Nien Hsing Textile Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

NIEN HSING TEXTILE CO., LTD.

By

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YI-FUNG, CHEN
Chairman

March 18, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Nien Hsing Textile Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Nien Hsing Textile Co., Ltd. (the Company) and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

1. Impairment assessment of trade receivables

   The accounting policies and critical accounting estimates for the impairment assessment of trade receivables are set out in Note 4 (11) and Note 5. Refer to Note 10 for details of the balance of trade receivables.

   <u>Description</u>

   The impairment assessment of trade receivables is based on management's assumptions regarding the default rate and the expected loss rate, and future cash flow is estimated based on management's subjective judgment. If the future actual cash flow is less than the book value of the asset, significant impairment losses may be incurred. As the impairment assessment of trade receivables involves management's critical accounting judgments and estimates, it is deemed to be one of the key audit matters for the current year.

   <u>Audit procedures</u>

   The main audit procedures of the aforementioned key audit matter are as follows:

   a. We understood the internal controls, evaluated the design of the internal controls, determined whether the key controls have been implemented and tested the operating effectiveness of the controls related to trade receivables.

   b. We tested the accuracy of the aging of trade receivables, and compared and analyzed the differences between aging and bad debts.

   c. We reviewed the accuracy of management's classification of trade receivables based on their attributes and assessed the reasonableness of the expected credit loss rate to validate the adequacy of impairment loss provision, and sampled the collection of receivables after the reporting period to ensure the recoverability of outstanding receivables.

2. Impairment assessment of inventories

   Refer to Note 4 (6) and Note 5 for the accounting policies and critical accounting estimates used for inventory impairment assessment, and Note 11 for details of the balance of inventories.

   <u>Description</u>

   The impairment of inventories is measured at the lower of cost and net realizable value. When the net realizable value of inventory is lower than the cost, the allowance for inventory valuation and obsolescence loss is recognized. As the impairment assessment of inventories involves management's critical accounting judgment and estimates, it is deemed to be one of the key audit matters for the current year.

Audit procedures

The main audit procedures of the aforementioned key audit matter are as follows:

a. We understood the internal controls, evaluated the design of the internal controls, determined whether the key controls have been implemented and tested the operating effectiveness of the controls related to inventory impairment.

b. We tested inventory at the end of the year to confirm and assess whether there was any obsolete or damaged inventory.

c. We tested the accuracy of the aging of the inventory at the end of the year and assessed the reasonableness of management's estimation of the loss due to the decline in market prices and the policy on obsolete and slow-moving inventories, and sample-checked data related to the net realizable value to validate the appropriateness of the loss.

Other Matter

We have also audited the parent company only financial statements of Nien Hsing Textile Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group'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, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group 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 those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Nan Jiang and Shu-Juan Ye.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 694,697	7	$ 1,575,533	16
Available-for-sale financial assets - current (Notes 4 and 7)	494,583	5	-	-
Notes receivable (Note 10)	1,788	-	4,541	-
Trade receivables, net (Notes 4, 5 and 10)	1,567,520	17	1,654,472	16
Other receivables (Note 10)	106,848	1	29,276	-
Current tax assets (Notes 4 and 25)	-	-	1,845	-
Inventories (Notes 4, 5 and 11)	2,478,700	27	2,463,490	25
Prepayments	320,398	3	286,282	3
Other financial assets - current (Note 31)	50	-	50	-
Other current assets	72,972	1	84,032	1
Total current assets	5,737,556	61	6,099,521	61
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	100,558	1	652,328	6
Financial assets at fair value through other comprehensive income - non-current (Note 8)	836,492	9	660,040	7
Investments accounted for using the equity method (Notes 4 and 13)	106,064	1	180,683	2
Property, plant and equipment (Notes 4, 14 and 31)	2,025,380	22	1,918,993	19
Right-of-use assets (Notes 3, 4, and 15)	21,670	-	-	-
Investment properties (Notes 4 and 16)	116,364	1	117,274	1
Deferred tax assets (Notes 4 and 25)	337,660	4	334,121	3
Prepayments for equipment	49,860	1	82,818	1
Refundable deposits	14,397	-	14,036	-
Long-term prepayments for lease	-	-	4,920	-
Total non-current assets	3,608,445	39	3,965,213	39
TOTAL	$ 9,346,001	100	$ 10,064,734	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 616,679	7	$ 397,705	4
Notes payable (Note 18)	73,476	1	116,211	1
Trade payables (Note 18)	252,951	3	338,025	3
Other payables (Note 19)	578,345	6	600,237	6
Current tax liabilities (Notes 4 and 25)	32,961	-	83,021	1
Provisions for onerous contract (Note 20)	380	-	-	-
Lease liabilities - current (Notes 3, 4 and 15)	478	-	-	-
Current portion of long-term borrowings (Note 17)	-	-	182,000	2
Other current liabilities	25,773	-	41,044	1
Total current liabilities	1,581,043	17	1,758,243	18
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 25)	386,668	4	460,622	4
Lease liabilities - non-current (Notes 3, 4 and 15)	18,504	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	157,817	2	183,572	2
Guarantee deposits received	1,482	-	1,437	-
Total non-current liabilities	564,471	6	645,631	6
Total liabilities	2,145,514	23	2,403,874	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital stock	1,980,000	21	1,980,000	20
Capital surplus	419,715	5	419,715	4
Retained earnings				
Legal reserve	2,282,156	24	2,282,156	23
Special reserve	321,638	3	414,600	4
Unappropriated earnings	2,471,970	27	2,885,971	28
Total retained earnings	5,075,764	54	5,582,727	55
Other equity	(274,992)	(3)	(321,638)	(3)
Total equity attributable to owners of the Company	7,200,487	77	7,660,804	76
NON-CONTROLLING INTERESTS	-	-	56	-
Total equity	7,200,487	77	7,660,860	76
TOTAL	$ 9,346,001	100	$ 10,064,734	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 18, 2020)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 23 and 30)				
Sales	$ 8,574,005	100	$ 8,786,863	100
Less: Sales returns and allowances	23,001	-	7,172	-
Net sales	8,551,004	100	8,779,691	100
Processing income	16,508	-	19,833	-
Total operating revenue	8,567,512	100	8,799,524	100
OPERATING COSTS (Notes 11, 21 and 24)				
Cost of goods sold	8,113,294	95	7,918,424	90
Processing costs	16,195	-	19,833	-
Total operating costs	8,129,489	95	7,938,257	90
GROSS PROFIT	438,023	5	861,267	10
OPERATING EXPENSES (Notes 10, 21 and 24)				
Selling	314,041	4	349,168	4
Administrative	222,549	2	207,548	3
Research and development	25,339	-	21,113	-
Expected credit (gain) loss	(18,226)	-	257	-
Total operating expenses	543,703	6	578,086	7
OPERATING (LOSS) INCOME	(105,680)	(1)	283,181	3
NON-OPERATING INCOME AND EXPENSES (Notes 11, 13, 24 and 30)				
Other income	99,080	1	153,116	2
Other gains and losses	(49,064)	(1)	121,772	1
Finance costs	(4,937)	-	(14,599)	-
Share of profit (loss) of associates	(9,801)	-	12,658	-
Total non-operating income and expenses	35,278	-	272,947	3
(LOSS) PROFIT BEFORE INCOME TAX	(70,402)	(1)	556,128	6
INCOME TAX (INCOME) EXPENSE (Notes 4 and 25)	(615)	-	154,766	2
NET (LOSS) PROFIT FOR THE YEAR	(69,787)	(1)	401,362	4

(Continued)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE LOSS (Notes 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (1,237)	-	$ (17,211)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	22,412	-	146,388	2
Income tax relating to items that will not be reclassified subsequently to profit or loss	247	-	5,322	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(20,011)	-	16,418	-
Share of other comprehensive income of associates accounted for using the equity method	-	-	1,543	-
Income tax relating to items that may be reclassified subsequently to profit or loss	4,003	-	14,893	-
Other comprehensive income (loss) for the year, net of income tax	5,414	-	167,353	2
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (64,373)	(1)	$ 568,715	6
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	$ (69,702)	(1)	$ 401,418	5
Non-controlling interests	(85)	-	(56)	-
	$ (69,787)	(1)	$ 401,362	5
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ (64,291)	(1)	$ 569,161	6
Non-controlling interests	(82)	-	(446)	-
	$ (64,373)	(1)	$ 568,715	6

(Continued)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
EARNINGS (LOSS) PER SHARE (Note 26)				
From continuing operations				
Basic	$ (0.35)		$ 2.03	
Diluted	$ (0.35)		$ 2.02	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 18, 2020) (Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Issued and Outstanding Capital Stock (Note 22)			Retained Earnings (Notes 8, 22 and 27)			Other Equity					
	Number of Shares (In Thousands)	Amount	Capital Surplus (Notes 22)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations (Note 22)	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income (Note 22)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Note 22)	Total	Non-controlling Interests (Notes 22 and 27)	Total Equity
BALANCE AT JANUARY 1, 2018	198,000	$ 1,980,000	$ 419,715	$ 2,282,156	$ 153,448	$ 2,832,129	$ (513,580)	$ -	$ 98,981	$ 7,252,849	$ 502	$ 7,253,351
Effect of retrospective application and retrospective restatement	-	-	-	-	-	161,842	-	72,933	(98,981)	135,794	-	135,794
BALANCE AT JANUARY 1, 2018 AS RESTATED	198,000	1,980,000	419,715	2,282,156	153,448	2,993,971	(513,580)	72,933	-	7,388,643	502	7,389,145
Appropriation of the 2017 earnings												
Special reserve	-	-	-	-	261,152	(261,152)	-	-	-	-	-	-
Cash dividends distributed by the Company - NT$1.5 per share	-	-	-	-	-	(297,000)	-	-	-	(297,000)	-	(297,000)
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	-	401,418	-	-	-	401,418	(56)	401,362
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(11,889)	33,244	146,388	-	167,743	(390)	167,353
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	389,529	33,244	146,388	-	569,161	(446)	568,715
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	60,623	-	(60,623)	-	-	-	-
BALANCE AT DECEMBER 31, 2018	198,000	1,980,000	419,715	2,282,156	414,600	2,885,971	(480,336)	158,698	-	7,660,804	56	7,660,860
Appropriation of the 2018 earnings												
Cash dividends distributed by the Company - NT$2 per share	-	-	-	-	-	(396,000)	-	-	-	(396,000)	-	(396,000)
Reversal of special reserve	-	-	-	-	(92,962)	92,962	-	-	-	-	-	-
Net loss for the year ended December 31, 2019	-	-	-	-	-	(69,702)	-	-	-	(69,702)	(85)	(69,787)
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(990)	(16,011)	22,412	-	5,411	3	5,414
Total comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(70,692)	(16,011)	22,412	-	(64,291)	(82)	(64,373)
Difference between price and book value of equity due to actual disposal or acquisition of interests in subsidiaries	-	-	-	-	-	(26)	-	-	-	(26)	26	-
Disposal of investments in equity instruments designated as at fair value other comprehensive income	-	-	-	-	-	(40,245)	-	40,245	-	-	-	-
BALANCE AT DECEMBER 31, 2019	198,000	$ 1,980,000	$ 419,715	$ 2,282,156	$ 321,638	$ 2,471,970	$ (496,347)	$ 221,355	$ -	$ 7,200,487	$ -	$ 7,200,487

