$ 3,445,786	\$ -	\$ -	\$ 3,445,786
- Domestic stocks not listed on TWSE or TPEX	<u>-</u>	<u>-</u>	<u>1,632,262</u>	<u>1,632,262</u>
Total	<u>\$ 3,445,786</u>	<u>\$ -</u>	<u>\$ 1,632,262</u>	<u>\$ 5,078,048</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2020 and 2019.

2) Reconciliation of Level 3 fair value measurement of financial instruments

2020

Financial assets	Financial assets at fair value through other comprehensive income Equity instruments
Beginning balance	\$ 1,632,262
Recognized in other comprehensive income (unrealized gains (losses) on financial assets at fair value through other comprehensive income)	135,114
Proceeds from capital reduction	(28,257)
Ending balance	<u>\$ 1,739,119</u>

2019

Financial assets	Financial assets at fair value through other comprehensive income Equity instruments
Beginning balance	\$ 1,709,335
Recognized in other comprehensive income (unrealized gains (losses) on financial assets at fair value through other comprehensive income)	(63,007)
Proceeds from capital reduction	(14,066)
Ending balance	<u>\$ 1,632,262</u>

3) Valuation techniques and inputs of Level 3 fair value measurement

The fair value of investments in unlisted stocks with no active market is estimated using the market approach.

The market approach estimates the fair value with reference to valuation multiples of comparable companies using a liquidity discount rate. The material unobservable inputs used are with liquidity discount rates of 10% to 35%.

c. Category of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit	\$ 151,683	\$ 73,084
Designated as at fair value through profit or loss	35,846	32,474
Financial assets at amortized cost (Note 1)	880,770	758,794
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	5,456,352	5,078,048
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	2,694,026	2,476,089

Note 1: The balance includes financial assets at amortized costs such as cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at amortized cost, other financial assets, and refundable deposits.

Note 2: The balance includes financial liabilities at amortized costs such as short-term borrowings, short-term bills payable, notes and accounts payable, other payables, long-term borrowings, and guarantee deposits received.

d. Financial risk management objectives and policies

Major financial instruments of the Company include cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, accounts receivable, short-term borrowing, short-term bills payable and accounts payable. The financial management department of the Company provides services for the business units, coordinates access to the domestic and overseas financial market, and supervises and manages financial risks related to the operation of the Company through internal risk reports which analyze risk exposures by the degree and magnitude of risks. Such risks include market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

Risk exposure in relation to the Company's financial instruments and its management and measurement approaches remain unchanged.

1) Market risk

The Company's business activities exposed itself primarily to the financial risks of foreign exchange risk (refer to (1) below), interest rate risk (refer to (2) below) and other price risk (refer to (3) below):

a) Foreign exchange risk

The Company undertakes product sales and purchases in foreign currencies; thus, it is exposed to risks of exchange rate fluctuations. Approximately 40% to 45% of the

sales and 20% to 25% of the costs are denominated in currencies other than the functional currency. The Company manages its exposure to foreign exchange risk by dynamically adjusting the overall position of assets and liabilities denominated in currencies other than the functional currency in calculating its foreign exchange risk.

For the carrying amount of the Company's monetary assets and liabilities denominated in currencies other than the functional currency on the balance sheet date, please refer to Note 35.

Sensitivity analysis

The Company is mainly exposed to U.S. dollar fluctuations.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollar. The 1% sensitivity rate is used for internal reporting of foreign exchange risk to key management and it also represents management's assessment of the reasonably possible changes in exchange rates. The sensitivity analysis included only outstanding monetary items denominated in foreign currencies, and the translation of these items at the end of the year was adjusted for a 1% change in exchange rates. A positive number below indicates an increase in net income for a 1% depreciation of New Taiwan dollars % against U.S. dollars. A 1% appreciation of New Taiwan dollars against U.S. dollars will have an equal but opposite impact on net income.

	(In Thousands of New Taiwan Dollars)	
	Impact of USD	
	2020	2019
Profit or loss	\$5,111(i)	\$4,190(i)

- i. The amount was mainly from the Company's receivables and payables denominated in U.S. dollars that were outstanding as of the balance sheet date and were not covered by cash flow hedges.

The increase in the sensitivity to exchange rate in 2020 was mainly due to an increase in sales denominated in U.S. dollars which resulted in an increased balance of accounts receivables denominated in U.S. dollars.

b) Interest rate risk

The Company was exposed to interest rate risk because entities within the Company borrowed funds at both fixed and floating interest rates. The Company does not engage in interest rate hedging instruments at present. The management constantly monitors interest rate exposure and will adopt necessary measures to manage the risk arising from significant changes in market interest rates shall the need arises.

The carrying amounts of the Company's financial assets and financial liabilities exposed to interest rate risk on the balance sheet date are as follows:

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
- Financial assets	\$ 1,800	\$ 4,050
- Financial liabilities	\$ 97,004	\$ 139,722
Cash flow interest rate risk		
- Financial assets	\$ 506,335	\$ 498,881
- Financial liabilities	\$ 2,398,849	\$ 2,189,297

The Company is exposed to cash flow interest rate risk for bank borrowings at floating interest rate. The situation is in compliance with the Company's policy to keep its borrowings at floating interest rates in order to minimize the fair value interest rate risk. The Company's cash flow interest rate risk is mainly caused by the fluctuation of benchmark interest rate in relation to the borrowings denominated in foreign currencies.

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates on the balance sheet date. For liabilities at floating interest rates, the analysis assumes they are outstanding throughout the reporting period if they are outstanding on the balance sheet date. The 1% change in interest rate is used for internal reporting on interest rate to key management and it also represents management's assessment of the reasonably possible changes in interest rates.

If the interest rate increases/decreases by 1%, the Company's net income would increase/decrease by NT\$15,140 thousand and NT\$13,523 thousand for the years ended December 31, 2020, and 2019, respectively. This is mainly due to the Company's interest rate exposure from borrowings at floating interest rates.

The increase in the sensitivity to interest rate in 2020 was mainly due to an increase in borrowings at floating interest rates.

c) Other price risk

The Company is exposed to equity price risk due to its investments in equity securities. Equity price risk mostly comes from investments in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (mainly investments in fund beneficial certificates and listed stocks in Taiwan.) The Company's management maintains a portfolio of investments with different risks for risk management purpose. Also, investments in equity instruments are all subject to the approval of the management.

Sensitivity analysis

The sensitivity analysis below is carried out based on the exposure to equity price risk on the balance sheet date.

For the years ended December 31, 2020 and 2019, if the equity price increases/decreases by 1%, the profit or loss after tax would increase/decrease by NT\$358 thousand and NT\$324 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit or loss and the other comprehensive income after tax would increase/decrease by NT\$54,564 thousand and NT\$50,780 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

2) Credit risk

Credit risk refers to the risk that counterparties will default on its contractual obligations, resulting in a financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk due to financial losses from counterparty's unfulfillment of obligations and financial guarantees provided by the Company (i.e., the maximum irrevocable exposure excluding collaterals or other credit enhancement tools) was the carrying amounts of financial assets recognized in the parent company only balance sheets.

As the Company has a broad customer base and customer are unrelated to each other, the concentration of credit risk is low.

3) Liquidity risk

The Company maintains a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of cash flow fluctuations. The Company's management supervises the use of credit lines and ensures the compliance with the terms of the loan contracts.

Bank borrowings are a major source of liquidity for the Company. Please refer to (2) Line of credit below for unused credit facilities of the Company.

a) Table of liquidity of non-derivative financial liabilities and interest rate risk

The maturity profile of the Company's non-derivative financial liabilities is prepared based on the earliest repayment dates and contractual undiscounted cash flows. Thus, the Company's bank borrowings subject to repayments on demand are included in the earliest time intervals regardless of the probability of the banks choosing to exercise their rights immediately. The maturity analysis of other non-derivative financial liabilities is based on the agreed repayment dates.

