

## **Nien Hsing Textile Co., Ltd.**

### **Individual Financial Statement for the years ended December 31, 2020 and 2019 and Independent Auditors' Report**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying Individual Balance Sheets of Nien Hsing Textile Co., Ltd. as of December 31, 2020 and 2019, and the Individual Statements of Comprehensive Income, Individual Statements of Changes in Equity, and Individual Statements of Cash Flows and the notes to the Individual Financial Statements (including the Summary of Significant Accounting Policies) from January 1 to December 31, 2020 and 2019.

In our opinion, the Individual Financial Statements referred to above present fairly, in all material respects, the individual financial position of Nien Hsing Textile Co., Ltd. as of December 31, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual Financial Statements section of our report. We have stayed independent from Nien Hsing Textile Co., Ltd. as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Norm. 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 Please refer to the matters that, in our professional judgment, were of most significance in our audit of the 2020 Individual Financial Statements of Nien Hsing Textile Co., Ltd.. These matters were addressed in the context of our audit of the Individual 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 Individual Financial Statements of Nien Hsing Textile Co., Ltd. for the year ended December 31, 2020 are stated as follows:

#### **Impairment assessment of inventories**

Please refer to Note 4 (e) and Note 5 for the accounting policies and critical accounting estimates used for inventory impairment assessment, and Note 10 for details of the balance of inventories.

#### Description

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:

1. We obtained an understanding of the design of internal control on inventory impairment, as well as its effectiveness.
2. We tested inventory at the end of the year to confirm and assess whether there was any obsolete or damaged inventory.
3. 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.

### **Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements**

The responsibilities of management are to prepare a set of fairly presented Individual Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatements, whether due to fraud or error.

In preparing the Individual Financial Statements, management is responsible for assessing the ability of Nien Hsing Textile Co., Ltd. in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate Nien Hsing Textile Co., Ltd. or cease its operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the financial reporting process.

### **Auditors' Responsibilities for the Audit of the Individual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Individual 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 in the Individual Financial Statements 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 Individual 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 Individual 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 Nien Hsing Textile Co., Ltd.'s internal control.

3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
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 Nien Hsing Textile Co., Ltd.'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 Individual 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 Nien Hsing Textile Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Individual Financial Statements, including the disclosures, and whether the Individual 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 of Nien Hsing Textile Co., Ltd. to express an opinion on the Individual 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 Individual Financial Statements for the year ended December 31, 2020 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 Shu-Juan Ye and Chih-Ming Shao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 17, 2021

#### 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.**
**PARENT COMPANY ONLY BALANCE SHEETS  
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**
**Unit: In Thousands of New Taiwan Dollars**

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 424,703	5	\$ 331,673	4
Financial assets at fair value through profit or loss- current (Notes 4 and 7)	-	-	181,252	2
Notes receivable (Note 9)	2,328	-	1,788	-
Trade receivables, net (Notes 4, 5 and 9)	1,726,465	20	1,449,901	15
Amounts due from affiliate enterprises (Note 27)	225,212	3	577,351	6
Other receivables (Note 9)	16,552	-	7,307	-
Current tax assets (Notes 4 and 22)	374	-	-	-
Inventories (Note 4, 5, and 10)	1,979,112	22	2,354,770	25
Prepayments	38,663	-	71,399	1
Other financial assets-current (Note 28)	1,990	-	50	-
Other current assets	10,651	-	20,117	-
Total current assets	<u>4,426,050</u>	<u>50</u>	<u>4,995,608</u>	<u>53</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	277,983	3	234,155	3
Investments accounted for using the equity method (Notes 4 and 11)	2,654,977	30	2,712,747	29
Property, plant and equipment (Notes 4, 12 and 28)	887,317	10	967,083	10
Investment property, net (Notes 4 and 13)	115,454	2	116,364	1
Deferred tax assets (Notes 4 and 22)	396,914	5	337,660	4
Prepayments for equipment	21,950	-	17,308	-
Refundable deposits	11,534	-	11,604	-
Total non-current assets	<u>4,366,129</u>	<u>50</u>	<u>4,396,921</u>	<u>47</u>
Total assets	<u>\$ 8,792,179</u>	<u>100</u>	<u>\$ 9,392,529</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 14)	\$ 151,190	2	\$ 536,179	6
Notes payable (Note 15)	66,429	1	69,297	1
Trade payables (Note 15)	277,485	3	234,973	2
Amounts due to affiliate enterprises (Note 27)	255,318	3	545,934	6
Other payables (Note 16)	194,934	2	212,333	2
Current tax liabilities (Notes 4 and 22)	-	-	29,632	-
Short-term provisions for onerous contract (Notes 4 and 17)	2,734	-	380	-
Other current liabilities	33,391	-	17,403	-
Total current liabilities	<u>981,481</u>	<u>11</u>	<u>1,646,131</u>	<u>17</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 22)	309,295	4	386,668	4
Long-term borrowings (Note 14)	100,000	1	-	-
Net defined benefits liabilities (Note 4 and 18)	130,388	1	157,817	2
Guarantee deposits received	1,506	-	1,426	-
Total non-current liabilities	<u>541,189</u>	<u>6</u>	<u>545,911</u>	<u>6</u>
Total liabilities	<u>1,522,670</u>	<u>17</u>	<u>2,192,042</u>	<u>23</u>
<b>Equity</b>				
Capital stock	1,980,000	23	1,980,000	21
Capital surplus	419,715	5	419,715	5
Retained earnings				
Legal Reserve	2,282,156	26	2,282,156	24
Special Reserve	274,992	3	321,638	4
Unappropriated earnings	2,280,629	26	2,471,970	26
Total retained earnings	<u>4,837,777</u>	<u>55</u>	<u>5,075,764</u>	<u>54</u>
Other Equity	32,017	-	(274,992)	(3)
Total equity	<u>7,269,509</u>	<u>83</u>	<u>7,200,487</u>	<u>77</u>
Total liabilities and equity	<u>\$ 8,792,179</u>	<u>100</u>	<u>\$ 9,392,529</u>	<u>100</u>

The accompanying notes are an integral part of the Individual Financial Statements.