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 18, 2020)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ (70,402)	$ 556,128
Adjustments for:		
Depreciation expenses	312,731	359,741
Amortization expenses	-	873
Expected credit (gain on reversal) loss recognized on trade receivables	(18,226)	257
Net (gain) loss on fair value change of financial assets designated as at fair value through profit or loss	(5,418)	(76,495)
Finance costs	4,937	14,599
Realized foreign exchange gain on financial assets at amortized cost	-	(67,150)
Interest income	(17,976)	(42,342)
Share of profit (loss) of associates	9,801	(12,658)
Loss (gain) on disposal of property, plant and equipment	3,985	(6,930)
Net loss on disposal of investments	-	21,165
Write-down (reversal of write-down) of inventories	22,103	22,645
Fire loss	3,333	-
Changes in operating assets and liabilities		
Financial assets held for trading	-	-
Decrease in financial assets mandatorily classified as at fair value through profit or loss	448	28,167
Notes receivable	2,753	1,168
Trade receivables	105,133	(200,348)
Other receivables	10,965	877
Inventories	(40,100)	(412,807)
Prepayments	(34,116)	(24,654)
Other current assets	11,060	3,222
Notes payable	(42,735)	(22,256)
Trade payables	(85,074)	(6,035)
Trade payables to related parties	-	(45,550)
Other payables	(22,201)	102,380
Short-term provisions for onerous contract	380	-
Other current liabilities	(15,271)	(40,836)
Net defined benefit liabilities - non-current	(26,992)	(25,861)
Cash generated from operations	109,118	127,300
Income tax paid	(120,843)	(55,024)
Net cash generated from (used in) operating activities	(11,725)	72,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(161,298)	(24,200)
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,127	369,005

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NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Distribution of residual property at fair value through other comprehensive income	$ 129	$ -
Return of capital on financial assets at fair value through other comprehensive income	-	75,667
Purchase of financial assets at fair value through profit or loss	(2,488,308)	-
Proceeds from sale of financial assets at fair value through profit or loss	2,428,046	-
Purchase of financial assets at amortized cost	-	(1,280,400)
Disposal of financial assets at amortized cost	-	1,347,550
Disposal of investments accounted for using the equity method	-	42,981
Return of capital on investments accounted for using the equity method	53,854	14,934
Acquisition of property, plant and equipment	(148,416)	(350,525)
Proceeds from disposal of property, plant and equipment	989	12,174
(Increase) decrease in refundable deposits	(361)	92
Increase in prepayments for equipment	(244,420)	(168,297)
Interest received	37,399	91,301
Dividends received	8,928	24,940
Net cash (used in) generated from investing activities	(509,331)	155,222
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	218,974	(788,195)
Repayments of long-term borrowings	(182,000)	(364,000)
Proceeds from (refund of) guarantee deposits received	45	(264)
Cash dividends paid	(396,000)	(297,000)
Interest paid	(3,896)	(14,737)
Net cash used in financing activities	(362,877)	(1,464,196)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	3,097	40,640
NET DECREASE IN CASH AND CASH EQUIVALENTS	(880,836)	(1,196,058)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,575,533	2,771,591
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 694,697	$ 1,575,533

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors’ report dated March 18, 2020) (Concluded)

1. GENERAL INFORMATION

Nien Hsing Textile Co., Ltd. (the Company) was established in 1986. It is listed on the Taiwan Stock Exchange and is principally engaged in the manufacture and distribution of yarns, denim fabric, jeans and knit garments. The Company acquired Chih Hsing Textile Co., Ltd. on the merger date of July 1, 2000, with the Company as the surviving entity.

The consolidated financial statements of the Company and its subsidiaries (collectively known as the Group) are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 18, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   1) IFRS 16 "Leases"

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      <u>Definition of a lease</u>

      The Group elected to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounted for those leases for which the lease term ended on or before December 31, 2019 as short-term leases.

c) The Group excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 4.65%-14.46%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 49,565
Undiscounted amounts on January 1, 2019	$ 49,565
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 18,608
Lease liabilities recognized on January 1, 2019	$ 18,608

The Group as lessor

The Group did not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 23,528	$ 23,528
Prepayments for leases - non-current	4,920	(4,920)	
Total effect on assets		$ 18,608	
Lease liabilities - current	-	$ 479	479
Lease liabilities - non-current	-	18,129	18,129
Total effect on liabilities		$ 18,608	

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

3) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group will apply the above amendments prospectively.

Except for the above impact, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s statement of financing condition、management and cash flow.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the above application of aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers have no significant impacts on the Group's financial position and financial performance and disclosed the relevant impact when the assessment completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including structured entities). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 12 and Table 7 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including the percentage of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation 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 retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Group entities (including subsidiaries in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation or a disposal involving the loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, semi-finished goods, finished goods and work-in-progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should 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.

When the Group's share of losses of an associate and equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of the item of property, plant and equipment is shorter than its useful life, the asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 29.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and short-term transactions instruments. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Group:

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of the above financial assets is reduced by the allowance account to reduce the book amount.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at fair value through profit or loss, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are either held for trading or are designated as at fair value through profit or loss.

Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group uses derivative financial instruments, such as forward exchange contracts and dual currency.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

<u>Onerous contracts</u>

Where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract, the present obligations arising under onerous contracts are recognized and measured as provisions.

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

<u>Revenue from the sale of goods</u>

Revenue from the sale of goods comes from sales of denim fabric and jeans. Sales of denim fabric and jeans are recognized as revenue when the goods are transferred because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables and revenue are recognized concurrently.

The Group does not recognize revenue on materials processing because this processing does not involve a transfer of control.

n. Leasing

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group 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 reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those 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 in profit or loss in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur, or when plan amendment/curtailment/settlement occurs. Remeasurement, comprising actuarial gains and losses, and the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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. The deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred 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 and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 11,898	$ 9,011
Checking accounts and demand deposits	547,160	688,227
Cash equivalents (investments with original maturities of less than three months)		
Time deposits	85,677	828,328
Short-term bills	49,962	49,967
	$ 694,697	$ 1,575,533

The market interest rate intervals of cash in bank and short-term bills at the end of the reporting period are as follows:

	December 31	
	2019	**2018**
Bank deposits	0.001%-6.25%	0.001%-6.25%
Short-term bills	0.48%	0.46%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial assets at fair value through profit or loss (FVTPL) - current		
Financial assets mandatorily classified as at FVTPL		
Embedded derivative financial assets (not under hedge accounting)		
Dual Currency (b)	$ 494,583	$ -

(Continued)

	December 31 2019	December 31 2018
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds (c)	$ 100,558	$ 337,325
Bonds (d)	-	315,003
	$ 100,558	$ 652,328

(Concluded)

a. The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The Group did not have unexpired foreign exchange forward contracts as of December 31, 2019 and 2018.

b. The dual currency investments includes time deposits and foreign currency options. The currency of the principal redeemed on the maturity date will be determined based on the foreign exchange rate. The outstanding contracts are as follows:

Currency	Contract Amount	Contract Period	Exchange Rate
December 31, 2019			
USD/ZAR	USD 2,000	2019.11.28-2020.1.22	ZAR>15.260
USD/ZAR	USD 1,000	2019.11.29-2020.1.22	ZAR>15.300
USD/ZAR	USD 2,000	2019.11.29-2020.1.22	ZAR>15.300
USD/ZAR	USD 1,000	2019.12.4-2020.2.3	ZAR>15.270
USD/ZAR	USD 2,000	2019.12.9-2020.2.7	ZAR>15.250
USD/ZAR	USD 1,000	2019.12.10-2020.2.14	ZAR>15.236
USD/ZAR	USD 1,000	2019.12.10-2020.2.10	ZAR>15.236
USD/ZAR	USD 1,000	2019.12.12-2020.2.14	ZAR>15.270
USD/ZAR	USD 1,350	2019.12.13-2020.2.14	ZAR>15.400
USD/ZAR	USD 2,000	2019.12.13-2020.2.20	ZAR>15.400
USD/ZAR	USD 2,000	2019.12.20-2020.2.21	ZAR>15.110

c. The Group had acquired $31,275 thousand of mutual funds during 2019, and disposed of part of the position for $249,007 thousand.

d. The Group invested in the non-priority bonds issued by Rabobank Nederland in November 2009. On December 31, 2018, the investment denomination was US$10,000 thousand. In June 2009, Rabobank Nederland issued a non-priority perpetual bond amounting to US$1,500,000 thousand, with a coupon rate of 11% and interest paid semi-annually. After June 30, 2019, the coupon rate changed to the three month USD London Interbank Offered Rate (LIBOR) plus 10.8675%, with interest payable quarterly. From June 30, 2019, Rabobank Nederland can redeem the bonds at par value on each interest payment date. The part held by the Group was redeemed and received in 2019, totaling $310,600 thousand (US$10,000 thousand).

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	**2018**
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares	$ 467,693	$ 360,097
Unlisted shares	272,356	299,943
	740,049	660,040
Foreign investments		
Listed shares	96,443	-
	$ 836,492	$ 660,040

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In 2018, the Group sold its shares in E.SUN Financial Holding Co., Ltd., VeriSilicon Holdings (Cayman Islands) Co., Ltd., ALO7 Limited and Digital Knowledge World Co., Ltd. in order to manage credit concentration risk. The sold shares had a fair value of $369,005 thousand and the Group transferred a gain of $60,623 thousand from other equity to retained earnings.

Der Yang Biotechnology Venture Capital Co., Ltd. implemented a capital reduction in July 2018 and returned shares of $667 thousand.