December 31, 2020

	Effective Interest Rate (%)	Less than 1 Month	1 ~ 3 Months	3 Months ~ 1 Year	1 ~ 5 Years	Over 5 Years
Lease liabilities	0.952 ~ 1.008	\$ 3,157	\$ 6,314	\$ 27,423	\$ 59,828	\$ 1,906
Short-term borrowings	0.93 ~ 0.96	-	1,350,000	-	-	-
Long-term borrowings	0.97	-	-	190,000	-	-
Short-term bills payable	0.25 ~ 0.81	289,836	569,013	-	-	-
		<u>\$ 292,993</u>	<u>\$ 1,925,327</u>	<u>\$ 217,423</u>	<u>\$ 59,828</u>	<u>\$ 1,906</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	Less than 1 Year	1 ~ 5 Years	5 ~ 10 Years	10 ~ 15 Years	15 ~ 20 Years	20 Years and Above
Lease liabilities	<u>\$ 36,894</u>	<u>\$ 59,828</u>	<u>\$ 1,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	Effective Interest Rate (%)	Less than 1 Month	1 ~ 3 Months	3 Months ~ 1 Year	1 ~ 5 Years	Over 5 Years
Lease liabilities	1.008 ~ 1.010	\$ 3,711	\$ 7,423	\$ 32,749	\$ 96,736	\$ 1,891
Short-term borrowings	0.98 ~ 1.02	-	1,410,000	-	-	-
Long-term borrowings	1.20	-	-	-	190,000	-
Short-term bills payable	0.55 ~ 0.80	139,927	449,370	-	-	-
		<u>\$ 143,638</u>	<u>\$ 1,866,793</u>	<u>\$ 32,749</u>	<u>\$ 286,736</u>	<u>\$ 1,891</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	Less than 1 Year	1 ~ 5 Years	5 ~ 10 Years	10 ~ 15 Years	15 ~ 20 Years	20 Years and Above
Lease liabilities	<u>\$ 43,883</u>	<u>\$ 96,736</u>	<u>\$ 1,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The above amounts of non-derivative financial liabilities with floating interest rates are subject to changes due to differences between the floating interest rates and the interest rates estimated as of the balance sheet date.

b) Line of credit

	December 31, 2020	December 31, 2019
Credit facilities		
- Amount used	\$ 1,540,000	\$ 1,600,000
- Unused amount	<u>3,520,000</u>	<u>3,260,000</u>
	<u>\$ 5,060,000</u>	<u>\$ 4,860,000</u>
Credit from commercial papers		
- Amount used	\$ 860,000	\$ 590,000
- Unused amount	<u>290,000</u>	<u>360,000</u>
	<u>\$ 1,150,000</u>	<u>\$ 950,000</u>

31. Related Party Transactions

Besides disclosures in other notes, the Company engaged in the following transactions with other related parties:

a. Names and relations of related parties

Name of Related Party	Relationship with the Company
Shinkong Asset Management Co., Ltd.	Subsidiary
Xin Fu Development Co., Ltd.	Subsidiary
SK INNOVATION CO., LTD	Subsidiary
Hua Yang Motor Co., Ltd.	Subsidiary
Shanghai Xin Ying Trading Co., Ltd.	Subsidiary
WPI-HIGH STREET. LLC	Associate
Shang De Motor Co., Ltd.	Associate
Lian Quan Investment Co., Ltd.	Associate
Chyang Sheng Dyeing & Finishing Co., Ltd.	Related party in substance
Shin Kong Life Insurance Co., Ltd.	Related party in substance
Taishin International Bank Co., Ltd.	Related party in substance
Shin Kong Wu Ho-Su Memorial Hospital	Related party in substance
Shin Kong Investment Trust Co., Ltd.	Related party in substance
Shin Kong Bank Co., Ltd.	Related party in substance
The Great Taipei Gas Corporation	Related party in substance
UBright Optronics Corp.	Related party in substance
Taishin D.A. Finance Co., Ltd.	Related party in substance
Taiwan Security Co., Ltd.	Related party in substance
Taiwan Shin Kong Security Co., Ltd.	Related party in substance
Waibel Enterprise Inc.	Related party in substance
Shinkong Mitsukoshi Department Store Co., Ltd.	Related party in substance
Shinkong Synthetic Fibers Corporation	Related party in substance
Shinkong Insurance Co., Ltd.	Related party in substance
Shinkong Materials Technology Co., Ltd.	Related party in substance
Shin-Kong Life Real Estate Service Co., Ltd.	Related party in substance
Cheng Cheng Co., Ltd.	Related party in substance
Cheng Qian Co., Ltd.	Related party in substance
ShinKong Co., Ltd.	Related party in substance
Yi Guang Security Co., Ltd.	Related party in substance
Yi Guang International Apartments Maintenance and Management Co., Ltd.	Related party in substance
Shin Kong Recreation Co., Ltd.	Related party in substance
Pan Asian Plastics Corp.	Related party in substance

Name of Related Party	Relationship with the Company
Taipei Star Bank Co., Ltd.	Related party in substance
Shin Kong Education Foundation	Related party in substance
Taishin Financial Holding Co., Ltd.	Related party in substance

b. Operating revenue

Financial Statement Account	Type/Name of Related Party	2020	2019
Sales revenue	Shinkong Mitsukoshi Department Store Co., Ltd.	\$ 212,418	\$ 160,257
	Subsidiary	1,568	4,949
	Related party in substance	20,239	21,039
		<u>\$ 234,225</u>	<u>\$ 186,245</u>
Rental revenue	UBright Optronics Corp.	\$ 20,068	\$ 19,478
	Taishin International Bank Co., Ltd.	26,469	26,469
	Related party in substance	9,589	9,108
		<u>\$ 56,126</u>	<u>\$ 55,055</u>

The Company's transaction terms for sales to related parties above are not significantly different from those of the unrelated parties.

Rents from related parties above are negotiated and agreed by parties involved and paid by notes from related parties on a monthly basis.

c. Purchases

Financial Statement Account	Type/Name of Related Party	2020	2019
Purchases	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 21,409	\$ 11,226
	Shinkong Synthetic Fibers Corporation	12,076	12,541
	Subsidiary	1,175	-
		<u>\$ 34,660</u>	<u>\$ 23,767</u>

The Company's transaction terms for purchases from related parties above are not significantly different from those of the unrelated parties.

d. Contract liabilities

Type of Related Party	December 31, 2020	December 31, 2019
Related party in substance	<u>\$ 9,740</u>	<u>\$ 4,843</u>

The contract liabilities above include advance receipts for sales of goods and leasing of investment properties.

e. Receivables from related parties (excluding loans and contract assets to related parties)

Financial Statement Account	Type of Related Party	December 31, 2020	December 31, 2019
Notes receivable	Related party in substance	\$ <u>8</u>	\$ <u>6</u>
Accounts receivable	Shinkong Mitsukoshi Department Store Co., Ltd. Subsidiary	\$ 35,522 705	\$ 25,154 -
	Related party in substance	<u>1,681</u>	<u>7,624</u>
		\$ <u>37,908</u>	\$ <u>32,778</u>
Other receivables	Shinkong Asset Management Co., Ltd. Related party in substance	\$ 19,639 1	\$ 21,176 1
		\$ <u>19,640</u>	\$ <u>21,177</u>

The Company does not receive guarantees for the outstanding amount of receivables from related parties. No loss allowances were set aside for receivables from related parties for the years ended December 31, 2020 and 2019.

f. Payables to related parties (excluding borrowings from related parties)

Financial Statement Account	Type of Related Party	December 31, 2020	December 31, 2019
Notes payable	Related party in substance	\$ <u>12,039</u>	\$ <u>2,613</u>
Accounts payable	Related party in substance	\$ <u>529</u>	\$ <u>1,074</u>
Other payables	Related party in substance	\$ <u>1,231</u>	\$ <u>8,382</u>

The Company does not provide collaterals for the outstanding amount of payables to related parties.