# NIEN HSING TEXTILE CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Unit: In Thousands of New Taiwan Dollars, Except Losses Per Share

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 27)				
Sales	\$ 7,061,155	101	\$ 8,574,005	100
Less: Sales returns and allowances	54,096	1	23,001	-
Net sales	7,007,059	100	8,551,004	100
Revenue from processing	-	-	313	-
Total operating revenue	7,007,059	100	8,551,317	100
OPERATING COSTS (Notes 10, 18, 21 and 27)				
Cost of Goods Sold	6,876,027	98	8,183,020	96
Total operating costs	6,876,027	98	8,183,020	96
GROSS PROFIT	131,032	2	368,297	4
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	228,880	3	243,525	3
General and administrative expenses	128,311	2	152,786	2
Research and development	26,040	1	25,339	-
Expected credit loss (reversal gains)	16,993	-	(14,749)	-
Total operating expenses	400,224	6	406,901	5
OPERATING LOSS	(269,192)	(4)	(38,604)	(1)
NON-OPERATING INCOME AND EXPENSES (Notes 10, 11, 21 and 27)				
Interest income	2,249	-	3,454	-
Other income	89,661	1	66,499	1
Other gains and losses	(123,999)	(2)	(39,445)	-
Finance costs	(3,930)	-	(2,948)	-
Share of profits (losses) of associates accounted for using the equity method	(243,974)	(3)	(62,386)	(1)
Total non-operating income and expenses	(279,993)	(4)	(34,826)	-
LOSS BEFORE INCOME TAX	(\$ 549,185)	(8)	(\$ 73,430)	(1)
INCOME TAX INCOME (Note 4 and 22)	126,119	2	3,728	-
NET LOSS FOR THE YEAR	(423,066)	(6)	(69,702)	(1)

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	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME/(LOSS) (Notes 19 and 22)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	11,567	-	( 1,237 )	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	121,313	2	( 16,176 )	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	( 2,314 )	-	247	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	457,248	6	38,588	-
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	( 119,657 )	( 2 )	( 20,014 )	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>23,931</u>	<u>1</u>	<u>4,003</u>	<u>-</u>
Other comprehensive income/(loss) for the year, net of income tax	<u>492,088</u>	<u>7</u>	<u>5,411</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 69,022</u>	<u>1</u>	<u>( \$ 64,291 )</u>	<u>( 1 )</u>
Loss per share (Note 23)				
From continuing operations				
Basic	( <u>\$ 2.14</u> )		( <u>\$ 0.35</u> )	

The accompanying notes are an integral part of the Individual Financial Statements.

**NIEN HSING TEXTILE CO., LTD.**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Unit: In Thousands of New Taiwan Dollars, Except for Dividend Per Share

	Issued and Outstanding Capital Stock (Note 19)			Retained Earnings (Notes 8, 19 and 20)			Other Equity		Total Equity
	Number of Shares	Amount	Capital Surplus (Note 19)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations (Note 19)	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income (Note 19)	
BALANCE AT JANUARY 1, 2019	198,000	\$ 1,980,000	\$ 419,715	\$ 2,282,156	\$ 414,600	\$ 2,885,971	( \$ 480,336 )	\$ 158,698	\$ 7,660,804
Appropriation of the 2018 earnings									
Cash dividends distributed by the Company - NT\$2.0 per share	-	-	-	-	-	( 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 )
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	( 990 )	( 16,011 )	22,412	5,411
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	( 70,692 )	( 16,011 )	22,412	( 64,291 )
Changes in subsidiaries accounted for using the equity method	-	-	-	-	-	( 26 )	-	-	( 26 )
Disposal of equity instruments measured at fair value through other comprehensive income/Subsidiaries' disposal of equity instruments measured at fair value through 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
Appropriation of the 2019 earnings									
Cash dividends distributed by the Company - NT\$2.0 per share	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	( 46,646 )	46,646	-	-	-
Net loss for the year ended December 31, 2020	-	-	-	-	-	( 423,066 )	-	-	( 423,066 )
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	9,253	( 95,726 )	578,561	492,088
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	( 413,813 )	( 95,726 )	578,561	69,022
Disposal of equity instruments measured at fair value through other comprehensive income/Subsidiaries' disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	175,826	-	( 175,826 )	-
BALANCE AT DECEMBER 31, 2020	198,000	\$ 1,980,000	\$ 419,715	\$ 2,282,156	\$ 274,992	\$ 2,280,629	( \$ 592,073 )	\$ 624,090	\$ 7,269,509

The accompanying notes are an integral part of the Individual Financial Statements.