The Group did not participate in the cash capital increase of BioGend Therapeutics Co., Ltd. in accordance with the shareholding ratio. In August 2018, it increased its investment by $24,200 thousand, and obtained 807 shares. After the capital increase, the shareholding ratio of the consolidated company decreased from 6.64% to 6.44%.

BioEngine Capital Inc. implemented a capital reduction in November 2018 and returned shares of $75,000 thousand.

In 2019, the Group adjusted its investment position to diversify risk, and sold all of its shareholdings of Meichi Technology Co., Ltd., Igiant Optics Co., Ltd. and ALPHA Optical Co., Ltd. at fair value for a total of $4,127 thousand, and transferred the related other equity - unrealized loss on financial assets measured at fair value through other comprehensive income of $7,282 thousand to retained earnings.

The Group did not participate in the 2019 cash capital increase of Mycenax Biotech Inc., BioGend Therapeutics Co., Ltd. and ALPHA Optical Co., Ltd., leading to a decrease in the Group's shareholding ratio from 8.98 percent to 7.16 percent, 6.44 percent to 5.49 percent and 0.67 percent to 0.65 percent, respectively.

In 2019, the Group purchased the ordinary shares of Mycenax Biotech Inc. for $7,779, which were designated as at fair value through other comprehensive income since these investments were held for medium to long term strategic purposes. Hence, its shareholding ratio increased from 7.16 percent to 7.45 percent.

Youfu Investment Co., Ltd. was liquidated in March 2019, and the Group transferred the relevant other equity - unrealized loss on financial assets measured at fair value through other comprehensive income of $31,622 thousand to retained earnings.

In July 2019, BioEngine Capital Inc. transferred its capital surplus to ordinary shares, and distributed 10,500 thousand shares to the Group at no charge.

Breeze Digital Co., Ltd. was liquidated in August 2019 and the Group received $129 thousand from the distribution of the remaining assets, and transferred the related other equity - unrealized loss on financial assets measured at fair value through other comprehensive income of $1,341 thousand to retained earnings.

In November 2019, the Group purchased the ordinary shares of TOT BioPharmaceutical Co., Ltd. for $153,519 thousand, which was designated as at fair value through other comprehensive income since these investments were held for medium to long term strategic purposes. After the acquisition of the shares, the Group's shareholding ratio is 1.05 percent.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

The Group invests in debt instruments including financial instruments at fair value through profit or loss and financial assets at amortized cost.

Financial Assets at FVTPL - Non-current

	December 31, 2018
Gross carrying amount	$ 332,277
Less: Allowance for impairment loss	-
Amortized cost	332,277
Adjustment to fair value	(17,274)
	$ 315,003

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Notes receivable - operating	$ 1,788	$ 4,541
Trade receivables		
Trade receivables	$ 1,648,980	$ 1,754,113
Less: Allowance for impairment loss	(81,460)	(99,641)
	$ 1,567,520	$ 1,654,472

(Continued)

	December 31	
	2019	2018
Other receivables		
Payment on behalf of others	$ 7,978	$ 11,689
Interest	49	2,389
Due financial assets at FVTPL	90,877	-
Others	7,944	15,198
	$ 106,848	$ 29,276

(Concluded)

a. Trade receivables

The average credit period of sales of goods was 30 days to 90 days. No interest was charged on the trade receivables. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group will first review the credit rating of their new customers and, if necessary, obtain sufficient guarantees to mitigate the risk of financial losses due to default. The Group will use other publicly available financial information and historical transaction records to rate its major customers. The Group continuously monitors the credit risk and the credit rating of the debtor, and manages the credit risk insurance by reviewing and approving the debtor's credit limit. In addition, the Group will review the recoverable amount of the receivables one by one on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. Accordingly, the management of the Company believes that the credit risk of the Group has been significantly reduced.

The Group applies the simplified approach when providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated with reference to the past default experiences of the debtor and an analysis of the debtor's current financial position, adjusted for the general economic condition of the industry. The Group considers the aging of accounts receivable, customer ratings and the mechanism for the retention of accounts receivable, etc. comprehensively when determining the Group's expected credit loss rate.

The Group recognizes all of allowance for doubtful accounts when there is information indicating that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. Furthermore, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

December 31, 2019

	Up to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.5%-15.0%	0.5%-15.0%	0.5%-15.0%	
Gross carrying amount	$ 1,086,405	$ 400,271	$ 162,304	$ 1,648,980
Loss allowance (Lifetime ECL)	(56,927)	(18,833)	(5,700)	(81,460)
Amortized cost	$ 1,029,478	$ 381,438	$ 156,604	$ 1,567,520

December 31, 2018

	Up to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.5%-15.0%	0.5%-15.0%	0.5%-15.0%	
Gross carrying amount	$ 1,189,083	$ 388,270	$ 176,760	$ 1,754,113
Loss allowance (Lifetime ECL)	(71,088)	(23,512)	(5,041)	(99,641)
Amortized cost	$ 1,117,995	$ 364,758	$ 171,719	$ 1,654,472

The above aging schedule was based on the invoice date.

The movements of the loss allowance of trade receivables were as follows:

	2019	2018
Balance at January 1	$ 99,641	$ 102,242
Add: Amounts recovered	(18,226)	257
Less: Amounts written off	-	(2,675)
Foreign exchange gains and losses	45	(183)
Balance at December 31	$ 81,460	$ 99,641

b. Notes receivable and other receivables

As the Group estimated notes receivable and other receivables' recoverable amounts and carrying amounts to be equal, the Group did not recognize an allowance for impairment loss.

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 376,795	$ 338,549
Work-in-progress	801,290	839,022
Raw materials	1,240,739	1,166,708
Inventory in transit	59,876	119,211
	$ 2,478,700	$ 2,463,490

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were $8,113,294 thousand and $7,918,424 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 included reversal of inventory write-downs of $22,103 thousand and $22,645 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets. In addition, a fire broke out on March 20, 2020. The amount of inventory cost recognized by the consolidated company for 2019 was $2,787 thousand. Refer to Note 24 for other benefits and loss on account.

12. SUBSIDIARIES

The subsidiaries included in the consolidated financial statements as of December 31, 2019 and 2018 are listed below. There were no subsidiaries excluded from the consolidated financial statements and no subsidiaries that have material non-controlling interests.

			% of Ownership		
			December 31		
Investor	Investee	Nature of Activities	2019	2018	Remark
The Company	Nien Hsing International (B.V.I.) Co., Ltd.	Investment holding company	100.00	100.00	
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Manufacturing of jeans	100.00	100.00	
	Nien Hsing International Investment Co., Ltd.	Investment business	100.00	100.00	
	Chih Hsing Garment (Cambodia) Co., Ltd.	Manufacturing of jeans	100.00	100.00	
Nien Hsing International	Nien Hsing International (Bermuda) Ltd.	Investment holding company	100.00	100.00	
	Nien Hsing International (Samoa) Ltd.	Investment holding company	100.00	100.00	
	Phoenix Development & Marketing Co., Ltd.	Sale of denim fabric and investment business	100.00	100.00	
Nien Hsing International (Bermuda) Ltd.	Nien Hsing International Victoria Ltd.	Manufacturing of denim fabric	99.99	99.99	
	Nien Hsing Confeccion Ltd.	Manufacturing of jeans	99.99	99.99	
Nien Hsing International (Samoa) Ltd.	C&Y Garments (Proprietary) Co., Ltd.	Manufacturing of jeans	100.00	99.80	Note 27
	Nien Hsing International (Lesotho) Ltd.	Manufacturing of jeans	100.00	100.00	
	Global Garments Co., Ltd.	Manufacturing of jeans	100.00	100.00	
	Formosa Textile Co., Ltd.	Manufacturing of denim fabric	100.00	100.00	
Phoenix Development & Marketing Co., Ltd.	Glory International Co., Ltd.	Manufacturing of knitted garment	100.00	-	

The financial statements of subsidiaries included in the consolidated financial statements were audited by independent auditors for the years ended December 31, 2019 and 2018.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2019	2018
Associates that are not individually material	$ 106,064	$ 180,683

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
(Loss) Profit for the year	$ (9,801)	$ 12,658
Other comprehensive income	-	1,543
Total comprehensive income for the year	$ (9,801)	$ 14,201

Refer to Table 7 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The Group disposed of all of its shares of Grand Paper International Ltd. on November 1, 2018 for a price of $42,981 thousand and recognized a disposal loss of $21,165 thousand.

The aforementioned associates implemented capital reductions in 2019, and returned a total of $53,854 thousand of share payments. Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2019	2018
Carrying amount		
Land and land improvements	$ 246,434	$ 246,173
Buildings	798,842	713,107
Machinery and equipment	770,075	578,483
Transportation equipment	9,956	10,955
Office equipment	8,867	7,424
Miscellaneous equipment	148,784	158,846
Construction in progress	42,422	204,005
	$ 2,025,380	$ 1,918,993

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvements	3-4 years
Buildings	
Main buildings	25-60 years
Construction for drain water	3-20 years
Machinery and equipment	3-11 years
Transportation equipment	2-10 years
Office equipment	2-10 years
Miscellaneous equipment	3-20 years

For movements of property, plant and equipment for the years ended 2019 and 2018, refer to Table 8.

Refer to Note 31 for the carrying amounts of property, plant and equipment pledged by the Group to secure borrowings.

The Group signed trust deeds with related parties for agricultural lots the Group bought under their names, under which both parties agreed to follow the Group's written instructions on the use of these assets and attribute any profits generated from these assets to the Group.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 21,670

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Land	$ 1,344

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 478
Non-current	$ 18,504

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	4.65%-14.46%

c. Material lease-in activities and terms

The Group leases land in Vietnam and Lesotho for factory uses with lease terms of 49 years and 30 years, respectively. For the lease of land located in Vietnam, the Group has bargain renewal options at the end of the lease term. For the lease of land located in Lesotho, the lease payments are adjusted every 10 years in accordance with the lease contract, and the Group has bargain renewal options at the end of the lease term. The Group shall not sublet or transfer part or all of the leased properties without the consent of the lessor.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

2019

	For the Year Ended December 31, 2019
Total cash outflow for leases	$ (159)

16. INVESTMENT PROPERTIES

	Land	Buildings	Total
Cost			
Balance at January 1, 2018	$ 80,284	$ 50,738	$ 131,022
Balance at December 31, 2018	$ 80,284	$ 50,738	$ 131,022
Accumulated depreciation and impairment			
Balance at January 1, 2018	$ -	$ (12,837)	$ (12,837)
Depreciation expense	-	(835)	(835)
Transferred from property, plant and equipment	-	(76)	(76)
Balance at December 31, 2018	$ -	$ (13,748)	$ (13,748)
Carrying amounts at December 31, 2018	$ 80,284	$ 36,990	$ 117,274
Cost			
Balance at January 1, 2019	$ 80,284	$ 50,738	$ 131,022
Balance at December 31, 2019	$ 80,284	$ 50,738	$ 131,022
Accumulated depreciation and impairment			
Balance at January 1, 2019	$ -	$ (13,748)	$ (13,748)
Transferred from property, plant and equipment	-	(910)	(910)
Balance at December 31, 2019	$ -	$ (14,658)	$ (14,658)
Carrying amounts at December 31, 2019	$ 80,284	$ 36,080	$ 116,364

As of December 31, 2019 and 2018, the fair values of the investment properties were $293,818 thousand and $297,580 thousand, respectively. The management of the Group used the valuation arrived at based on market evidence of transaction prices for similar properties.