g. Prepayments

Type of Related Party	December 31, 2020	December 31, 2019
Related party in substance	\$ <u>225</u>	\$ <u>2,532</u>

h. Lease agreements - the Company as a lessee

Financial Statement Account	Type of Related Party	December 31, 2020	December 31, 2019
Lease liabilities	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 19,770	\$ 33,631
Lease liabilities	Shin Kong Life Insurance Co., Ltd.	<u>43,178</u>	<u>55,851</u>
		\$ <u>62,948</u>	\$ <u>89,482</u>

Type/Name of Related Party	2020	2019
<u>Interest Expenses</u>		
Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 265	\$ 385
Shin Kong Life Insurance Co., Ltd.	<u>493</u>	<u>536</u>
	\$ <u>758</u>	\$ <u>921</u>

Rents are negotiated between the Company and each of the above related party, and fixed rental payments are made monthly according to the lease agreements.

i. Lease agreements - the Company as a lessor

Operating lease

The total amount of future lease payments to be collected is as follows:

Type/Name of Related Party	December 31, 2020	December 31, 2019
UBright Optronics Corp.	\$ 55,742	\$ 77,461
Taishin International Bank Co., Ltd.	99,711	30,677
Related party in substance	<u>33,295</u>	<u>9,558</u>
	<u>\$ 188,748</u>	<u>\$ 117,696</u>

Please refer to Note 31 (2) Operating Revenue for information on rental revenue.

j. Acquisition of intangible assets

2020

(In Thousands of Shares)

Name of Related Party	Financial Statement Account	No. of Unit	Underlying Securities	Price
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	9,627	Shin Kong Chi-Shin Money-market Fund	\$ 150,000
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive income - current	10,196	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	<u>125,717</u>
				<u>\$ 275,717</u>

2019

(In Thousands of Shares)

Name of Related Party	Financial Statement Account	No. of Unit	Underlying Securities	Price
Taishin Financial Holding Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	137	Taishin Financial Holding Co., Ltd. - preferred stocks E	\$ 6,831
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive income - current	6,324	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	95,244
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	503	Shin Kong Global Preferred Stock Income Fund	<u>5,000</u>
				<u>\$ 107,075</u>

k. Disposal of financial assets

2020

(In Thousands of Shares)					
Name of Related Party	Financial Statement Account	No. of Shares	Underlying Securities	Proceeds from Disposal	Gains (Losses) on Disposal
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	4,501	Shin Kong Chi-Shin Money-market Fund	\$ 70,009	\$ 9
Chyang Sheng Dyeing & Finishing Co., Ltd.	Financial assets at fair value through other comprehensive income - current	20	Chyang Sheng Dyeing & Finishing Co., Ltd. - common stocks	253	11
				<u>\$ 70,262</u>	<u>\$ 20</u>

2019

(In Thousands of Shares)					
Name of Related Party	Financial Statement Account	No. of Shares	Underlying Securities	Proceeds from Disposal	Gains (Losses) on Disposal
Shin Kong Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss - current	503	Shin Kong Global Preferred Stock Income Fund	<u>\$ 5,901</u>	<u>\$ 91</u>

l. Loans to related parties

Interest income

Type/Name of Related Party	2020	2019
Shang De Motor Co., Ltd.	\$ -	\$ 332
Hua Yang Motor Co., Ltd.	-	123
	<u>\$ -</u>	<u>\$ 455</u>

Short-term loans provided by the Company to several key management personnel are unsecured loans with interest rates similar to the market rates.

m. Endorsements and guarantees

Endorsements and guarantees received

Type/Name of Related Party	December 31, 2020	December 31, 2019
Shinkong Asset Management Co., Ltd.		
Guaranteed Amount	<u>\$ 2,060,000</u>	<u>\$ 2,060,000</u>
Amount Actually Drawn (recognized as secured bank borrowings)	<u>\$ 2,060,000</u>	<u>\$ 2,060,000</u>

Endorsements and guarantees provided

<u>Type/Name of Related Party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Shang De Motor Co., Ltd.		
Guarantee Amount	<u>\$ 240,000</u>	<u>\$ 240,000</u>
Amount Actually Drawn	<u>\$ 72,360</u>	<u>\$ 77,000</u>

n. Others

<u>Financial Statement Account</u>	<u>Type of Related Party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalent	Shin Kong Bank Co., Ltd.	\$ 63,628	\$ 83,228
	Related party in substance	<u>12,370</u>	<u>27,274</u>
		<u>\$ 75,998</u>	<u>\$ 110,502</u>
Refundable deposits	Chyang Sheng Dyeing & Finishing Co., Ltd.	\$ 3,202	\$ 2,941
	Shin Kong Life Insurance Co., Ltd.	3,456	3,456
	Related party in substance	<u>222</u>	<u>222</u>
		<u>\$ 6,880</u>	<u>\$ 6,619</u>
Guarantee deposits received	UBright Optronics Corp.	\$ 4,010	\$ 4,010
	Taishin International Bank Co., Ltd.	5,754	5,754
	Related party in substance	<u>1,104</u>	<u>1,104</u>
		<u>\$ 10,868</u>	<u>\$ 10,868</u>
Financial assets at amortized cost	Shin Kong Bank Co., Ltd.	<u>\$ 1,800</u>	<u>\$ 4,050</u>
Non-operating income	The Great Taipei Gas Corporation	\$ -	\$ 1,442
	Shin Kong Life Insurance Co., Ltd.	35	529
	Related party in substance	<u>128</u>	<u>286</u>
		<u>\$ 163</u>	<u>\$ 2,257</u>
Non-operating expenses	Related party in substance	<u>\$ 15</u>	<u>\$ 5</u>

The Company provided shares as collateral to secure financing facilities from related parties. Details are as follows:

Name of Related Party	Details	December 31, 2020	December 31, 2019
Shin Kong Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	10,000 thousand shares
Taishin International Bank Co., Ltd.	Shares of Shinkong Insurance Co., Ltd.	10,000 thousand shares	-

o. Remuneration to key management

	2020	2019
Short-term employee benefits	\$ 12,751	\$ 12,537
Post-employment benefits	311	299
	<u>\$ 13,062</u>	<u>\$ 12,836</u>

Remuneration to director and key management is determined by the Remuneration Committee based on personal performances and market trends.

32. Pledged Assets

The following assets have been provided as collateral for borrowings:

	December 31, 2020	December 31, 2019
Financial assets at fair value through other comprehensive income - non-current	\$ 1,793,800	\$ 1,400,267
Investment properties	1,881,034	1,897,707
Pledged time deposits (recognized as financial assets at amortized cost)	1,800	4,050
	<u>\$ 3,676,634</u>	<u>\$ 3,302,024</u>

33. Significant Contingent Liabilities and Unrecognized Contract Commitments

Besides disclosures in other notes, the Company's significant commitments and contingencies on the balance sheet dates were as follows:

Significant commitments

As of December 31, 2020 and 2019, the guaranteed notes submitted by the Company for import credits and other businesses amounted to NT\$8,818 thousand and NT\$8,518 thousand, respectively.

34. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following information is aggregated by foreign currencies other than the Company's functional currency and the exchange rates used to translate foreign currencies into the functional currency are disclosed. Foreign currency-denominated assets and liabilities of significant influence are as follows:

December 31, 2020

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
Assets denominated in foreign currency			
<u>Monetary items</u>			
USD	\$ 22,431	28.48	\$ 638,846
Euro	27	35.02	948
<u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	2,606	4.377	11,402

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
Liabilities denominated in foreign currency			
<u>Monetary items</u>			
Euro	49	35.02	1,723

December 31, 2019

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
Assets denominated in foreign currency			
<u>Monetary items</u>			
USD	\$ 17,506	29.98	\$ 524,821
Euro	533	33.59	17,887
AUD	15	21.005	324
<u>Non-monetary items</u>			
Subsidiaries, associates and joint ventures accounted for using the equity method			
RMB	3,678	4.305	15,833

Liabilities denominated in foreign currency			
<u>Monetary items</u>			
USD	34	29.98	1,020
Euro	108	33.59	3,630

The Company's (realized and unrealized) foreign exchange gains and losses for the years ended December 31, 2020 and 2019 amounted to NT\$27,582 thousand and NT\$12,029 thousand, respectively. Since the Company transacts in a number of foreign currencies, foreign exchange gain (loss) cannot be disclosed by foreign currencies with significant impact.