# NIEN HSING TEXTILE CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Unit: In Thousands of New Taiwan Dollars

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	(\$ 549,185 )	(\$ 73,430 )
Adjustments for		
Depreciation expenses	96,494	107,170
Expected credit (loss) gain	16,993	( 14,749 )
Net (gain) loss on fair value change of financial assets designated as at fair value through profit or loss	( 1,797 )	1,157
Finance costs	3,930	2,948
Interest income	( 2,249 )	( 3,454 )
Share of profits (losses) of associates and subsidiaries accounted for using the equity method	243,974	62,386
Proceeds from disposal of property, plant and equipment	( 357 )	( 88 )
Gain on disposal of investments accounted for the using equity method	( 2 )	-
Write-down (reversal of write-down) of inventories	52,784	22,103
Fire loss	-	3,333
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	448
Notes receivable	( 540 )	2,753
Trade receivables	( 293,557 )	64,690
Receivable from associates	352,139	( 44,660 )
Other receivables	( 9,285 )	3,177
Inventory	322,874	( 48,009 )
Prepayments	32,736	17,347
Other current assets	9,466	2,867
Other financial assets	( 1,940 )	-
Notes payable	( 2,868 )	( 43,801 )
Trade payables	42,512	( 85,005 )
Payables to associates	( 61,239 )	( 45,039 )
Other payables	( 17,417 )	( 41,981 )
Short-term provision for onerous contracts	2,354	380
Other current liabilities	15,988	( 10,771 )
Net Defined Benefit Liabilities	( 15,862 )	( 26,992 )
Cash generated from operations	235,946	( 147,220 )
Income tax paid	( 18,897 )	( 115,733 )
Net cash used in operating activities	<u>217,049</u>	<u>( 262,953 )</u>

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	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	( \$ 7,452 )	( \$ 7,779 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	84,417	-
Distribution of residual property at fair value through other comprehensive income	217	129
Return of capital on financial assets at fair value through other comprehensive income	303	-
Purchase of financial assets at fair value through profit or loss	-	( 519,770 )
Disposal of long-term equity investments accounted for using the equity method	20	-
Disposal of financial assets at fair value through profit or loss	183,049	336,913
Return of capital on investments accounted for using the equity method	737	-
Payments for property, plant and equipment	( 235,308 )	( 80,365 )
Proceeds from disposal of property, plant and equipment	2,181	98
Decrease (Increase) in refundable deposits	70	( 338 )
Increase in prepayments for equipment	( 16,353 )	( 11,189 )
Interest received	2,289	4,439
Dividends received from subsidiaries and associates	<u>150,632</u>	<u>402,941</u>
Net cash generated from investing activities	<u>164,802</u>	<u>125,079</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	( 384,989 )	218,474
Proceeds from long-term borrowings	150,000	-
Repayments of long-term borrowings	( 50,000 )	( 182,000 )
Increase in guarantee deposits received	80	43
Dividends paid	-	( 396,000 )
Interest paid	( <u>3,912</u> )	( <u>3,095</u> )
Net cash used in financing activities	( <u>288,821</u> )	( <u>362,578</u> )
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	93,030	( 500,452 )
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>331,673</u>	<u>832,125</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 424,703</u>	<u>\$ 331,673</u>

The accompanying notes are an integral part of the Individual Financial Statements.

# NIEN HSING TEXTILE CO., LTD.

## NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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 Individual Financial Statements of the Company are presented in the Company's functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The Individual Financial Statements were approved by the Company's Board of Directors on March 17, 2021.

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

a. Initial application of 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)

The initial application of the IFRSs endorsed and issued into effect in 2020 by the FSC in 2020 would not have any material impact on the Company's accounting policies:

b. FSC-endorsed IFRSs applicable beginning from 2021

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendment to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective on issuance
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - "Interest Rate Benchmark Reform - Phase 2"	Effective for the annual reporting periods beginning on and after January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	Effective for the annual reporting periods beginning on and after June 1, 2020

As of the date the Individual Financial Statements were authorized for issue, the Company found that the above application of aforementioned amendments have no significant impacts on the Company's financial position and financial performance.

- c. IFRSs that have been issued by IASB but not yet endorsed and issued into effect by the FSC

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

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after the specified dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable 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, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts of which the obligations have not been fulfilled on or after January 1, 2022.

Note 6: The amendments shall be applied prospectively for the annual reporting period beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur during the annual reporting period beginning on or after January 1, 2023.

As of the date the Individual Financial Statements were authorized for issue, the Company is continuously assessing the effects of the amendments to the standards and interpretations on its financial position and financial performance. Any relevant effect will be disclosed when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of Compliance

The Individual Financial Statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of Preparation

The Individual Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which is

arrived at by taking the present value of defined benefit obligation minus the fair value of planned assets.

The fair value measurement is classified into 3 levels based on the observability and importance of related inputs:

- 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.

The Company accounts for subsidiaries and associates by using the equity method in the preparation of the Individual Financial Statements. In order to align the amounts of profit or loss, other comprehensive income, and equity stated on the Individual Financial Statements for the current year with the amounts attributable to Owners of the Company as stated on the Consolidated Financial Statements for the current year, the Company accounted for the accounting differences between the consolidated basis and the individual basis by adjusting “Investment accounted for using the equity method” , “Share of profit or loss in subsidiaries and associates accounted for using the equity method” , “Share of other comprehensive income in subsidiaries and associates accounted for using the equity method” , and related equity items.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets to be realized within 12 months after the balance sheet date; 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 Company 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. Foreign currencies

When preparing the Individual Financial Statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are converted into the functional currency 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 Individual Financial Statements, the functional currencies of the Company's entities (including subsidiaries and associates 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

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 reclassified to equity transaction in that foreign operation but is not recognized in profit or loss. For all other situations of partial disposal of a foreign operation, the proportionate share of the accumulated exchange difference recognized in other comprehensive income is reclassified to profit or loss.

d. Inventories

Inventories consist of raw materials, finished goods and work-in-progress Inventories are measured at the lower of cost and net realizable value. When comparing costs and net realizable values, they are based on individual items except for the same type of inventory. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Cost of inventory is calculated using the weighted-average method.

f. Investment in subsidiaries

The Company adopted the equity method for accounting treatment of investment in subsidiaries and associates.