The investment properties were leased out for 1 to 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the end of the lease terms

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 8,015
Year 2	7,488
Year 3	6,829
Year 4	228
Year 5	152
	$ 22,712

The future minimum lease payments of non-cancellable operating lease commitments in 2018 were as follows:

	December 31, 2018
Not later than 1 year	$ 7,914
Later than 1 year and not later than 5 years	20,661
	$ 28,575

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings		
Line of credit borrowings	$ 616,679	$ 397,705
Interest rate ranges		
Unsecured borrowings		
Line of credit borrowings	0.81%-2.69%	0.77%-3.87%

b. Long-term borrowings

	December 31	
	2019	2018
Unsecured borrowings		
Line of credit borrowings (1)	$ -	$ 112,000
Line of credit borrowings (2)	-	70,000
	-	182,000
Less: Current portions	-	182,000
Long-term borrowings	$ -	$ -
Interest rate ranges		
Unsecured borrowings		
Line of credit borrowings (1)	-	1.353%
Line of credit borrowings (2)	-	1.354%

1) On December 11, 2013, a five-year credit line agreement amounting to $800,000 thousand was signed by the Company with CCB. Under this agreement, the Company may repay the principal semi-annually on the fourth year from December 11, 2013, or make a one-time principal repayment at the end of 36 months from the date of the Company’s first use of the credit line, which was on April 25, 2014. And all credits were fully due and repaid at December 31, 2019.

2) On December 2, 2013, a five-year credit line agreement amounting to $500,000 thousand was signed by the Company with Hua Nan Bank. Under this agreement, the Company may repay the principal semi-annually on the fourth year from December 11, 2013, or make a one-time principal repayment at the end of 36 months from the date of the Company's first use of the credit line, which was on April 25, 2014. And all credit were fully due and repaid at December 31, 2019.

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2019	**2018**
Notes payable	$ 73,476	$ 116,211
Trade payables	$ 252,951	$ 338,025

Both notes payable and trade payables were generated from operating activities.

The average credit period on purchases of certain goods was 30 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	December 31	
	2019	**2018**
Other payables		
Payables for salaries or bonuses	$ 356,638	$ 357,837
Payables for fuel and utilities	17,063	27,853
Payables for remuneration of directors	11,833	11,500
Payables for employees' compensation	20	5,539
Payables for annual leave	15,434	14,819
Others	177,357	182,689
	$ 578,345	$ 600,237

20. SHORT-TERM PROVISIONS FOR ONEROUS CONTRACTS PROVISION

	December 31	
	2019	**2018**
Onerous contract	$ 380	$ -

The provision for onerous contracts is recognized when the Group assesses that the costs of fulfilling the contract obligations exceed the economic benefits expected to be obtained from the contract.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The pension plan policies of subsidiaries based overseas follow local laws, and the subsidiary Nien Hsing International Investment Co., Ltd. has no full-time employees.

b. Defined benefit plan

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contribute amounts equal to 3% (6% from September 2015) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 333,746	$ 353,118
Fair value of plan assets	(175,929)	(169,546)
Net defined benefit liabilities	$ 157,817	$ 183,572

Movements in net defined benefit liabilities are as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2018	$ 345,218	$ (152,996)	$ 192,222
Service cost			
Current service cost	3,952	-	3,952
Past service cost and gain on settlements	(379)	-	(379)
Net interest expense (income)	3,416	(1,649)	1,767
Recognized in profit or loss	6,989	(1,649)	5,340
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,829)	(4,829)
Actuarial (gain) loss - changes in demographic assumptions	1,142	-	1,142
Actuarial (gain) loss - experience adjustments	20,898	-	20,898
Recognized in other comprehensive income	22,040	(4,829)	17,211
Contributions from the employer	-	(31,201)	(31,201)
Benefits paid	(21,129)	21,129	-
Balance at December 31, 2018	$ 353,118	$ (169,546)	$ 183,572

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	$ 353,118	$ (169,546)	$ 183,572
Service cost			
Current service cost	3,580	-	3,580
Past service cost and gain on settlements	(1,009)	-	(1,009)
Net interest expense (income)	3,487	(1,791)	1,696
Recognized in profit or loss	6,058	(1,791)	4,267
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,743)	(5,743)
Actuarial (gain) loss - changes in demographic assumptions	(14)	-	(14)
Actuarial (gain) loss - experience adjustments	(1,871)	-	(1,871)
Actuarial (gain) loss - changes in financial assumptions	8,866	-	8,866
Recognized in other comprehensive income	6,981	(5,743)	1,238
Contributions from the employer	-	(28,022)	(28,022)
Benefits paid	(32,411)	29,173	(3,238)
Balance at December 31, 2019	$ 333,746	$ (175,929)	$ 157,817

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 3,872	$ 4,140
Operating expenses	395	1,200
	$ 4,267	$ 5,340

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investments are conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by the plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2019	**2018**
Discount rate	0.75%	1.00%
Expected rate of salary increase	2.00%	2.00%
Turnover rate	0.47%	0.47%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate		
0.25% increase	$ (8,841)	$ (9,449)
0.25% decrease	$ 9,187	$ 9,827
Expected rate of salary increase		
0.25% increase	$ 9,050	$ 9,704
0.25% decrease	$ (8,756)	$ (9,381)
Turnover rate		
10% increase	$ (149)	$ (187)
10% decrease	$ 149	$ 188

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 18,840	$ 28,056
The average duration of the defined benefit obligation	10 years	10 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	**2018**
Numbers of shares authorized (in thousands)	600,000	600,000
Shares authorized	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	198,000	198,000
Shares issued	$ 1,980,000	$ 1,980,000

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and a right to dividends.

b. Capital surplus

	December 31	
	2019	2018
Share premiums	$ 89	$ 89
Treasury share transactions	5,952	5,952
Gain on disposal of property, plant and equipment	255	255
Consolidation excess	380,471	380,471
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	26,599	26,599
Changes in percentage of ownership interest in subsidiaries	1,194	1,194
Others	5,155	5,155
	$ 419,715	$ 419,715

The capital surplus arising from shares issued in excess of par (including share premiums from the issuance of ordinary shares, consolidation excess, the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends, or may be transferred to share capital within a certain percentage of the Company's capital surplus once a year. The capital surplus from the share of changes in equities of subsidiaries may be used to offset a deficit.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after the amendment, please refer to employee benefits expense in Note 24(6).

The Company can appropriate all the distributable earnings, taking into account financial, business and operating factors. Appropriations may be in the form of cash dividends or stock dividends, with cash dividends currently preferred because the Company's business is mature. In addition, any stock dividends distributed should not exceed 50% of the total dividends distributed. If the Company has no unappropriated earnings, if earnings appropriable are much less than the prior year's, or if certain financial, business and operating factors need to be considered, the legal reserve may be distributed in accordance with relevant laws or regulations or as requested by the authorities in charge.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Order No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a Special Reserve.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 19, 2019 and June 12, 2018, respectively, are as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	2017	2018	2017
Special reserve	$ -	$ 261,152		
Cash dividends	396,000	297,000	$2	$1.5

The Group's board of directors approved the Special Reserve with the amount $92,962 thousand in accordance with the Rule No. 1010012865 issued by the FSC.

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 18, 2020. The appropriations are follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Cash dividends	$ 118,800	$0.6

Under Order No. 1010012865, it was proposed to reverse the $46,646 thousand from the special reserve.

The appropriations of the 2019 earnings, including the bonuses to employees and the remuneration of directors and supervisors, were approved by the shareholders in the shareholders' meeting which is to be held on June 16, 2020.

d. Special reserve

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 414,600	$ 153,448
Appropriations	(92,962)	261,152
Balance at December 31	$ 321,638	$ 414,600

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (480,336)	$ (513,580)
Exchange differences arising on translating the foreign operations	(20,014)	16,808
Share of exchange difference of associates accounted for using the equity method	-	1,543
Income tax related to gains arising on translation of the net assets of foreign operations	4,003	14,893
Balance at December 31	$ (496,347)	$ (480,336)

Exchange differences relating to the translation of the results and net assets of the Group’s foreign operations from their functional currencies to the Group’s presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

2) Unrealized gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 158,698	$ 72,933
Unrealized gain (loss)-equity instruments	22,412	146,388
Disposal of investments in equity instruments	40,245	(60,623)
Balance at December 31	$ 221,355	$ 158,698

The investments in equity instruments measured at fair value through other comprehensive income and losses are measured at fair value. Subsequent changes in fair value are presented in other comprehensive income or loss and accumulated in other equity. At the time of investment disposal, the accumulated gains and losses will not be reclassified as profit or loss but transferred directly to retained earnings.

e. Non-controlling interests

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 56	$ 502
Attributable to non-controlling interests:		
Share of gain (loss) for the year	(85)	(56)
Exchange differences arising on the translation of foreign operations	3	(390)
Acquisition of subsidiaries’ net assets (Note 27)	26	-
Balance at December 31	$ -	$ 56

23. REVENUE

	For the Year Ended December 31	
	2019	**2018**
Revenue from contracts with customers		
Revenue from sale of goods	$ 8,551,004	$ 8,779,691
Revenue from processing	16,508	19,833
	$ 8,567,512	$ 8,799,524

a. Description of customer contracts

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of denim fabric and jeans. Sales of denim fabric and jeans are recognized as revenue when the goods are transferred because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables and revenue are recognized concurrently.

The Group does not recognize revenue on materials processing because this processing does not involve a transfer of control.