35. Additional Disclosures

a. Information on Significant Transactions:

- 1) Financing provided to others. (Table I)
- 2) Endorsement/guarantee provided to others. (Table II)
- 3) Marketable securities held as of December 31, 2020 (excluding investments in subsidiaries, associates and joint ventures). (Table III)
- 4) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (None)
- 5) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (None)
- 6) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (None)
- 7) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2020. (Table IV)
- 8) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2020. (None)
- 9) Derivative financial instrument transactions. (None)

b. Information on Investees (Table V)

c. Information on Investments in Mainland China:

- 1) For investees in mainland China, please show the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table VI)
- 2) Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) Purchase amount and percentage, and the closing balance and percentage of the related payables.
 - b) Sales amount and percentage, and the closing balance and percentage of the related receivables.
 - c) Property transaction amount and the resulting gain or loss.
 - d) Ending balances and purposes of endorsements/guarantees or collateral provided.
 - e) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
 - f) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.

d. Information on major shareholders: Name of shareholders with a shareholding ratio of 5% or more, the number, and proportion of shares held: (Table VII)

TABLE 1

Shinkong Textile Co., Ltd.

Financing provided to others
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Whether A Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature of Financing	Transaction Amount	Reason for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
1	Shinkong Asset Management Co., Ltd.	Hua Yang Motor Co., Ltd.	Receivables from related parties	Yes	\$ 30,000	\$ 30,000	\$ 30,000	1%	Necessity of short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 663,667	\$ 6,361,155	Note 2

Note 1: The numbers to be filled are described as follows:

- (1) For the issuer, fill in 0.
- (2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: Financing provided to Shinkong Asset Management Co., Ltd.:

For financing provided to a company or firm that needs short-term financing, the total financing amount shall not exceed 70% of the parent Company's net worth and each financing provided to a single party shall not exceed 20 of the parent Company's net worth while the total financing provided to a single party shall be limited to 40% of the lender's net worth.

Maximum amount of financing to companies or firms requiring short-term financing: NT\$9,087,364 x70%=NT\$6,361,155

Maximum amount of financing to a single counterparty: NT\$9,087,364 x20%=NT\$1,817,473; NT\$1,659,168 x40%=NT\$663,667

TABLE 2

Shinkong Textile Co., Ltd.

Endorsements and guarantees provided
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Endorsement/ Guarantee Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Property	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement/ Guarantee Provided by Parent for Subsidiary	Endorsement/ Guarantee Provided by Subsidiary for Parent	Endorsement/ Guarantee Provided for Subsidiary in Mainland China	Note
		Name of Company	Relationship											
0	Shinkong Textile Co., Ltd.	Shang De Motor Co., Ltd.	6	\$ 1,817,473	\$ 240,000	\$ 72,360	\$ 72,360	\$ -	0.8%	\$ 4,543,682	N	N	N	Note 3
1	Shinkong Asset Management Co., Ltd.	Shinkong Textile Co., Ltd.	3	9,087,364	2,060,000	2,060,000	2,060,000	2,060,000	23%	9,087,364	N	Y	N	Note 3

Note 1: The numbers to be filled are described as follows:

- (1) For the issuer, fill in 0.
- (2) Investees are numbered sequentially starting from 1 according to the company type.

Note 2: The relationships between endorsers/guarantors and endorsees/guarantees are categorized into the following seven types. Please specify the type.

- (1) Companies with which the Company conducts business.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the Company's voting shares.
- (4) Between companies in which the Company directly and indirectly holds more than 90% of the voting shares.
- (5) Companies in same type of business and providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- (6) Shareholders making endorsements/guarantees for their mutually invested company in proportion to their shareholding ratio.
- (7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

Note 3: The limit calculated based on the Company's Procedures for Endorsement and Guarantee is as follows:

- (1) The Company and subsidiaries' aggregate amount of endorsement/guarantee for external entities shall not exceed 50% of the Company's net worth. The maximum endorsement/guarantee for a single entity shall not exceed 20% of the Company's net worth.
- (2) According to the rules above, the maximum amount of aggregate endorsement/guarantee provided by the Company and subsidiaries was the net worth of NT\$9,087,364×50%=NT\$4,543,682 and the maximum endorsement/guarantee for a single entity was the net worth of NT\$9,087,364×20%=NT\$1,817,473 for the year ended December 31, 2019.
The limit calculated based on Shinkong Asset Management Co., Ltd.'s Procedures for Endorsement and Guarantee is as follows:
- (3) The amount of endorsement/guarantee provided by 100%-owned subsidiaries to the parent company shall be limited to the net worth of the parent company.

Note 4: Fill in Y if a listed parent company provides endorsement/guarantee for its subsidiary or if a subsidiary provides endorsement/guarantee for its listed parent company or if endorsement/guarantee involve mainland China.

TABLE 3

Shinkong Textile Co., Ltd.

Marketable securities held as of December 31, 2020
December 31, 2020
(In Thousands of Shares / New Taiwan Dollars)

Securities Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	Ending Balance				Note (Note 3)
				Number of shares (in thousands)	Carrying amount	Shareholding (%)	Fair value	
Shinkong Textile Co., Ltd.	Beneficiary certificates							
	Grandway Multi-Strategy Fund	None	Financial assets at fair value through profit or loss - current	63	\$ 52,977	-	\$ 52,977	
	Shin Kong Chi-Shin Money-market Fund	None	"	5,126	80,002	-	80,002	
	Yuanta/P-shares Taiwan Top 50 ETF			153	18,704	-	18,704	
	Stocks - listed on TWSE or TPEx							
	Asia Pacific Telecom Co., Ltd.	None	"	524	5,296	0.01	5,296	
Shinkong Textile Co., Ltd.	TacBright Optronics Corporation	(6)	"	5,000	30,550	1.08	30,550	
					<u>\$ 187,529</u>		<u>\$ 187,529</u>	
	Stocks - listed on TWSE or TPEx							
	Chyang Sheng Dyeing & Finishing Co., Ltd.	(3)	Financial assets at fair value through other comprehensive income - current	22,581	\$ 309,354	13.03	\$ 309,354	
	Shinkong Synthetic Fibers Corporation	(4)	"	56,104	799,486	3.47	799,486	
	SinoPac Holdings Co., Ltd.	None	"	3	39	-	39	
	Taishin Financial Holding Co., Ltd.	(6)	"	6,836	90,574	0.06	90,574	
	Shin Kong Financial Holding	(6)	"	4,609	40,604	0.04	40,604	
					<u>\$ 1,240,057</u>		<u>\$ 1,240,057</u>	
	Stocks - listed on TWSE or TPEx							
Shinkong Textile Co., Ltd.	Xintec Inc.	None	Financial assets at fair value through other comprehensive income - non-current	141	\$ 25,873	0.05	\$ 25,873	
	O-Bank Co., Ltd.	None	"	10,385	71,966	0.34	71,966	
	The Great Taipei Gas Corporation	(6)	"	10,738	368,314	2.08	368,314	
	Taishin Financial Holding Co., Ltd. - preferred stocks E	(6)	"	228	11,997	0.03	11,997	