Subsidiaries Please refer to individuals (including structural individuals) that the Company has control over.

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

When changes in the ownership interest of the Company in subsidiaries do not cause the Company

to lose control, they are recognized as equity transactions. The difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (including any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company shall continue to recognize losses based on the shareholding percentage.

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

When the Company assesses impairment, the test shall be performed on the basis of cash generating unit within the financial statements. The recoverable amount and the carrying amount of cash generating unit shall be compared. If the recoverable amount of the asset later increases, the reversal of the impairment loss shall be recognized as profits, but the carrying amount of the asset after reversal of impairment loss shall not exceed the carrying amount of the asset before recognizing the impairment loss, net of amortization. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control on a subsidiary, the Company measures its retaining interest at fair value of the former subsidiary at the date when control was lost; any difference between the retaining interest, any proceeds from disposal, and the book value on the date when control was lost is recognized in profit or loss. The Company Accounted for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities..

The unrealized profit or loss from downstream transactions between the Company and the subsidiary is eliminated in the Individual Financial Statements. Profit or loss generated from upstream transactions between the Company and subsidiaries and lateral transactions between subsidiaries shall only be recognized in the Individual Financial Statements when it is not related to the Company's interest in the subsidiaries.

g. Investment in associates

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

The Company 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 Company's share of the profit or loss and other comprehensive income of the associate. In addition, equity changes in associates are recognized based on shareholding ratio.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate 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 Company'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 Company subscribes to 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 Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to

Capital surplus - changes in the Company's equity in associates accounted for using the equity method and Investment accounted for using the equity method. If the Company's ownership interest is reduced due to the additional subscription to 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 associate 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 Company's share of losses of an associate 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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) 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 Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained interest is measured at fair value at that date. The difference between the fair value, proceeds from disposal, and the book value of the investment on the date when the equity method ceases to apply is recognized in profit or loss. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate 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 Company continues to apply the equity method and does not remeasure the retained interest.

Any gain or loss from transactions, either downstream, upstream, or lateral, between the Company and associates are recognized in the Individual Financial Statements only to the extent that such recognition does not affect the Company's interest in the associate.

#### 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 net sales proceeds and the carrying amount of the asset is recognized in profit or loss.



i. Investment Property

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 property, plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its Property, plant and equipment 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 (net of amortization or depreciation) 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 immediately in profit or loss.

k. Financial instruments

Financial assets and financial liabilities shall be recognized in the Parent Company Financial Statements when the Company becomes a party of the financial instrument contract.

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 26.

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.

Credit-impaired financial assets are those for which the issuer or borrower has experienced major financial difficulties or defaults, the borrower is likely to claim bankruptcy or other financial reorganization, or the active market for financial assets disappears due to financial difficulties.

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

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company 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 Company 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 Company determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Company:

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When the underlying debt is overdue.

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

c) Derecognition of financial liabilities

The Company 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 the Company 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 the Company 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.

### 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

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.

## 1. 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).

### Onerous contract

Where the Company 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 Company 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 Company 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 Company does not adjust the promised amount of consideration for the effects of a significant financing component.

#### Sale of goods

Revenue from the sale of goods comes from sales of denim fabric and apparels. Sales of denim fabric and apparels 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 Company does not recognize revenue on materials processing because this processing does not involve a transfer of control.

#### n. Leasing

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

##### 1) The Company 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 Company as lessee

The Company 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

#### 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. Government grants

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

Government grants are recognized in Other income on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

A grant receivable as compensation for costs already incurred or for immediate financial support for

the Company, with no future related costs, are recognized as income in the period in which it is receivable.

q. 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 rereasurement) 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. Rereasurement, 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. Rereasurement recognized in other comprehensive income is reflected immediately in Retained earnings/Other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company'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.

r. Taxation

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

1) Current tax

According to the Income Tax Act of the Republic of China (ROC), 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 calculation 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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 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 Company 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

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 an investment in a subsidiary, the tax effect is included in the accounting for the subsidiary.

## **5 · CRITICAL ACCOUNTING JUDGMENTS, ASSUMPTIONS, AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company'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.

### Write-down of Inventory

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 2,487	\$ 2,492
Checking accounts and demand deposits	372,289	279,219
Cash equivalents (Investments with original maturities within three months)		
Short-term bills	<u>49,927</u>	<u>49,962</u>
	<u>\$ 424,703</u>	<u>\$ 331,673</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits	0.005% ~ 0.43%	0.001% ~ 2.2%
Short-term bills	0.24%	0.48%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets at fair value through profit or loss (FVTPL) - current</u>		
Financial assets mandatorily classified as at FVTPL		
Embedded derivative financial assets (not under hedge accounting)		
- Dual Currency (b)	<u>\$ -</u>	<u>\$ 181,252</u>

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

<u>Currency</u>	<u>Contract Amount</u>	<u>Contract Period</u>	<u>Exchange Rate</u>
<u>December 31, 2019</u>			
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 1,000	2019.12.10-2020.2.14	ZAR>15.236
USD/ZAR	USD 2,000	2019.12.20-2020.2.21	ZAR>15.110

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

### Investments in Equity Instruments at FVTOCI

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic investment		
Listed shares and emerging market shares	\$ 262,486	\$ 219,265
Unlisted shares	<u>15,497</u>	<u>14,890</u>
	<u>\$ 277,983</u>	<u>\$ 234,155</u>

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 Company's strategy of holding these investments for long-term purposes.