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
For notes and accounts receivable, refer to Note 10	$ 1,569,308	$ 1,659,013	$ 1,459,907

c. Disaggregation of revenue

	For the Year Ended December 31, 2019		
	Textile Department	Garment Department	Total
Revenue from sale of goods	$ 4,266,006	$ 4,284,998	$ 8,551,004
Revenue from processing	16,508	-	16,508
	$ 4,282,514	$ 4,284,998	$ 8,567,512

	For the Year Ended December 31, 2018		
	Textile Department	Garment Department	Total
Revenue from sale of goods	$ 4,132,715	$ 4,646,976	$ 8,779,691
Revenue from processing	19,833	-	19,833
	$ 4,152,548	$ 4,646,976	$ 8,799,524

24. NET PROFIT

Net profit:

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 17,976	$ 42,342
Compensation revenue	22,389	32,973
Rental income (Note 30)	8,931	8,705
Others	49,784	69,096
	$ 99,080	$ 153,116

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
(Loss) gain on disposal of property, plant and equipment	$ (3,985)	$ 6,930
Loss on disposal of investments	-	(21,165)
Net foreign exchange (loss) gain	(27,161)	82,967
Net gain arising on financial assets classified as held for trading	5,418	76,495
Fire loss	(3,333)	-
Compensation loss	(1,231)	(3,592)
Others	(18,772)	(19,863)
	$ (49,064)	$ 121,772

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 3,728	$ 14,599
Interest on lease obligations	1,209	-
	$ 4,937	$ 14,599

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 310,477	$ 358,906
Investment properties	910	835
Intangible assets	1,344	-
Long-term prepayments for leases	-	873
	$ 312,731	$ 360,614

(Continued)

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 299,228	$ 345,510
Operating expenses	12,593	13,396
Non-operating expenses	910	835
	$ 312,731	$ 359,741
An analysis of amortization by function		
Operating costs	$ -	$ 873

(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 21)		
Defined contribution plans	$ 20,540	$ 21,032
Defined benefit plans	4,267	5,340
	24,807	26,372
Short-term benefits	2,108,874	1,981,737
	$ 2,133,681	$ 2,008,109
An analysis of employee benefits expense by function		
Operating costs	$ 1,861,122	$ 1,727,630
Operating expenses	272,559	280,479
	$ 2,133,681	$ 2,008,109

f. Employees' compensation

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates higher than 1% of net profit before income tax. There is no employee compensation for 2019 due to net loss before income tax, but the compensation for the year ended December 31, 2018 was approved by the Company's board of directors on March 15, 2019 with the amount $5,519 thousand.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the bonuses to employees and remuneration of directors and supervisors resolved by the shareholders in their meetings in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 61,910	$ 88,698
Income tax on unappropriated earnings	11,367	-
Deferred tax		
In respect of the current year	(73,320)	21,771
Effect of change in tax rate	-	42,545
Adjustment for prior years	(572)	1,752
Income tax expense recognized in profit or loss	$ (615)	$ 154,766

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax	$ (70,402)	$ 556,128
Income tax expense calculated at the statutory rate	$ (11,573)	$ 117,481
Income tax on unappropriated earnings	11,367	-
Nondeductible expenses in determining taxable income	163	439
Deferred tax		
Unrecognized temporary difference	-	35,094
Adjustments for prior years' tax	(572)	1,752
Income tax expense recognized in profit or loss	$ (615)	$ 154,766

In 2017, the applicable corporate income tax rate used by the group entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. The deferred income tax benefit recognized in profit or loss which was due to tax rate changes, has been fully recognized in the current period. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current year:		
Translation of foreign operations	$ (4,003)	$ 3,671
Remeasurement of defined benefit plan	(247)	(3,442)
Effect of change in tax rate	-	(20,444)
	$ (4,250)	$ (20,215)

c. Current tax liabilities

	December 31 2019	2018
Current tax assets		
Tax refund receivable	$ -	$ 1,845
Current tax liabilities		
Income tax payable	$ 32,961	$ 83,021

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Others	Closing Balance
Temporary differences					
Exchange differences on translation of foreign operations	$ 245,286	$ -	$ 4,003	$ -	$ 249,289
Allowance for loss of write-down of inventories	21,698	4,420	-	-	26,118
Allowance for impairment loss of trade receivables	16,020	(2,773)	-	-	13,247
Provisions for pension cost	39,452	(5,337)	247	(29)	34,333
Provisions for warranty	4,509	(1,700)	-	-	2,809
Others	7,156	4,756	-	(48)	11,864
	$ 334,121	$ (634)	$ 4,250	$ (77)	$ 337,660

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Others	Closing Balance
Temporary differences					
Share of earnings of subsidiaries	$ (460,622)	$ 73,954	$ -	$ -	$ (386,668)

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Others	Closing Balance
Temporary differences					
Exchange differences on translation of foreign operations	$ 211,613	$ 18,780	$ 14,893	$ -	$ 245,286
Allowance for loss of write-down of inventories	14,593	7,105	-	-	21,698
Allowance for impairment loss of trade receivables	13,617	2,403	-	-	16,020
Provisions for pension cost	35,168	(1,038)	5,322	-	39,452
Provisions for warranty	3,851	658	-	-	4,509
Loss carryforwards	43,961	(43,961)	-	-	-
Others	9,986	(2,830)	-	-	7,156
	$ 332,789	$ (18,883)	$ 20,215	$ -	$ 334,121

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Others	Closing Balance
Temporary differences					
Share of earnings of subsidiaries	$ (458,029)	$ (45,433)	$ -	$ 42,840	$ (460,622)

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets are as follows:

	December 31 2019	December 31 2018
Loss carryforwards		
Expiring in 2020	$ 10,086	$ 10,086
Expiring in 2023	1,722	1,722
Expiring in 2024	3,037	3,037
Expiring in 2026	3,958	3,958
Expiring in 2027	1,185	1,185
Expiring in 2028	4,561	4,524
	$ 24,549	$ 24,512
Deductible temporary differences		
Unrealized investment loss	$ 27,653	$ 29,995

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised:

Unused Amount	Expiry Year
$ 10,086	2020
1,722	2023
3,037	2024
3,958	2026
1,185	2027
4,561	2028
$ 24,549	

g. Income tax assessments

Income tax returns of the Company and Nien Hsing International Investment Co., Ltd. through 2017 and 2018 had been examined by the tax authorities, respectively.

26. EARNINGS (LOSS) PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings (loss) per share	$ (0.35)	$ 2.03
Diluted earnings (loss) per share	$ (0.35)	$ 2.02

The earnings (loss) and weighted average number of ordinary shares outstanding used in the computation of earnings (loss) per share from continuing operations are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
(Loss) earnings used in the computation of basic and diluted (loss) earnings per share	$ (69,702)	$ 401,418

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	198,000	198,000
Effect of potentially dilutive ordinary shares:		
Compensation issued to employees	-	247
Weighted average number of ordinary shares used in the computation of diluted earnings per share	198,000	198,247

If the Group offered to settle the compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. Whereas anti-dilution effect has occurred due to the net loss during year 2019, divided loss per share was net included in the calculation as a result.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On September 30, 2019, the Group acquired 0.2% of the shareholders' equity of its subsidiary C&Y Garments from a non-controlling interest, resulting in an increase in its shareholding proportion from 99.8% to 100.0%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	C&Y Garments
Cash consideration paid	$ -
The proportionate share of the carrying amount of the net assets of the subsidiaries transferred to (from) non-controlling interests	(26)
Differences recognized from equity transactions	$ (26)
Line items adjusted for equity transactions	
Capital surplus - difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ (26)

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or capital reduced, and/or the amount of new debt issued or existing debt redeemed.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ -	$ -	$ 100,558	$ 100,558
Derivatives - dual currency deposits	-	494,583	-	494,583
	$ -	$ 494,583	$ 100,558	$ 595,141
Financial assets at FVTOCI				
Investments in equity				
Domestic listed shares	$ 222,050	$ -	$ -	$ 222,050
Domestic emerging shares	-	245,643	-	245,643
Unlisted shares	-	-	272,356	272,356
Foreign listed shares	-	96,443	-	96,443
	$ 222,050	$ 342,086	$ 272,356	$ 836,492

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ -	$ -	$ 337,325	$ 337,325
Bonds	315,003	-	-	315,003
	$ 315,003	$ -	$ 337,325	$ 652,328
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	$ 236,251	$ -	$ -	$ 236,251
Unlisted shares	-	123,846	-	123,846
Domestic emerging market shares	-	-	299,943	299,943
	$ 236,251	$ 123,846	$ 299,943	$ 660,040

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Mutual Funds	Equity Instruments
Balance at January 1, 2019	$ 337,325	$ 299,943
Purchase	31,275	-
Recognized in profit or loss	(17,976)	-
Disposal	(249,007)	(4,127)
Acquisition of residual allocation of financial assets at FVTPL	-	(129)
Level 3 Output	-	(135,200)
Recognized in other comprehensive income (included in unrealized gain/loss on financial assets at FVTOCI)	-	111,869
Recognition of other comprehensive gains and losses-exchange differences on translating foreign operations	(1,059)	-
Balance at December 31, 2019	$ 100,558	$ 272,356
Balance at January 1, 2018	$ -	$ -
Reclassification	249,937	249,799
Remeasurements	44,946	20,740
Recognized in profit or loss	31,881	-
Purchase	-	24,200
Sale	-	(25,641)
Return of share due to capital reduction	-	(75,667)
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	-	106,512
Recognition of other comprehensive gains and losses - exchange differences on translating foreign operations	10,561	-
Balance at December 31, 2018	$ 337,325	$ 299,943

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives-dual currency deposits	Valuation Model：Contracted exchange rate, expiry date, market volatility, interest rate, and exchange rate as the evaluation reference numbers, and then use appropriate models for evaluation.
Emerging stocks in non-active markets	Observe the market quotation at the end of the period and consider the liquidity risk discount.
Restricted stocks in active markets	Observe the market quotation at the end of the period and consider the liquidity risk discount.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of the fund's beneficiary certificate is calculated based on the net value of the fund. The domestic unlisted equity investment is based on the market method. The market method is based on the price of the benchmark, considering the difference between the evaluation target and the comparable standard, and the value of the target is evaluated with an appropriate multiplier. The significant unobservable input is as follows. When the liquidity discount is reduced, the fair value of such investments will increase.