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Securities Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	Ending Balance				Note (Note 3)
				Number of Shares (in thousands)	Carrying amount	Shareholding (%)	Fair value	
Shinkong Textile Co., Ltd.	Shinkong Insurance Co., Ltd.	(1)	Financial assets at fair value through other comprehensive income - non-current	51,540	\$ 1,992,003	16.31	\$ 1,992,003	10,000 thousand shares were collateralized to Shin Kong Bank and Taishin International Bank separately with a market value of NT\$773,000 thousand
	Taishin Financial Holding Co., Ltd. - Preferred stocks E (second time) Unlisted companies	(6)	"	137	7,023	0.05	7,023	
	Tong Hsin Water Business Inc.	(1)	Financial assets at fair value through other comprehensive income - non-current	2,478	28,454	9.83	28,454	
	Taian Insurance Co., Ltd.	None	"	2,049	46,032	0.69	46,032	32,000 thousand shares were collateralized to ChinaTrust Commercial Bank with a market value of NT\$1,020,800 thousand
	Shin Kong Chao Feng Co., Ltd.	(5)	"	200	33,229	2.22	33,229	
	Shinkong Mitsukoshi Department Store Co., Ltd.	(4)	"	41,275	1,316,687	3.31	1,316,687	
	Shin Kong Recreation Co., Ltd.	(2)	"	650	202,830	3.32	202,830	
	Eastern International Ad.	None	"	-	316	0.90	316	
	Li Yu Venture Capital Co., Ltd.	None	"	209	1,534	1.79	1,534	
	Taiwan Zeniya Interior Design Co., Ltd.	None	"	-	14,827	0.08	14,827	
	Global Securities Finance Corp.	None	"	98	979	0.53	979	
	WK Technology Fund IV	None	"	301	1,905	0.71	1,905	
	WK Technology Fund	None	"	435	5,454	2.18	5,454	
	IRSO Precision Co., Ltd.	None	"	1,000	5,857	4.93	5,857	
	KHL IB Venture Capital	None	"	3,011	81,015	2.98	81,015	
					<u>\$ 4,216,295</u>		<u>\$ 4,216,295</u>	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities as promulgated in IFRS 9 "Financial Instruments".

Note 2: (1) The company's representative of corporate chairman and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(2) The company's representative of corporate director and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(3) The Company's subsidiary accounted for using the equity method is the company's corporate director.

(4) The company's representative of corporate director is the same person as the Company's representative of corporate chairman.

(5) The company's representative of corporate supervisor and the Company's representative of corporate chairman are relatives within the second degree of kinship.

(6) Other related parties.

Note 3: Where marketable securities held are pledged as security or pledged for borrowings or with restrictions on their uses under some agreements, the numbers of shares and amount pledged as well as restrictions shall be stated in the Note column.

Note 4: For information on investments in subsidiaries, associates, and joint ventures, please refer to Table V.

TABLE 4

Shinkong Textile Co., Ltd.

Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital
 For the year ended December 31, 2020
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transactions (Note 1)		Notes and Accounts Receivable (Payable)		Note (Note 2)
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit price	Credit Period	Ending Balance	Percentage of Total Notes and Accounts Receivable (Payable) (%)	
Shinkong Mitsukoshi Department Store Co., Ltd.	Shinkong Textile Co., Ltd.	Related party in substance	Sales	\$ 212,418	10.92%	No material difference from general customers	-	-	\$ 35,522	10.84%	

Note 1: If the transaction terms with related parties are different from that with general customers, the difference and reasons for the differences shall be specified in the Unit Price and the Credit Period columns.

Note 2: In case of advance receipts (prepayments), reasons, the terms of the agreement, the amount and differences from the general transaction type shall be specified in the Note column.

Note 3: Paid-up capital refers to the paid-up capital of the parent company. When the issuer's stock has no par value, or the par value is not NT\$10 per share, the maximum transaction amount related to 20% of the paid-in capital is calculated based on 10% of equity attributable to owners of the parent in the balance sheet.

TABLE 5

Shinkong Textile Co., Ltd.

Names, locations, and other information of investees
For the year ended December 31, 2020
(In Thousands of Shares / New Taiwan Dollars)

Investor	Investee	Location	Principal Business Activities	Initial Investment Amount		Ending Balance			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Ending Balance	End of Last Year	Number of shares	%	Carrying amount			
Shinkong Textile Co., Ltd.	Shinkong Asset Management Co., Ltd.	11F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	\$ 664,719	\$ 664,719	25,490	100.00	\$ 1,625,166	\$ 73,375	\$ 72,571	Note 1, Subsidiary
"	Lian Quan Investment Co., Ltd.	12F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Reinvestment in a wide range of businesses, including manufacturing, banking, insurance, recreation, securities, trading, general merchandises, cultural undertakings and the construction of commercial buildings and public housing units.	83,133	83,133	11,192	48.89	364,139	18,453	9,022	Note 1
"	SK INNOVATION CO., LTD.	Portcullis Trust Net Chambzs, P.O. Box1225, Apia, Samoa	Investment	21,424	21,424	700	100.00	11,402	(4,407)	(4,407)	Subsidiary
"	Shang De Motor Co., Ltd.	No. 518, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 242048, Taiwan (R.O.C.)	Trading and maintenance of motor vehicles and trading of auto parts	269,699	229,216	9,715	33.50	264,006	53,336	17,868	
"	WPI-High Street LLC	5190 Campus Dr., Newport Beach, CA 92660	Investment	85,624	46,613	-	35.71	67,541	63,809	22,786	
Shinkong Asset Management Co., Ltd.	Xin Fu Development Co., Ltd.	11F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Development and rental of housing, building and industrial factory, and development of specific areas	764,862	764,862	20,000	100.00	769,721	3,452	3,468	Second-tier subsidiary

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Investor	Investee	Location	Principal Business Activities	Initial Investment Amount		Ending Balance			Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Ending Balance	End of Last Year	Number of shares	%	Carrying amount			
"	Hua Yang Motor Co., Ltd.	No. 9-1, Ln. 366, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City 235026, Taiwan (R.O.C.)	Businesses include the wholesale and retail sale of motor vehicles, retail sale of auto and motorcycle parts and accessories, automobile repair, other automobile services, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of tires and tubes, agency service, leasing, and manufacturing of motor vehicles/motorcycles and their parts	349,065	52,809	33,700	100.00	329,281	(8,023)	(7,896)	Second-tier subsidiary
Hua Yang Motor Co., Ltd.	One Full Co., Ltd.	6F., No. 123, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104475, Taiwan (R.O.C.)	Note 2	30,000	-	3,000	100.00	26,625	(3,375)	(3,375)	Second-tier subsidiary

Note 1: The carrying amount has deducted the NT\$13,174 thousand reclassified as treasury shares.

Note 2: Wholesale of culture, education, musical instruments and educational entertainment supplies, retail sale of cloths, garments, shoes, hats, umbrellas and clothing accessories, retail sale of furniture, bedding, kitchen utensils and fixtures, retail sale of daily commodities, retail sale of cleaning supplies, retail sale of cosmetics, retail sale of culture, education, musical instruments and educational entertainment supplies, retail sale of bicycles and parts, retail sale of jewelry and precious metals, retail sale without storefront, other integrated retail sale, international trade, warehousing, and tally packaging.

Note 3: Please refer to Table VI for information on investments in mainland China.

TABLE 6

Shinkong Textile Co., Ltd.

Information on investments in mainland China.
For the year ended December 31, 2020
(In Thousands of New Taiwan Dollars; Foreign Currencies)

Investee	Principal Business Activities	Paid-in Capital	Method of Investments	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
Shanghai Xin Ying Trading Co., Ltd.	Garments, leather suitcases, daily commodities, craft gifts (except for cultural relics) and packaging materials.	\$ 21,362	Note 1 (2)-(1)	\$ 13,600	\$ 7,762	\$ -	\$ 21,362	(\$ 4,409)	100	(\$ 4,409) (2)－B	\$ 11,399	\$ -	-
Shanghai Yong Yi Internet Technology Co., Ltd.	Development of specialized field in internet technology, technical service, technology transfer, technical consultation, internet business and e-commerce.	276	Note 1 (2)-(2)	-	-	-	-	(1,044)	61	(637) (2)－B	6	-	

Note 1: Methods of investments are divided into the following three types. Please specify the type.