In 2019, the Company purchased the ordinary shares of Mycenax Biotech Inc. for \$7,779 thousand, which were designated as at fair value through other comprehensive income since these investments were held for medium to long term strategic purposes.

Youfu Investment Co., Ltd. was liquidated in March 2019, and the Company received a residual



property distribution of \$217 thousand in 2020. In 2020 and 2019, the Company transferred the relevant other equity - unrealized profit or loss on financial assets measured at fair value through other comprehensive income of \$217 thousand and \$(31,622) thousand to retained earnings, respectively. The Company participated in Gongwin BioPharm Holdings, Co., Ltd.'s issuance of ordinary shares in 2020 and invested \$7,452 thousand.

Breeze Digital Co., Ltd. was liquidated in August 2019 and the Company 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.

To diversify risks, the Company adjusted its investment position in 2020. The Company disposed of some shares of Gongwin BioPharm Holdings, Co., Ltd. and Mycenax Biotech Inc. for \$84,417 thousand, and transferred Other equity - unrealized gain or loss of financial assets at fair value through other comprehensive income of \$57,240 thousand to Retained earnings.

Der Yang Biotechnology Venture Capital Co., Ltd. implemented a capital reduction in 2020 and returned shares of \$303 thousand.

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable - operating	<u>\$ 2,328</u>	<u>\$ 1,788</u>
<u>Trade receivables</u>		
Trade receivables	\$ 1,824,342	\$ 1,530,785
Less: Allowance for impairment loss	( <u>97,877</u> )	( <u>80,884</u> )
	<u>\$ 1,726,465</u>	<u>\$ 1,449,901</u>
<u>Other receivables</u>		
Payment on behalf of others	\$ 3,282	\$ 1,447
Interest	9	49
Others	<u>13,261</u>	<u>5,811</u>
	<u>\$ 16,552</u>	<u>\$ 7,307</u>

### 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 Company 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 Company 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 Company will use other publicly available financial information and historical transaction records to rate its major customers. The Company 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 Company 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 Company has been significantly reduced.

The Company 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 past default experiences of the debtor and an analysis of the debtor's current financial position. The Company considers the aging of accounts receivable, customer ratings and the mechanism for the retention of accounts receivable, etc. comprehensively when determining the Company's expected credit loss rate.

The Company 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 Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Company's loss allowance are as follows:

December 31, 2020

	<u>1 to 60 days</u>	<u>61 to 90 days</u>	<u>Over 91 days</u>	<u>Total</u>
Expected credit loss rate	0.5% ~ 15.0%	0.5% ~ 15.0%	0.5% ~ 15.0%	
Gross carrying amount	\$1,098,668	\$ 494,515	\$ 231,159	\$1,824,342
Loss allowance (Lifetime ECL)	( <u>62,706</u> )	( <u>22,728</u> )	( <u>12,443</u> )	( <u>97,877</u> )
Amortized cost	<u>\$1,035,962</u>	<u>\$ 471,787</u>	<u>\$ 218,716</u>	<u>\$1,726,465</u>

December 31, 2019

	<u>1 to 60 days</u>	<u>61 to 90 days</u>	<u>Over 91 days</u>	<u>Total</u>
Expected credit loss rate	0.5% ~ 15.0%	0.5% ~ 15.0%	0.5% ~ 15.0%	
Gross carrying amount	\$1,011,186	\$ 381,993	\$ 137,606	\$1,530,785
Loss allowance (Lifetime ECL)	( <u>56,566</u> )	( <u>18,742</u> )	( <u>5,576</u> )	( <u>80,884</u> )
Amortized cost	<u>\$ 954,620</u>	<u>\$ 363,251</u>	<u>\$ 132,030</u>	<u>\$1,449,901</u>

The above aging schedule was based on the invoice date.

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

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 80,884	\$ 95,633
Add: Gain on reversal of ECL	-	( 14,749 )
Less: Provision of ECL	<u>16,993</u>	<u>-</u>
Balance at December 31	<u>\$ 97,877</u>	<u>\$ 80,884</u>

b. Notes receivable and other receivables

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

**10. INVENTORIES**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 281,123	\$ 376,795
Work in process	545,116	677,360
Raw materials	1,141,385	1,240,739
Inventory in transit	<u>11,488</u>	<u>59,876</u>
	<u>\$ 1,979,112</u>	<u>\$ 2,354,770</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 were \$6,876,027 thousand and \$8,183,020 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 included reversal of inventory write-downs of \$52,784 thousand and \$22,103 thousand, respectively. In addition, a fire broke out on March 20, 2019. The amount of inventory cost recognized by the Company for 2019 was \$2,787 thousand under Other gains and losses (Note 21).

**11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment in Subsidiaries	\$ 2,654,977	\$ 2,705,348
Investments in Associates	<u>-</u>	<u>7,399</u>
	<u>\$ 2,654,977</u>	<u>\$ 2,712,747</u>

a. Investment in Subsidiaries

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Nien Hsing International (B.V.I.) Co., Ltd.	\$ 1,897,744	\$ 2,149,301
Nien Hsing Garment (Ninh Binh) Co., Ltd.	184,588	193,797
Nien Hsing International Investment Co., Ltd.	500,665	285,431
Chih Hsing Garment (Cambodia) Co., Ltd.	<u>71,980</u>	<u>76,819</u>
	<u>\$ 2,654,977</u>	<u>\$ 2,705,348</u>

<u>Investee</u>	<u>% of Ownership</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Nien Hsing International (B.V.I.) Co., Ltd.	100.00%	100.00%
Nien Hsing Garment (Ninh Binh) Co., Ltd.	100.00%	100.00%
Nien Hsing International Investment Co., Ltd.	100.00%	100.00%
Chih Hsing Garment (Cambodia) Co., Ltd.	100.00%	100.00%

The share of profits and loss and share of other comprehensive income in subsidiaries recognized using the equity method in 2020 and 2019 is based on subsidiaries' financial statements for the same periods that have been audited by an independent auditor.