	December 31	
	2019	**2018**
Discount of liquidity	25%	25%

If the following input values are changed to reflect a reasonably possible alternative hypothesis, the amount of increase (decrease) in the fair value of the equity investment will be as follows when all other inputs remain unchanged:

	December 31	
	2019	**2018**
Increase by 1 %	$ (3,240)	$ (3,215)
Decrease by 1 %	$ 3,240	$ 3,215

c. Categories of financial instruments

	December 31			
	2019		**2018**	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Financial assets				
Financial assets at amortized cost				
Cash and cash equivalents	$ 694,697	$ 694,697	$ 1,575,533	$ 1,575,533
Notes receivable and trade receivables	1,569,308	1,569,308	1,659,013	1,659,013
Other receivables	106,848	106,848	29,276	29,276
Refundable deposits	14,397	14,397	14,036	14,036
Other financial assets - current	50	50	50	50
Financial assets at FVTPL (current and non-current)				
Mandatorily classified as at FVTPL - current	494,583	494,583	-	-
Mandatorily classified as at FVTPL - non-current	100,558	100,558	652,328	652,328
Financial assets at FVTOCI - non-current				
Equity instruments	836,492	836,492	660,040	660,040

(Continued)

	December 31			
	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial liabilities</u>				
Financial liabilities at amortized cost				
Short-term borrowings	$ 616,679	$ 616,679	$ 397,705	$ 397,705
Notes payable and trade payables (including related parties)	326,427	326,427	454,236	454,236
Other payables	578,345	578,345	600,237	600,237
Long-term borrowings (including current portion of long-term loans payable)	-	-	182,000	182,000
Guarantee deposits received	1,482	1,482	1,437	1,437

(Concluded)

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, bonds payable and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The corporate treasury function, an independent body that monitors risks and policies implemented to mitigate risk exposures, reports quarterly to the Group's risk management committee.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed by adjusting the net position between foreign assets and foreign liabilities and within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting period are set out in Note 37.

<u>Sensitivity analysis</u>

The Group was mainly exposed to the U.S. dollar and the Mexican peso.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD		**PESO**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit (loss)	$ 62,361	$ 77,050	$ (2,150)	$ (812)

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows.

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 544,595	$ 1,135,107
Financial liabilities	635,979	397,705
Cash flow interest rate risk		
Financial assets	583,903	705,260
Financial liabilities	-	182,000

<u>Sensitivity analysis</u>

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by $1,460 thousand and $1,308 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax income for the years ended December 31, 2019 and 2018 would increase/decrease by $1,006 thousand and $6,523 thousand and pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would increase/decrease by $8,365 thousand and $6,600 thousand.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily on trade receivables, and from financing activities, primarily on deposits, fixed-income investments and other financial instruments with banks. Credit risk is managed separately for business- and financial-related exposures.

Business-related credit risk

To maintain the quality of its accounts receivable, the Group has established management procedures on dealing with credit risks.

Individual customers are assessed for their payment capability, including financial status, aging analysis, historical transactions, etc. In special cases involving individual customers, the Group may enhance its protection against credit risk by requiring advance payment or using credit insurance.

In addition, the Group will review the recoverable amount of the receivables one by one on the balance sheet date to ensure that adequate allowance is made for possible irrecoverable amounts. Accordingly, the management of the Group believes that the credit risk of the Group has been significantly reduced. Additionally, the counterparties of liquid funds are all creditworthy financial institutions and corporations, with no significant credit risk expected.

Financial credit risk

The credit risk from bank deposits, fixed income investments and other financial instruments is measured and supervised by the financial department of the Group. The counterparties of the Group are banks with good credit ratings, investment-grade financial institutions, corporations and the government, which have no contract performance risk. Thus, the credit risk is insignificant.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group’s current financial liabilities mature within a year and immediate settlements are not required. The Group’s guarantee deposits do not have a specific maturity.

30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except for those disclosed in Note 15, the details of transactions between the Group and other related parties are disclosed below.

a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Group
Grand Paper International Ltd.	Associate (Note)
Hong Yuan Investment Co., Ltd.	Other related party
Guozhong Investment Co., Ltd.	Other related party
Li Feng Investment Co., Ltd.	Other related party
Nuevo Investment Development Co., Ltd.	Other related party

Note: The Group sold all of their shares of Grand Paper International Ltd. on November 1, 2018 and since that date, Grand Paper International Ltd. was no longer an associate of the Group.

b. Processing income

	For the Year Ended December 31	
Related Party Category	**2019**	**2018**
Associates		
Grand Paper International Ltd. (Note 2)	$ -	$ 12,726

The processing income is negotiated based on the required operating costs.

Note 2: The Group sold all of their shares of Grand Paper International Ltd. on November 1, 2018, therefore only the transactions from January 1, 2018 to October 31, 2018 are included.

c. Rental income

	For the Year Ended December 31	
Related Party Category	**2019**	**2018**
Other related parties		
Hong Yuan Investment Co., Ltd.	$ 26	$ 26
Guozhong Investment Co., Ltd.	26	26
Li Feng Investment Co., Ltd.	26	26
Nuevo Investment Development Co., Ltd.	26	26
	$ 104	$ 104

The Group leased operating properties to related parties. The lease prices were determined with reference to the local lease standard and the payments were received monthly.

d. Service income

	For the Year Ended December 31	
Related Party Category	**2019**	**2018**
Other related parties		
Grand Paper International Ltd. (Note 2)	$ -	$ 700

e. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 30,138	$ 34,800
Post-employment benefits	689	749
	$ 30,827	$ 35,549

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as loan issuance facilities and customs guarantees.

	December 31	
	2019	2018
Property, plant and equipment	$ 214,641	$ 223,742
Other financial assets - current	50	50
	$ 214,691	$ 223,792

The revolving credit line of a syndicated loan agreement expired in March 2014. However, the Group did not retrieve the above collateral.

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $596,444 thousand and $1,145,214 thousand, respectively.

As of December 31, 2019 and 2018, the non-cancellable cotton purchase contracts for which the Group has entered into but where the goods have not yet been received are in the amounts of 23,198 thousand pounds and 28,343 thousand pounds, respectively.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies are as follows:

The significant financial assets and liabilities denominated in foreign currencies are as follows:

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 427	14.09 (USD:ZAR)	$ 12,800
USD	81,757	29.99 (USD:NTD)	2,451,890
USD	2,579	23,155 (USD:VND)	77,329
PESO	3	1.59 (PESO:NTD)	4
PESO	12	0.053 (PESO:USD)	19
			$ 2,542,042
Non-monetary items			
Derivatives			
USD	9,074	29.99 (USD:NTD)	$ 272,132
Financial liabilities			
Monetary items			
USD	19,250	14.09 (USD:ZAR)	$ 577,309
USD	23,433	29.99 (USD:NTD)	702,741
USD	492	23,155 (USD:VND)	14,750
PESO	22,805	1.59 (PESO:NTD)	36,239
PESO	4,266	0.053 (PESO:USD)	6,779
			$ 1,337,818

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 2,148	14.47 (USD:ZAR)	$ 66,034
USD	91,448	30.735 (USD:NTD)	2,810,660
USD	2,231	22,885 (USD:VND)	68,574
PESO	40,537	1.56 (PESO:NTD)	63,383
PESO	12	0.0509 (PESO:USD)	18
			$ 3,008,669
Financial liabilities			
Monetary items			
USD	17,330	14.47 (USD:ZAR)	$ 532,622
USD	28,360	30.735 (USD:NTD)	871,655
PESO	46,701	1.56 (PESO:NTD)	73,021
PESO	4,231	0.0509 (PESO:USD)	6,615
			$ 1,483,913

For the years ended December 31, 2019 and 2018, (realized and unrealized) net foreign exchange (losses) gains were $(27,161) thousand and $82,967 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held (excluding investments in subsidiaries, associates and jointly-controlled entities). (Table 2)

4) Marketable securities acquired or disposed of at costs or prices at least NT$300 million or 20% of the paid-in capital. (Table 3)

5) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

9) Trading in derivative instruments. (Note 7)

10) Intercompany relationships and significant intercompany transactions. (Table 6)

11) Information on investees. (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, 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 the mainland China area. (None)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments are as follows:

- Textile
- Garment

a. Segment revenue and results

The following is an analysis of the Group's revenue and operating results by reportable segment.

	Segment Revenue For the Year Ended December 31		Segment Profit For the Year Ended December 31	
	2019	2018	2019	2018
Textile segment			$ 241,004	$ 274,891
From external customers	$ 4,282,514	$ 4,152,548		
From intersegment sales	636,545	1,006,600		
Garment segment			(254,433)	146,363
From external customers	4,284,998	4,646,976		
From intersegment sales	-	-		
Other segment			-	-
From external customers	-	-		
From intersegment sales	-	-		
Elimination	(636,545)	(1,006,600)		
Total revenue	$ 8,567,512	$ 8,799,524	(13,429)	421,254
Unallocated amount				
Administrative cost			(131,337)	(131,720)
Other shared income (expense)			39,086	(6,353)
Operating income			(105,680)	283,181
Other income			99,080	153,116
Other gain and loss			(49,064)	121,772
Financial cost			(4,937)	(14,599)
Share of profit of associates accounted for using the equity method			(9,801)	12,658
Income before income tax			$ (70,402)	$ 556,128

The measure of the operating segments' profit or loss is controlled by management.

b. Segment assets and liabilities

	December 31	
	2019	2018
Segment assets		
Textile segment	$ 3,607,113	$ 3,963,032
Garment segment	2,992,357	2,687,541
Other shared assets	2,746,531	3,414,161
Consolidated total assets	$ 9,346,001	$ 10,064,734

The measure of the Group's operating assets is the assets controlled by management. The measure of operating liabilities is the Group's capital budget and capital demand that are not allocated to individual operating segments. Thus, the operating liabilities are not subject to segment performance evaluation.

c. Other segment information

	For the Year Ended December 31	
	2019	2018
Depreciation and amortization		
Textile segment	$ 129,914	$ 224,714
Garment segment	176,170	127,776
Other segment	6,647	8,124
	$ 312,731	$ 360,614

The increase in non-current assets is not reviewed regularly by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. Thus, non-current assets are not disclosed in the operating segments.

d. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	For the Year Ended December 31	
	2019	2018
Fabric	$ 4,246,631	$ 4,115,369
Garments	4,282,451	4,636,270
Others	38,430	47,885
	$ 8,567,512	$ 8,799,524

e. Geographical information

The Group operates in four principal geographical areas: Taiwan, America, Africa and other Asian areas. The Group's revenue from external customers by operating location and information about its non-current assets by geographical location are as follows:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
Taiwan	$ 8,032,634	$ 8,207,863	$ 946,270	$ 1,168,213
America	-	-	300,216	107,671
Africa	534,878	591,661	803,092	689,869
Other parts of Asia	-	-	163,696	158,252
	$ 8,567,512	$ 8,799,524	$ 2,213,274	$ 2,124,005

Non-current assets exclude financial instruments, investments accounted for using the equity method, deferred tax assets and refundable deposits.

f. Information regarding major customers

Single customers which contributed 10% or more to the Group's revenue for 2019 and 2018 are as follows:

	2019	2018
	Sales Amount	Sales Amount
Customer A (Note 1)	$ 993,703	$ 1,612,851
Customer B (Note 2)	2,076,553	2,060,892
	$ 3,070,256	$ 3,673,743

Note 1: Revenue from garment segment.