1. Direct investment in mainland China.
- (2)-(1) Reinvesting in the Mainland through SK INNOVATION CO., LTD. in the third area.
- (2)-(2) Reinvesting in the Mainland through Shanghai Xin Ying Trading Co., Ltd.
- (3) Others.

Note 2: For the Investment Gain (Loss) column:

- (1) Indicate if no investment gain (loss) is recognized as an investee is under preparation.
- (2) Indicate if investment gain (loss) is recognized on one of the following bases:

A. Financial statements audited by international accounting firms cooperating with accounting firms in the Republic of China.

B. Financial statements audited by the parent company's CPAs in Taiwan.

C. Others (financial statements for the same periods prepared by above investees).

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$21,362	US\$ 1,000, NT\$ 28,480	\$5,452,418

TABLE 7**Shinkong Textile Co., Ltd.**

Information on Major Shareholders
December 31, 2020

Name of Major Shareholders	Shareholding	
	No. of Shares	Percentage of Ownership
Shinkong Synthetic Fibers Corporation	28,378,958	9.45%
Shin Kong Wu Ho-Su Memorial Hospital	20,979,735	6.99%
Ji Zhen Co., Ltd.	19,650,000	6.54%

Note 1: The major shareholders in this table are shareholders holding 5% or more of the common and preferred shares that have completed delivery without physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

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Shinkong Textile Co., Ltd.**Statement of Cash and Cash Equivalents****December 31, 2020****(In Thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 769
Checks deposits		71,976
Demand deposits		66,350
Foreign-currency deposits	Including US\$12,941 thousand@28.48, EUR 27 thousand@35.02, GBP 15 thousand@38.9, RMB 4 thousand @4.377	<u>367,240</u>
		<u>\$ 506,335</u>

Shinkong Textile Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2020

(In Thousands of New Taiwan Dollars)

Financial Instrument	Description	Number of Shares (in thousands)	Par Value (NT\$)	Fair Value	
				Unit Price (NT\$)	Total Amount
Stocks - listed on TWSE or TPEX	Asia Pacific Telecom Co., Ltd.	524	10	\$ 10.10	\$ 5,296
	TacBright Optronics Corporation	5,000	10	6.11	<u>30,550</u>
					<u>35,846</u>
Beneficiary certificates	Grandway Multi-Strategy Fund	63	-	837.01	52,977
	Shin Kong Chi-Shin Money-market Fund	5,126	-	15.61	80,002
	Yuanta/P-shares Taiwan Top 50 ETF	153	-	122.25	<u>18,704</u>
					<u>151,683</u>
					<u>\$187,529</u>

Shinkong Textile Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2020

(In Thousands of New Taiwan Dollars)

Financial Instrument	Description	Number of Shares (in thousands)	Par Value (NT\$)	Fair Value	
				Unit Price (NT\$)	Total Amount
Stocks - listed on TWSE or TPEX	Chyang Sheng Dyeing & Finishing Co., Ltd.	22,581	10	\$ 13.70	\$ 309,354
	Shinkong Synthetic Fibers Corporation	56,104	10	14.25	799,486
	SinoPac Holdings Co., Ltd.	3	10	11.45	39
	Taishin Financial Holding Co., Ltd.	6,836	10	13.25	90,574
	Shin Kong Financial Holding	4,609	10	8.81	40,604
					<u>\$ 1,240,057</u>

Shinkong Textile Co., Ltd.**Statement of Notes Receivable****December 31, 2020****(In Thousands of New Taiwan Dollars)**

<u>Customer</u>	<u>Description</u>	<u>Amount</u>
Related party		
Related party in substance		\$ 8
Unrelated party		
Chun Cheng Knitting Factory	Receivable from goods sold	2,388
Co., Ltd.		
Full-Zone Corporation	"	2,253
Wei Genn Co., Ltd.	"	1,033
Others (Note)	"	<u>1,470</u>
		<u>\$ 7,152</u>

Note: The balance of each customer did not exceed 5% of the account balance.

Shinkong Textile Co., Ltd.

Statement of Accounts Receivable
December 31, 2020
(In Thousands of New Taiwan Dollars)

Customer	Description	Amount
Related party		
Shinkong Mitsukoshi Department Store Co., Ltd.	Receivable from goods sold	\$ 35,522
Others (Note)	"	<u>2,386</u>
		<u>37,908</u>
Unrelated party		
MXP JSC	Receivable from goods sold	24,254
RELIABLE SOURCE INDUSTRIAL	"	33,145
SINTEX	"	16,775
TREASURE SUCCESS	"	19,090
Others (Note)	"	191,117
Less: Loss allowance		(<u>1,664</u>)
		<u>\$ 320,625</u>

Note: The balance of each customer did not exceed 5% of the account balance.

Shinkong Textile Co., Ltd.**Statement of Other Payables****December 31, 2020****(In Thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Other receivables	Others	\$ 115
Tax refunds receivable	Business tax	8,777
Non-operating revenues receivable	Receivables from tax consolidation of new asset management products	<u>19,639</u>
		<u>\$ 28,531</u>

Shinkong Textile Co., Ltd.**Statement of Inventories****December 31, 2020****(In Thousands of New Taiwan Dollars)**

Items	Description	Cost	Net Realizable Value
Merchandise inventories	Garment	\$ 161,054	\$ 176,583
Raw materials	Yarn, silk	51,183	51,183
Supplies		13,609	13,609
Work in progress	Yarn, silk	61,972	61,972
Finished goods	Fabrics	<u>158,719</u>	<u>158,719</u>
		<u>\$ 446,537</u>	<u>\$ 462,066</u>

Shinkong Textile Co., Ltd.**Statement of Prepayments****December 31, 2020****(In Thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Prepaid expenses	Design fees	\$ 8,040
	Service fees	1,029
	Others (Note)	<u>4,628</u>
		13,697
Prepayments to suppliers		<u>42,638</u>
		<u>\$ 56,335</u>

Note: The balance of each item was less than 5% of the account balance.

Shinkong Textile Co., Ltd.

Statement of Financial Assets at Fair Value through Other Comprehensive Income - Non-current
For the Year Ended December 31, 2020
(In Thousands of New Taiwan Dollars)

	Beginning balance		Increase		Reclassification		Decrease		Ending Balance			Collateral/Pledge
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Ownership %	Amount	
Financial assets at fair value through other comprehensive income - non-current												
Domestic stocks listed on TWSE or TPEx or emerging stocks												
The Great Taipei Gas Corporation	10,738	\$ 336,100	-	\$ 32,214	-	\$ -	-	\$ -	10,738	2.08	\$ 368,314	None
Shinkong Insurance Co., Ltd.	51,540	1,989,426	-	2,577	-	-	-	-	51,540	16.31	1,992,003	Please refer to Note XXXII for details.
O-Bank	10,385	81,105	-	-	-	-	-	9,139	10,385	0.34	71,966	None
Xintec Inc.	141	11,350	-	14,523	-	-	-	-	141	0.05	25,873	"
Taishin Financial Holding Co., Ltd. - preferred stocks	228	12,636	-	-	-	-	-	639	228	0.03	11,997	"
Taishin Financial Holding Co., Ltd. - preferred stocks (2nd time)	137	<u>7,446</u>	-	<u>-</u>	-	<u>-</u>	-	<u>423</u>	137	0.05	<u>7,023</u>	
		<u>2,438,063</u>		<u>49,314</u>		<u>-</u>		<u>10,201</u>			<u>2,477,176</u>	
Domestic stocks of unlisted companies												
Shinkong Mitsukoshi Department Store Co., Ltd.	41,275	1,248,560	-	68,127	-	-	-	-	41,275	3.31	1,316,687	Please refer to Note XXXII for details.
Shin Kong Recreation Co., Ltd.	650	190,670	-	12,160	-	-	-	-	650	3.32	202,830	None
Tong Hsin Water Business Inc.	2,478	28,205	-	249	-	-	-	-	2,478	9.83	28,454	"
Taian Insurance Co., Ltd.	2,049	44,250	-	1,782	-	-	-	-	2,049	0.69	46,032	"
Shin Kong Chao Feng Co., Ltd.	200	31,180	-	2,049	-	-	-	-	200	2.22	33,229	"
Eastern International Ad.	-	317	-	-	-	-	-	1	-	0.90	316	"
WK Technology Fund IV	301	2,270	-	-	-	-	-	365	301	0.71	1,905	"
Global Securities Finance Corp.	2,103	9,520	-	-	-	-	2,005	8,541	98	0.53	979	"
Li Yu Venture Capital Co., Ltd.	209	1,730	-	-	-	-	-	196	209	1.79	1,534	"
Taiwan Zeniya Interior Design Co., Ltd.	-	13,582	-	1,245	-	-	-	-	-	0.08	14,827	"
WK Technology Fund	435	6,670	-	-	-	-	-	1,216	435	2.18	5,454	"
KHL IB Venture Capital	3,832	48,548	-	40,678	-	-	821	8,211	3,011	2.98	81,015	"
IRSO Precision Co., Ltd.	1,000	<u>6,760</u>	-	<u>-</u>	-	<u>-</u>	-	<u>903</u>	1,000	4.93	<u>5,857</u>	"
		<u>1,632,262</u>		<u>126,290</u>		<u>-</u>		<u>19,433</u>			<u>1,739,119</u>	
		<u>\$4,070,325</u>		<u>\$ 175,604</u>		<u>\$ -</u>		<u>\$ 29,634</u>			<u>\$4,216,295</u>	