Nien Hsing International (B.V.I.) Co., Ltd. distributed cash dividends of \$148,000 thousand (USD5,000 thousand) and \$402,941 thousand (USD 13,023 thousand) for 2020 and 2019, respectively.

China International Investment Co., Ltd. distributed cash dividends of \$2,632 thousand for 2020.

b. Investments in Associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates that are not individually material	<u>\$ -</u>	<u>\$ 7,399</u>

Aggregate information of associates that are not individually material

	<u>2020</u>	<u>2019</u>
The Company' s share of:		
(Loss) Profit for the year	( \$ 4,012)	\$ 158
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>( \$ 4,012)</u>	<u>\$ 158</u>

Please refer to Table 5 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

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

The Company' s investments accounted for using equity method, share of profit or loss, and other comprehensive income within investees in 2019 were computed based on financial statements audited by an independent auditor for the same period.

The Company disposed of all the shares of China International Investment Co., Ltd. in November 2020 for \$20 thousand and recognized a Gain/loss on disposal of \$2 thousand under Other gains and losses. Please refer to Note 21 (3) for Other gains and losses.

## 12. PROPERTY, PLANT AND EQUIPMENT

<u>Carrying amount</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land and land improvements	\$ 230,001	\$ 230,001
Buildings	351,234	368,401
Machinery and equipment	219,757	257,062
Transportation equipment	213	2,845
Office equipment	5,311	3,696
Miscellaneous equipment	<u>80,801</u>	<u>105,078</u>
	<u>\$ 887,317</u>	<u>\$ 967,083</u>

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 to 4 years
Buildings	
Plants and main buildings	25 to 60 years
Construction for drain water	3-20 years
Machinery and equipment	3 to 11 years
Transportation equipment	2 to 10 years
Office equipment	2 to 10 years
Miscellaneous equipment	3-20 years

For movements of property, plant and equipment for the years ended December 31, 2020 and 2019, Please refer to Table 7.

Please refer to Note 28 for the carrying amounts of property, plant and equipment pledged by the Company to secure borrowings.

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

## 13. INVESTMENT PROPERTIES

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
BALANCE AT JANUARY 1, 2019	\$ 80,284	\$ 50,738	\$ 131,022
BALANCE AT DECEMBER 31, 2019	<u>\$ 80,284</u>	<u>\$ 50,738</u>	<u>\$ 131,022</u>
<u>Accumulated depreciation</u>			
BALANCE AT JANUARY 1, 2019	\$ -	( \$ 13,748 )	( \$ 13,748 )
Depreciation expenses	<u>-</u>	<u>( 910 )</u>	<u>( 910 )</u>
BALANCE AT DECEMBER 31, 2019	<u>\$ -</u>	<u>( \$ 14,658 )</u>	<u>( \$ 14,658 )</u>
Carrying amounts at December 31, 2019	<u>\$ 80,284</u>	<u>\$ 36,080</u>	<u>\$ 116,364</u>
<u>Cost</u>			
BALANCE AT JANUARY 1, 2020	\$ 80,284	\$ 50,738	\$ 131,022
BALANCE AT DECEMBER 31, 2020	<u>\$ 80,284</u>	<u>\$ 50,738</u>	<u>\$ 130,022</u>
<u>Accumulated depreciation</u>			
BALANCE AT JANUARY 1, 2020	\$ -	( \$ 14,658 )	( \$ 14,658 )
Depreciation expenses	<u>-</u>	<u>( 910 )</u>	<u>( 910 )</u>
BALANCE AT DECEMBER 31, 2020	<u>\$ -</u>	<u>( \$ 15,568 )</u>	<u>( \$ 15,568 )</u>
Carrying amounts at December 31, 2020	<u>\$ 80,284</u>	<u>\$ 35,170</u>	<u>\$ 115,454</u>

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

Buildings

Main Buildings	50 to 55 years
Construction Improvements	5 years

As of December 31, 2020 and 2019, the fair values of the investment properties were \$291,055 thousand and \$293,818 thousand, respectively. The management of the Company produced the valuation based on market evidence of transaction prices for similar properties in the vicinity.

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 was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Year 1	\$ 8,203	\$ 8,015
Year 2	6,908	7,488
Year 3	308	6,829
Year 4	231	228
Year 5	<u>66</u>	<u>152</u>
	<u>\$ 15,716</u>	<u>\$ 22,712</u>

#### 14. BORROWINGS

a. Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Unsecured borrowings</u>		
- Line of credit borrowings	<u>\$ 151,190</u>	<u>\$ 536,179</u>
<u>Interest rate ranges</u>		
Unsecured borrowings		
Line of credit borrowings	0.805% ~ 1.48%	0.81% ~ 2.69%

b. Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
- Line of credit borrowings	<u>\$ 100,000</u>	<u>\$ -</u>
<u>Interest rate ranges</u>		
Secured borrowings		
Line of credit borrowings	0.99%	-

Refers to the five-year credit line agreement amounting to \$500,000 thousand signed by the Company with Hua Nan Bank in 2020. The borrowings are a revolving line of credit, with the duration from June 19, 2020 to June 19, 2023. Chao-Kuo, Chen, the Company's chairman, acts as a joint guarantor for such borrowings.