Note 2: Revenue from textile segment.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Counterparty		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note B)	Maximum Balance for the Period	Ending Balance	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship (Note A)										
0	Nien Hsing Textile Co., Ltd. (the “Company”)	Phoenix Development & Marketing Co., Ltd.	b	$ 2,160,146	$ 354,660	$ 299,900	$ -	$ -	4.16	$ 3,600,244	Y	N	N
		Nien Hsing International Investment Co., Ltd.	b	2,160,146	500,000	300,000	80,500	-	4.17	3,600,244	Y	N	N

Notes:

A. The relationship between Nien Hsing Textile Co., Ltd. and the endorsed/guaranteed entities can be classified into the following seven categories.

a. A company with a business relationship.
b. A subsidiary in which over 50% of the ordinary shares are directly or indirectly held by the parent company.
c. An investee company in which over 50% of the ordinary shares are directly or indirectly held by the Group.
d. A parent company which holds, directly or indirectly through subsidiaries, over 90% of the ordinary shares of Posiflex Technology Inc.
e. Mutually endorsed companies due to the contractual requirements of commonly contracted work.
f. A company endorsed due to a co-investment agreement. The endorsement percentage of each investor is based on its investment percentage.
g. Companies in the same industry engaged in the provision of joint performance guarantee of sales contracts for the sale of pre-construction homes, pursuant to the Consumer Protection Act.

B. The maximum total guarantee that the Company may provide is 50% of the carrying value of its net assets, and the maximum guarantee for each party is 30% of the carrying value of the Company’s net assets.

TABLE 2

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
Nien Hsing Textile Co., Ltd.	Share							
	Mycenax Biotech Inc.	-	Financial assets at fair value through other comprehensive income - non-current	8,635,000	$ 201,196	6.75	$ 201,196	
	BioGend Therapeutics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	806,662	18,069	0.98	18,069	
	Leadray Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,532,619	13,811	6.34	13,811	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	101,141	1,079	2.22	1,079	
	Wu Hsing International Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	450,000	-	30.00	-	Note B
Nien Hsing International (BVI) Co., Ltd.	Share							
	Tot Biopharm Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	5,982,000	96,443	1.05	96,443	
Phoenix Development & Marketing Co., Ltd.	Fund							
	Prodigy Strategic Investment Fund XXI Segregated Portfolio	-	Financial assets at fair value through profit or loss - non-current	2,469	70,568	-	70,568	
	Fasanra Digital Lending Fund	-	Financial assets at fair value through profit or loss - non-current	986	29,990	-	29,990	
	Share							
	Gongwin Biopharm Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,482,000	144,694	2.41	144,694	
	DigiMedia Technologies Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	368,532	-	0.54	-	
	Thousand Luck Limited	-	Financial assets at fair value through other comprehensive income - non-current	200,000	-	1.33	-	
	Top Fashion Industrial Co., Ltd	-	Financial assets at fair value through other comprehensive income - non-current	450,000	-	30.00	-	Note B

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
Nien Hsing International Investment Co., Ltd.	Share							
	Mycenax Biotech Inc.	-	Financial assets at fair value through other comprehensive income - non-current	895,000	$ 20,854	0.70	$ 20,854	
	Koatech Technology Corp.	-	Financial assets at fair value through other comprehensive income - non-current	404,640	3,813	1.59	3,813	
	Leadray Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,910,578	15,873	7.29	15,873	
	BioEngine Capital Inc.	-	Financial assets at fair value through other comprehensive income - non-current	18,000,000	237,780	5.26	237,780	
	BioGend Therapeutics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,700,000	82,880	4.51	82,880	

Note A: For related information on the investment in subsidiaries, associates and joint ventures, refer to Table 7.

Note B. The Group’s shareholding proportion is 30 percent, which was assessed by the management as having no substantial significant influence.

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition			Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Adjustment	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Nien Hsing International (BVI) Co., Ltd.	RABOBANK NEDERLAND - non-priority bond	Financial assets at fair value through profit or loss - non-current	RABOBANK NEDERLAND	-	10,000	$ 315,003	-	$ -		10,000	$ 310,600	$ 315,003 (Note A)	$ (4,403) (Note B)	$ -	$ -

Note A: Refers to the carrying amount at the beginning of the year.

Note B. Accounted for as other gains and losses - net loss on financial assets at fair value through profit or loss.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction/Item Details				Abnormal Transaction		Notes/Trade Payables or Receivables		Note
			Purchase/Sale/ Processing Expense	Amount	% to Total (Note C)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Nien Hsing Textile Co., Ltd.	Formosa Textile Co., Ltd.	Subsidiary	Sale	$ (518,684)	(6.07)	Note B	-	Note B	$ 198,763	9.80	
	Formosa Textile Co., Ltd.	Subsidiary	Processing expense	387,455	9.87	Note A	Note A	Note A	-	-	
	Nien Hsing International Victoria Ltd.	Subsidiary	Processing expense	598,253	15.25	Note A	Note A	Note A	(36,239)	(4.26)	
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary	Processing expense	798,058	20.34	Note A	Note A	Note A	(76,270)	(8.97)	
	C&Y Garments	Subsidiary	Processing expense	346,326	8.83	Note A	Note A	Note A	-	-	
	Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary	Processing expense	396,365	10.10	Note A	Note A	Note A	-	-	
	Global Garment Co., Ltd.	Subsidiary	Processing expense	362,627	9.24	Note A	Note A	Note A	-	-	
Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Purchase	518,684	100.00	Note B	-	Note B	(198,763)	(100.00)	
	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(387,455)	(95.99)	Note A	Note A	Note A	-	-	
Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(798,058)	(100.00)	Note A	Note A	Note A	76,270	100.00	
Nien Hsing International Victoria Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(598,253)	(100.00)	Note A	Note A	Note A	36,239	100.00	
C&Y Garments	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(346,326)	(98.49)	Note A	Note A	Note A	-	-	
Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(396,365)	(99.83)	Note A	Note A	Note A	-	-	
Global Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(362,627)	(99.67)	Note A	Note A	Note A	-	-	

Notes:

A. Processing fees charged by subsidiaries were based on operating cost; subsidiaries made payments depending on their financial condition.

B. Payments were made in cash upon demand.

C. Processing expense was calculated as a percentage to the sum of manufacturing expense and direct labor.

D. The accounts were eliminated when the consolidated financial statements were prepared.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance (Notes A and B)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Nien Hsing Textile Co., Ltd.	C&Y Garments	Subsidiary	$ 207,384	Note A	$ -	-	$ 91,913	$ -
	Formosa Textile Co., Ltd.	Subsidiary	198,763	Note A	-	-	31,416	-
Phoenix Development & Marketing Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	348,672	Note B	-	-	75,625	-

Notes:

A: Payments requests were made based on operating fund needs.

B. Collections of disposal of subsidiaries.

C: The accounts were eliminated when the consolidated financial statements were prepared.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note A)	Transaction Details			
				Financial Statement Account	Amount (Note E)	Payment Terms	% to Total Sales or Assets
0	Nien Hsing Textile Co., Ltd.	Formosa Textile Co., Ltd.	a	Sales revenue	$ 518,684	Note B	6
		Formosa Textile Co., Ltd.	a	Receivable from related parties	198,763	Note B	2
		Phoenix Development & Marketing Co., Ltd.	a	Sales revenue	39,666	Note B	-
		Nien Hsing International Investment Co., Ltd.	a	Rent income	26	Note D	-
		Nien Hsing International Investment Co., Ltd.	a	Receivable from related parties	42	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	a	Sales revenue	29,174	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	a	Receivable from related parties	50,768	Note B	1
		Global Garment Co., Ltd.	a	Receivable from related parties	68,922	Note B	1
		Glory International Co., Ltd.	a	Receivable from related parties	51,472	Note B	1
		C&Y Garments	a	Receivable from related parties	207,384	Note B	2
1	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd.	b	Processing income	798,058	Note C	9
		Nien Hsing Textile Co., Ltd.	b	Receivable from related parties	76,270	Note B	1
2	Nien Hsing International Victoria Ltd.	Nien Hsing Textile Co., Ltd.	b	Processing income	598,253	Note C	7
		Nien Hsing Textile Co., Ltd.	b	Receivable from related parties	36,239	Note B	-
		Phoenix Development & Marketing Co., Ltd.	c	Receivable from related parties	6,779	Note B	-
		Nien Hsing Confeccion Ltd.	c	Receivable from related parties	10,521	Note B	-
3	Nien Hsing International (Samoa) Ltd.	Nien Hsing Textile Co., Ltd.	b	Receivable from related parties	9,283	Note B	-
4	C&Y Garments	Nien Hsing Textile Co., Ltd.	b	Processing income	346,326	Note C	4
		Global Garment Co., Ltd.	c	Processing income	1,605	Note C	-
		Global Garment Co., Ltd.	c	Receivable from related parties	13	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	c	Processing income	3,681	Note C	-
		Nien Hsing International (Lesotho) Co., Ltd.	c	Receivable from related parties	413	Note B	-
		Glory International Co., Ltd.	c	Receivable from related parties	25	Note B	-
5	Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	b	Processing income	396,365	Note C	5
		C&Y Garments	c	Processing income	690	Note C	-
		Glory International Co., Ltd.	c	Receivable from related parties	2,079	Note B	-
6	Global Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	b	Processing income	362,627	Note C	4
		Nien Hsing International (Lesotho) Co., Ltd.	c	Processing income	940	Note C	-
		Nien Hsing International (Lesotho) Co., Ltd.	c	Receivable from related parties	148	Note B	-
		C&Y Garments	c	Processing income	230	Note C	-
		Formosa Textile Co., Ltd.	c	Receivable from related parties	10,704	Note B	-
		Glory International Co., Ltd.	c	Receivable from related parties	9,660	Note B	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note A)	Transaction Details			
				Financial Statement Account	Amount (Note E)	Payment Terms	% to Total Sales or Assets
7	Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	b	Processing income	$ 387,455	Note C	5
		C&Y Garments	c	Receivable from related parties	8,080	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	c	Receivable from related parties	1,151	Note B	-
		Nien Hsing International (Samoa) Ltd.	c	Receivable from related parties	315	Note B	-
		Glory International Co., Ltd.	c	Receivable from related parties	55,035	Note B	1
8	Phoenix Development & Marketing Co., Ltd.	Nien Hsing Textile Co., Ltd.	b	Receivable from related parties	119,295	Note B	1
		Nien Hsing Textile Co., Ltd.	b	Receivable from related parties - disposal equipment	229,377	Note B	2
9	Chih Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd.	b	Receivable from related parties	75,470	Note B	1
10	Glory International Co., Ltd.	Nien Hsing Textile Co., Ltd.	b	Processing income	26,250	Note C	-

Note A: Flow of transaction:

a. From parent company to subsidiary
b. From subsidiary to parent company
c. Between subsidiaries

Note B: Collection of receivables is based on the related parties’ cash requirements.