Shinkong Textile Co., Ltd.

Statement of Changes in Investments Accounted for Using the Equity Method
For the Year Ended December 31, 2020
(In Thousands of New Taiwan Dollars)

	Beginning balance		Increase (Note 1)		Reclassification		Decrease (Note 2)		Investment Gain (Loss)	Ending Balance			
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount		Number of shares (in thousands)	Ownership %	Amount	Collateral/Pledge
Long-term investment in shares accounted for using the equity method													
Domestic stocks of unlisted companies													
Shinkong Asset Management Co., Ltd.	25,490	\$1,599,158	-	\$ 804	-	\$ -	-	\$ 34,193	\$ 72,571	25,490		\$1,638,340	None
Lian Quan Investment Co., Ltd.	11,192	349,431	-	5,685	-	-	-	-	9,023	11,192		364,139	"
SK INNOVATION CO., LTD.	700	15,833	-	-	-	-	-	24	(4,407)	700		11,402	"
Shang De Motor Co., Ltd.	9,715	246,139	-	-	-	-	-	-	17,867	9,715		264,006	"
WPI-High Street LLC	-	74,429	-	9,607	-	-	-	39,281	22,786	-		67,541	"
Less: Unrealized gains on disposal		(15,269)		15,269		-		-	-			-	
Less: Reclassified to treasury shares		(13,174)		-		-		-	-			(13,174)	
		<u>\$2,256,547</u>		<u>\$ 31,365</u>		<u>\$ -</u>		<u>\$ 73,498</u>	<u>\$ 117,840</u>			<u>\$2,332,254</u>	

Note 1: Details of the increase is as follows:

Items	Amount
Dividends paid to subsidiaries	\$ 804
Unrealized gains (losses) on financial assets	5,685
Capital increase	9,607
Reclassified to realized transactions between the parent and subsidiaries	<u>15,269</u>
	<u>\$ 31,365</u>

Note 2: Details of the decrease is as follows:

Items	Amount
Dividends received from subsidiaries and associates	(\$ 60,289)
Unrealized gains (losses) on financial assets	(642)
Exchange differences on translating the financial statements of foreign operations	(4,503)
Changes in percentage of ownership interests in subsidiaries	(8,064)
	<u>(\$ 73,498)</u>

Shinkong Textile Co., Ltd.

Statement of Changes in Right-of-use Assets

December 31, 2020

(In Thousands of New Taiwan Dollars)

Items	Beginning balance	Increase	Decrease	Ending Balance
Houses and buildings	\$173,762	\$ 1,070	(\$ 16,383)	\$158,449
Transportation Equipment	4,952	1,163	-	6,115
Office equipment	701	345	(77)	969
Other equipment	<u>1,331</u>	<u>-</u>	<u>-</u>	<u>1,331</u>
	<u>\$180,746</u>	<u>\$ 2,578</u>	<u>(\$ 16,460)</u>	<u>\$166,864</u>

Shinkong Textile Co., Ltd.

Statement of Changes in Accumulated Depreciation of Right-of-use Assets
December 31, 2020
(In Thousands of New Taiwan Dollars)

Items	Beginning balance	Increase	Decrease	Ending Balance
Houses and buildings	\$ 39,071	\$ 35,893	(\$ 9,328)	\$ 65,636
Transportation Equipment	2,140	2,177	-	4,317
Office equipment	289	289	(59)	519
Other equipment	<u>390</u>	<u>389</u>	<u>-</u>	<u>779</u>
	<u>\$ 41,890</u>	<u>\$ 38,748</u>	<u>(\$ 9,387)</u>	<u>\$ 71,251</u>

Shinkong Textile Co., Ltd.

Statement of Short-term Borrowings
December 31, 2020
(In Thousands of New Taiwan Dollars)

Creditor	Type of Loans	Ending Balance	Duration	Interest Rate Range (%)	Line of Credit	Collateral or Guarantee
Bank of Taiwan - Wuchang Branch	Collateral loans	\$ 750,000	2020.12.15-2021.3.15	0.95	\$ 1,350,000	Please refer to Note XXXII for details.
Cathay United Bank - Guanchian Branch	Collateral loans	400,000	2020.12.22-2021.3.22	0.93	1,360,000	"
Taishin International Bank - Corporate Finance Division	Collateral loans	<u>200,000</u>	2020.12.11-2021.3.12	0.96	<u>200,000</u>	"
		<u>\$ 1,350,000</u>			<u>\$ 2,910,000</u>	

Shinkong Textile Co., Ltd.**Statement of Notes Payable****December 31, 2020****(In Thousands of New Taiwan Dollars)**

Customer	Description	Amount
Related party		
Chyang Sheng Dyeing & Finishing Co., Ltd.	Insurance premium, etc.	\$ 10,631
Shin Kong Life Insurance Co., Ltd.	"	1,152
Related party in substance (Note)	"	256
Unrelated party		
Full-Zone Corporation	Receivable from goods sold	7,904
Yeong Sherng Co., Ltd.	"	34,140
Others (Note)		<u>57,395</u>
		<u>\$ 111,478</u>

Note: The balance of each item was less than 5% of the account balance.

Shinkong Textile Co., Ltd.**Statement of Accounts Payable
December 31, 2020
(In Thousands of New Taiwan Dollars)**

<u>Customer</u>	<u>Description</u>	<u>Amount</u>
Related party		
Related party in substance (Note)	Receivable from goods sold	\$ 529
Unrelated party		
Tung Ho Textile Co., Ltd.	Receivable from goods sold	3,528
Yeong Sherng Co., Ltd.	"	11,432
Elan Textile Co., Ltd.	"	4,092
Others (Note)		<u>39,688</u>
		<u>\$ 59,269</u>

Note: The balance of each item was less than 5% of the account balance.

Shinkong Textile Co., Ltd.
Statement of Long-term Borrowings
December 31, 2020
(In Thousands of New Taiwan Dollars)

Creditor	Type of Loans	Borrowing Amount	Duration	Interest Rate Range (%)	Collateral or Guarantee
Hua Nan Commercial Bank Headquarters - Business Department	Collateral loans	<u>\$ 190,000</u>	2020.6.23-2021.6.25	0.97%	Please refer to Note XXXII for details.