#### 15. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes payable	<u>\$ 66,429</u>	<u>\$ 69,297</u>
Trade payables	<u>\$ 277,485</u>	<u>\$ 234,973</u>

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 company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 16. OTHER PAYABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables for salaries or bonuses	\$ 107,235	\$ 125,428
Payables for annual leave	14,559	15,434
Payables for remuneration of directors and supervisors	8,500	11,833
Others	<u>64,640</u>	<u>59,638</u>
	<u>\$ 194,934</u>	<u>\$ 212,333</u>

## 17. SHORT-TERM PROVISIONS FOR ONEROUS CONTRACTS PROVISION

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Onerous contract	<u>\$ 2,734</u>	<u>\$ 380</u>

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

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company 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.

### b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act 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 Company 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 Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay expected retirement benefits for employees who would be eligible for retirement in the following year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the Individual Balance Sheet in respect of the Company’s defined benefit plans are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 296,323	\$ 333,746
Fair value of plan assets	( <u>165,935</u> )	( <u>175,929</u> )
Net defined benefit liabilities	<u>\$ 130,388</u>	<u>\$ 157,817</u>

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
January 1, 2019	<u>\$ 353,118</u>	<u>( \$ 169,546 )</u>	<u>\$ 183,572</u>
Service cost			
Current service cost	3,580	-	3,580
Past service cost and gain on settlements	( 1,009 )	-	( 1,009 )
Net interest expense (income)	<u>3,487</u>	<u>( 1,791 )</u>	<u>1,696</u>
Recognized in profit or loss	<u>6,058</u>	<u>( 1,791 )</u>	<u>4,267</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	-	( 5,744 )	( 5,744 )
Actuarial (gain) loss - changes in demographic assumptions	( 14 )	-	( 14 )
Actuarial (gain) loss - experience adjustments	( 1,871 )	-	( 1,871 )
Actuarial (gains) losses - changes in financial assumptions	<u>8,866</u>	<u>-</u>	<u>8,866</u>
Recognized in other comprehensive income	<u>6,981</u>	<u>( 5,744 )</u>	<u>1,237</u>

(Continued)

(Continued)

	Present value of the defined benefit obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	\$ -	(\$ 28,021)	(\$ 28,021)
Benefits paid	( 32,411)	29,173	( 3,238)
Balance at December 31, 2019	<u>\$ 333,746</u>	<u>(\$ 175,929)</u>	<u>\$ 157,817</u>
Balance at January 1, 2020	<u>\$ 333,746</u>	<u>(\$ 175,929)</u>	<u>\$ 157,817</u>
Service cost			
Current service cost	2,966	-	2,966
Past service cost and gain on settlements	( 1,808)	-	( 1,808)
Net interest expense (income)	<u>2,473</u>	<u>( 1,360)</u>	<u>1,113</u>
Recognized in profit or loss	<u>3,631</u>	<u>( 1,360)</u>	<u>2,271</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	-	( 5,683)	( 5,683)
Actuarial (gain) loss - changes in demographic assumptions	11	-	11
Actuarial (gain) loss - experience adjustments	( 19,730)	-	( 19,730)
Actuarial (gains) losses - changes in financial assumptions	<u>13,835</u>	<u>-</u>	<u>13,835</u>
Recognized in other comprehensive income	<u>( 5,884)</u>	<u>( 5,683)</u>	<u>( 11,567)</u>
Contributions from the employer	-	( 18,133)	( 18,133)
Benefits paid	<u>( 35,170)</u>	<u>35,170</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 296,323</u>	<u>(\$ 165,935)</u>	<u>\$ 130,388</u>

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

	2020	2019
Operating costs	\$ 2,939	\$ 3,872
Operating expenses	( 668)	395
	<u>\$ 2,271</u>	<u>\$ 4,267</u>

Through the defined benefit plans under the Labor Standards Act, the Company 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, 2020	December 31, 2019
Discount rate	0.30%	0.75%
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, 2020	December 31, 2019
Discount rate		
Increase by 0.25%	( \$ 7,747 )	( \$ 8,841 )
Decrease by 0.25%	\$ 8,049	\$ 9,187
Expected rate of salary increase		
Increase by 0.25%	\$ 7,892	\$ 9,050
Decrease by 0.25%	( \$ 7,639 )	( \$ 8,756 )
Turnover rate		
10% increase	( \$ 109 )	( \$ 149 )
10% decrease	\$ 109	\$ 149

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, 2020	December 31, 2019
The expected contributions to the plan for the following year	\$ 17,400	\$ 18,840
The average duration of the defined benefit obligation	10 years	10 years

## 19. EQUITY

### a. Share capital

#### Ordinary shares

	December 31, 2020	December 31, 2019
Number of shares authorized (in thousands)	600,000	600,000
Authorized capital	\$ 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, 2020	December 31, 2019
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 to pay taxes, offset losses of previous years, set aside a legal reserve of 10% of the remaining profit, and set aside or reverse a special reserve in accordance with laws and regulations, before 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 21(g).

By considering financial/business/operating factors, e.g. the Company shall distribute no less than 50% of the distributable income arrived at by taking the net income after tax deducted by deficit make-up, legal reserves and special reserves, unless saving for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required. 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 a Special Reserve. If other stockholders' equity deductions are reversed afterward, the reversal may be applicable for the appropriation of earnings.

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

	Appropriation of Earnings	Dividends per Share (NT\$)
	<u>2018</u>	<u>2018</u>
Cash dividends from ordinary shares	\$ 396,000	\$ 2

As per Rule No. 1010012865 issued by the FSC, the Company' s shareholders' meeting resolved to reverse special reserve of \$46,646 thousand and \$92,962 thousand on June 16, 2020 and June 19, 2019, respectively.