Note C: Processing incomes charged by subsidiaries were based on operating costs; subsidiaries made payments depending on their financial condition.

Note D: Related-party transactions were not significantly different from third-party transactions.

Note E: The accounts were eliminated when consolidated financial statements were prepared.

(Concluded)

TABLE 7

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note (Relationship of Investee to Investor)
				December 31, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)	Carrying Value			
Nien Hsing Textile Co., Ltd. (the "Company")	Nien Hsing International (BVI) Co., Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	Investment holding company	$ 586,915	$ 586,915	28,409	100.00	$ 2,149,301	$ (62,784)	$ (62,784)	Subsidiary
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Plot C4, Khanh Phu Industrial zone, Khanh Phu Commune, Yen Khanh district, Ninh Binh province, Vietnam	Manufacturing of jeans	714,092	714,092	-	100.00	193,797	729	729	Subsidiary
	Chih Hsing Garment (Cambodia) Co., Ltd.	Road 6A; Phum Khtor; Sangkat Prek Leap; Chroy Changvar District; Phnom Penh; Kingdom of Cambodia	Manufacturing of jeans	133,641	133,641	4,500	100.00	76,819	3	3	Subsidiary
	Nien Hsing International Investment Co., Ltd.	12F-2, No. 308, Neihu Rd., Sec. 1, Neihu Dist., Taipei City, Taiwan 114, R.O.C.	Investment business	20,000	20,000	9,722,833	100.00	285,431	(492)	(492)	Subsidiary
	China International Investment Co., Ltd.	25F, No. 97 Dunhua S. Rd., Sec. 2, Da-an Taipei, Taiwan 106, R.O.C.	Investment business	819	819	81,850	22.42	7,399	706	158	Equity-method investee
	Wu Hsing International Co., Ltd.	No. 97, Ln. 297, Yuanguan Rd., Nuannuan Dist., Keelung City 205, Taiwan, R.O.C.	Purchase and sale of raw material, supplies and jeans	-	4,500	-	-	-	-	-	Note B
Nien Hsing International (BVI) Co., Ltd.	Nien Hsing International (Bermuda) Ltd.	Canon's Court, 22 Victoria Street, Hamilton Hm12, Bermuda	Investment holding company	384,660	384,660	19,446	100.00	346,189	22,076	22,076	Subsidiary
	Nien Hsing International (Samoa) Ltd.	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	Investment holding company	893,117	987,858	27,277,000	100.00	274,387	(17,762)	(17,762)	Subsidiary
	Phoenix Development & Marketing Co., Ltd.	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	Sale of denim and investment business	102,692	102,692	1,000,000	100.00	1,213,464	(75,265)	(75,265)	Subsidiary
Nien Hsing International (Bermuda) Ltd.	Nien Hsing International Victoria Ltd.	Libramiento Naciones Unidas Km. 20, Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. C. P. 87130	Manufacturing of denim fabric	482,460	482,460	22,410	99.99	353,566	23,221	23,221	Subsidiary
	Nien Hsing Confeccion Ltd.	Libramiento Naciones Unidas Km. 20, Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. C. P. 87130	Manufacturing of jeans	30,021	30,021	26	99.99	(9,602)	(2)	(2)	Subsidiary
Nien Hsing International (Samoa) Ltd.	C&Y Garments	Site No. 7D Thetsane Industrial Area Maseru 100. Lesotho	Manufacturing of jeans	105,226	105,226	100,000	100.00	10,103	(5,040)	(4,955)	Subsidiary
	Nien Hsing International (Lesotho) Co., Ltd.	Site No. 009 Thetsane Industrial Area Maseru 100. Lesotho	Manufacturing of jeans	10,562	10,562	200,000	100.00	68,666	(8,086)	(8,086)	Subsidiary
	Global Garments Co., Ltd.	Site No. 12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	Manufacturing of jeans	150,535	150,535	100,000	100.00	65,647	(8,561)	(8,561)	Subsidiary
	Formosa Textile Co., Ltd.	827 Thetsane Industrial Area, Maseru 100. Lesotho	Manufacturing of denim fabric	280,856	280,856	100,000	100.00	119,911	3,976	3,976	Subsidiary
Phoenix Development & Marketing Co., Ltd.	C&D Capital Corp.	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	Investment business	16,473	60,012	507,623	22.42	13,980	811	182	Equity-method investee
	C&D Capital II Corp.	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Investment business	115,438	128,264	3,604,500	28.74	84,685	(35,287)	(10,141)	Equity-method investee
	Top Fashion Industrial Co., Ltd.	P.O. Box 3321, (Sealight House), Road Town, Tortola, British Virgin Islands	Purchase and sale of raw material, supplies and jeans	-	14,644	-	-	-	-	-	Note B
	Glory International Co., Ltd.	827 Thetsane Industrial, Ha Thetsane, Maseru, Lesotho	Manufacturing of knitted garment	291,554	245,411	9,740,000	100.00	181,525	(55,106)	(55,106)	Subsidiary

Note A: The accounts were eliminated when the consolidated financial statements were prepared.

Note B: It was transferred to financial assets at FVTOCI - non-current since it was assessed by the Management as no substantial significant influence.

TABLE 8

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Construction in Progress	Total
Cost									
Balance at January 1, 2018	$ 245,588	$ 1,516	$ 2,023,940	$ 4,699,070	$ 52,602	$ 58,051	$ 1,261,064	$ 109,363	$ 8,451,194
Additions	-	-	16,754	161,060	2,828	4,640	26,569	138,674	350,525
Disposals	-	-	(150)	(128,583)	(2,330)	(5,536)	(234,813)	-	(371,412)
Reclassification	-	-	13,231	113,148	-	315	63,510	(22,005)	168,199
Effect of foreign currency exchange differences	585	-	(50,713)	43,992	(3,377)	(873)	14,035	(22,027)	(18,378)
Balance at December 31, 2018	$ 246,173	$ 1,516	$ 2,003,062	$ 4,888,687	$ 49,723	$ 56,597	$ 1,130,365	$ 204,005	$ 8,580,128
Accumulated depreciation									
Balance at January 1, 2018	$ -	$ 1,516	$ 1,219,122	$ 4,261,767	$ 38,825	$ 50,284	$ 1,056,094	$ -	$ 6,627,608
Disposals	-	-	(150)	(123,899)	(2,177)	(5,536)	(234,406)	-	(366,168)
Depreciation expense	-	-	101,828	110,090	5,009	4,845	137,134	-	358,906
Reclassified to investment properties	-	-	(76)	-	-	-	-	-	(76)
Effect of foreign currency exchange differences	-	-	(30,769)	62,246	(2,889)	(420)	12,697	-	40,865
Balance at December 31, 2018	$ -	$ 1,516	$ 1,289,955	$ 4,310,204	$ 38,768	$ 49,173	$ 971,519	$ -	$ 6,661,135
Carrying amounts at January 1, 2018	$ 245,588	$ -	$ 804,818	$ 437,303	$ 13,777	$ 7,767	$ 204,970	$ 109,363	$ 1,823,586
Carrying amounts at December 31, 2018	$ 246,173	$ -	$ 713,107	$ 578,483	$ 10,955	$ 7,424	$ 158,846	$ 204,005	$ 1,918,993
Cost									
Balance at January 1, 2019	$ 246,173	$ 1,516	$ 2,003,062	$ 4,888,687	$ 49,723	$ 56,597	$ 1,130,365	$ 204,005	$ 8,580,128
Additions	-	-	5,591	93,406	2,111	2,928	13,010	31,370	148,416
Disposals	-	-	-	(50,228)	(1,392)	-	(70)	-	(51,690)
Fire loss (Note)	-	-	(1,665)	-	-	-	-	-	(1,665)
Reclassification	-	-	183,532	246,671	352	2,375	38,422	(194,053)	277,299
Effect of foreign currency exchange differences	261	-	(5,112)	(9,602)	68	(217)	(2,509)	1,100	(16,011)
Balance at December 31, 2019	$ 246,434	$ 1,516	$ 2,185,408	$ 5,168,934	$ 50,862	$ 61,683	$ 1,179,218	$ 42,422	$ 8,936,477
Accumulated depreciation									
Balance at January 1, 2019	$ -	$ 1,516	$ 1,289,955	$ 4,310,204	$ 38,768	$ 49,173	$ 971,519	$ -	$ 6,661,135
Disposals	-	-	-	(45,267)	(1,389)	-	(60)	-	(46,716)
Fire loss (Note)	-	-	(1,119)	-	-	-	-	-	(1,119)
Depreciation expense	-	-	102,783	139,378	3,731	3,872	60,713	-	310,477
Effect of foreign currency exchange differences	-	-	(5,053)	(5,456)	(204)	(229)	(1,738)	-	(12,680)
Balance at December 31, 2019	$ -	$ 1,516	$ 1,386,566	$ 4,398,859	$ 40,906	$ 52,816	$ 1,030,434	$ -	$ 6,911,097
Carrying amounts at January 1, 2019	$ 246,173	$ -	$ 713,107	$ 578,483	$ 10,955	$ 7,424	$ 158,846	$ 204,005	$ 1,918,993
Carrying amounts at December 31, 2019	$ 246,434	$ -	$ 798,842	$ 770,075	$ 9,956	$ 8,867	$ 148,784	$ 42,422	$ 2,025,380

Note: It accounts other gains and losses, referring to Note 24 (b) other gains and losses.