Shinkong Textile Co., Ltd.**Statement of Lease Liabilities****December 31, 2020****(In Thousands of New Taiwan Dollars)**

Type	Lease Period	Discount Rate	Ending Balance
Houses and buildings	2019.1.1-2026.8.31	0.952%-1.008%	\$ 94,476
Transportation Equipment	2019.1.1-2022.6.30	0.981%-1.008%	1,891
Office equipment	2019.1.1-2026.4.30	1.003%-1.008%	216
Other equipment	2019.1.1-2026.1.31	1.008%	<u>421</u>
			97,004
Less: Current portion of lease liabilities			(<u>36,117</u>)
			<u>\$ 60,887</u>

Shinkong Textile Co., Ltd.**Statement of Operating Revenue
For the Year Ended December 31, 2020
(In Thousands of New Taiwan Dollars)**

Items	Description	Amount
Sales revenue, gross		
Textile		\$ 1,165,411
Brand agency		<u>653,184</u>
		1,818,595
Less: Sales return and discount		(<u>26,981</u>)
Sales revenue, net		1,791,614
Rental revenue	Rental revenue from Wuling financial building and Taoyuan spinning mill	153,486
Other operating revenue	Royalties and special sales events	<u>996</u>
		<u>\$ 1,946,096</u>

Shinkong Textile Co., Ltd.

Statement of Operating Costs
 For the Year Ended December 31, 2020
 (In Thousands of New Taiwan Dollars)

Items	Amount
Consumption of direct raw materials	
Direct raw materials - beginning balance	\$ 49,899
Add: Purchase during the period	192,786
Transferred from work in progress	65,344
Transferred from finished goods	369
Less: Reclassified as expenses	(728)
Sale of raw materials	(19,046)
Direct raw materials - ending balance	(66,447)
Inventory shrinkage	(79)
	<u>222,098</u>
Consumption of indirect materials	
Supplies - beginning balance	12,999
Add: Purchase during the period	59,095
Less: Reclassified as expenses	(54,938)
Inventory shrinkage	(94)
Sale of supplies	(85)
Supplies - ending balance	(13,834)
	<u>3,143</u>
Director labor	58,593
Manufacturing overheads	278,836
Outsourced processing fee	<u>184,946</u>
Manufacturing costs	<u>747,616</u>
Work in progress - beginning balance	60,023
Add: Transferred from finished goods	632,318
Transferred from merchandise	-
Less: Work in progress transferred to raw materials	(65,344)
Work in progress transferred to merchandise	(42,190)
Work in progress - ending balance	(61,972)
Cost of finished goods	<u>1,270,451</u>
Finished goods - beginning balance	191,271
Add: Purchase during the period	386,865
Less: Reclassified as expenses	(5,965)
Finished goods transferred to work in progress	(632,318)
Finished goods transferred to raw materials	(369)

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Items	Amount
Inventory shrinkage	(20)
Disposal	(1,751)
Finished goods - ending balance	(223,411)
Cost of goods sold	<u>984,753</u>
Sale of merchandise	
Inventories - beginning balance	294,867
Add: Purchases	293,393
Transferred from work in progress	42,190
Less: Inventory shrinkage	(29)
Reclassified as operating expenses	(6,232)
Inventories - ending balance	(228,499)
Cost of sales	<u>395,690</u>
Other operating costs	
Inventory write-down	20,489
Inventory shrinkage	222
Disposal	1,751
Sale of scraps	(219)
Sale of raw materials and supplies	19,131
Others	(10,921)
	<u>30,453</u>
Rental costs	<u>44,425</u>
	<u>\$ 1,455,321</u>

Shinkong Textile Co., Ltd.**Statement of Operating Expenses****December 31, 2020****(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Type	Selling and marketing	General and administrative	Research and development	Total
Salaries	\$130,420	\$ 52,732	\$ 11,940	\$195,092
Depreciation	22,505	15,650	242	38,397
Others (Note)	<u>152,220</u>	<u>23,666</u>	<u>11,522</u>	<u>187,408</u>
	<u>\$305,145</u>	<u>\$ 92,048</u>	<u>\$ 23,704</u>	<u>\$420,897</u>

Note: The balance of each item was less than 5% of the account balance.

Shinkong Textile Co., Ltd.

Summary of Employee Benefits, Depreciation and Amortization Expenses by Functions
For the Year Ended December 31, 2020
(In Thousands of New Taiwan Dollars)

	2020			2019		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salaries	\$ 105,818	\$ 178,192	\$ 284,010	\$ 113,285	\$ 180,161	\$ 293,446
Labor and health insurances	10,896	16,642	27,538	10,191	16,083	26,274
Pensions	3,667	8,332	11,999	3,554	8,415	11,969
Remuneration to Directors	-	8,632	8,632	-	8,648	8,648
Other employee benefits	4,322	7,425	11,747	7,494	7,439	14,933
Total employee benefit expense	<u>\$ 124,703</u>	<u>\$ 219,223</u>	<u>\$ 343,926</u>	<u>\$ 134,524</u>	<u>\$ 220,746</u>	<u>\$ 355,270</u>
Depreciation	<u>\$ 83,021</u>	<u>\$ 38,397</u>	<u>\$ 121,418</u>	<u>\$ 84,745</u>	<u>\$ 53,454</u>	<u>\$ 138,199</u>
Amortization	<u>\$ 299</u>	<u>\$ 1,269</u>	<u>\$ 1,568</u>	<u>\$ 280</u>	<u>\$ 919</u>	<u>\$ 1,199</u>

Note:

- The Company had 489 and 481 employees and there are four and five Directors that were not employees of the Company in 2020 and 2019, respectively.
- For companies whose shares are listed on the TWSE/TPEX, the following information shall also be disclosed:
 - The average employee benefit expense of this year was NT\$691 thousand (“Total employee benefit expense - Total remuneration to Directors of the year” / “Number of employees - Number of Directors who were not employees of the year”).
The average employee benefit expense of the preceding year was NT\$728 thousand (“Total employee benefit expense - Total remuneration to Directors of the preceding year” / “Number of employees - Number of Directors who were not employees of the preceding year”).
 - The average employee salary expense of this year is NT\$586 thousand (Total salary expense of the year / “Number of employees - Number of Directors who were not employees of the year”).
The average employee salary expense of the preceding year was NT \$616 thousand (Total salary expense of the preceding year / "Number of employees - Number of Directors who were not employees of the preceding year").
 - Change in average employee salary expense (4.87%) ((Average employee salary expense of the year - Average employee salary expense of the preceding year) / Average employee salary expense of the preceding year).
 - The Company has established an Audit Committee, and the remuneration to Independent Directors has been disclosed along with remuneration to Directors.
 - The Company's remuneration policy (including Directors, managers and employees) is as follows:
 - Remuneration to Directors and Independent Directors:
 - Fixed remuneration: In accordance with Article 16-1 of the Articles of Incorporation, the Directors of the Company receive remuneration in the course of performing their duties, regardless of whether the Company generates profits or loss. The Company authorizes the Board to determine the amount based on Directors' participation in and contribution to the operations as well as industry average.
 - Variable remuneration: In accordance with Article 27 of the Articles of Incorporation, after deducting the accumulated losses from the profit of the year (i.e., the pre-tax profit before deducting the compensation to employees and remuneration to Directors and Supervisors), at least one percent of the balance, if any, shall be appropriated to compensation to employees and no more than five percentage can be appropriated to remuneration to Directors and Supervisors.
Independent Directors do not participate in the appropriation of remuneration to Directors as stipulated in Article 27 of the Company's Articles of Incorporation.
 - Managers: Remuneration is determined based on the positions held, responsibilities assumed, department performance and contribution to the overall performance of the Company.
 - Employees: Compensation to employees is determined according to their job functions, work intensity and professional skills and in reference to the Company's Rules Governing the Compensation of Employees and Rules Governing the Appointment and Promotion of Employees.
 - Compensations of Directors and managers are regularly assessed and deliberated by the Company's Remuneration Committee and then submitted to the Board for approval.