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 17, 2021. The appropriations are follows:

	<u>Appropriation of Earnings</u>	<u>Dividends per Share (NT\$)</u>
Cash dividends	\$ 118,800	\$ 0.6

Under Order No. 1010012865, it was proposed to reverse \$274,992 thousand from the special reserve.

The appropriations of the 2020 earnings will be made, pending the resolution by the shareholders' meeting to be held on June 16, 2021.

d. Special reserve

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 321,638	\$ 414,600
Special reserve reversed		
Decrease in deduction to other equity	( 46,646 )	( 92,962 )
Balance at December 31	<u>\$ 274,992</u>	<u>\$ 321,638</u>

e. Other equity items

1) Exchange differences on translating foreign operations

	<u>2020</u>	<u>2019</u>
Balance at January 1	( \$ 496,347 )	( \$ 480,336 )
Share of exchange difference of investees accounted for using the equity method	( 119,657 )	( 20,014 )
Income tax related to gains arising on translation of the net assets of foreign operations	<u>23,931</u>	<u>4,003</u>
Balance at December 31	<u>( \$ 592,073 )</u>	<u>( \$ 496,347 )</u>

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company'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

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 221,315	\$ 158,698
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	121,313	( 16,176 )
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	457,248	38,588
Accumulated gains and losses on disposal of equity instruments by subsidiaries accounted for using the equity method, transferred to retained earnings	( 118,369 )	7,282
Accumulated gains and losses on disposal of equity instruments, transferred to retained earnings	<u>( 57,457 )</u>	<u>32,963</u>
Balance at December 31	<u>\$ 624,090</u>	<u>\$ 221,355</u>

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.

## 20. REVENUE

	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 7,007,059	\$ 8,551,004
Revenue from processing	<u>-</u>	<u>313</u>
	<u>\$ 7,007,059</u>	<u>\$ 8,551,317</u>

### a. Description of customer contracts

The Company 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 Company 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 Company does not adjust the promised amount of consideration for the effects of a significant financing component.

#### Sale of goods

Revenue from the sale of goods comes from sales of denim fabric and apparels. Sales of denim fabric and apparels 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 Company does not recognize revenue on materials processing because this processing does not involve a transfer of control.

### b. Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Notes receivable and Trade receivables (Note 9)	<u>\$ 1,728,793</u>	<u>\$ 1,451,689</u>	<u>\$ 1,504,383</u>

### c. Disaggregation of revenue

#### 2020

	<u>Textile Department</u>	<u>Garment Department</u>	<u>Total</u>
Revenue from sale of goods	<u>\$ 2,913,144</u>	<u>\$ 4,093,315</u>	<u>\$ 7,007,059</u>

#### 2019

	<u>Textile Department</u>	<u>Garment Department</u>	<u>Total</u>
Revenue from sale of goods	\$ 4,266,006	\$ 4,284,998	\$ 8,551,004
Revenue from processing	<u>313</u>	<u>-</u>	<u>313</u>
	<u>\$ 4,266,319</u>	<u>\$ 4,284,998</u>	<u>\$ 8,551,317</u>

## 21. NET LOSS

Net loss for the current year comprises the following items:

### a. Interest income

	<u>2020</u>	<u>2019</u>
Bank deposits	\$ <u>2,249</u>	\$ <u>3,454</u>

### b. Other income

	<u>2020</u>	<u>2019</u>
Rental income (Note 27)	\$ 8,565	\$ 8,263
Compensation revenue	20,105	22,389
Government grants (Note 24)	34,968	-
Others	<u>26,023</u>	<u>35,847</u>
	<u>\$ 89,661</u>	<u>\$ 66,499</u>

### c. Other gains and losses

	<u>2020</u>	<u>2019</u>
Proceeds from disposal of property, plant and equipment	\$ 357	\$ 88
Foreign exchange loss - net	( 123,474)	( 20,704)
Net gain (loss) on financial instrument at fair value through profit or loss	1,797	( 1,157)
Fire loss	-	( 3,333)
Compensation loss	( 1,360)	( 10,467)
Gain on disposal of equity investment	2	-
Others	<u>( 1,321)</u>	<u>( 3,872)</u>
	<u>( \$ 123,999)</u>	<u>( \$ 39,445)</u>

### d. Finance costs

	<u>2020</u>	<u>2019</u>
Interest on bank loans	\$ <u>3,930</u>	\$ <u>2,948</u>

### e. Depreciation expenses

	<u>2020</u>	<u>2019</u>
Property, plant and equipment	\$ 95,584	\$ 106,260
Investment property	<u>910</u>	<u>910</u>
	<u>\$ 96,494</u>	<u>\$ 107,170</u>
An analysis of depreciation by function		
Operating costs	\$ 83,939	\$ 93,743
Operating expenses	11,645	12,517
Non-operating expenses	<u>910</u>	<u>910</u>
	<u>\$ 96,494</u>	<u>\$ 107,170</u>

f. Employee benefits expense

	2020	2019
Retirement benefits (Note 18)		
Defined contribution plan	\$ 17,467	\$ 17,619
Defined benefit plans	<u>2,271</u>	<u>4,267</u>
	19,738	21,886
Short-term employee benefits	<u>538,935</u>	<u>583,782</u>
	<u>\$ 558,673</u>	<u>\$ 605,668</u>
By function		
Operating costs	\$ 369,181	\$ 394,990
Operating expenses	<u>189,492</u>	<u>210,678</u>
	<u>\$ 558,673</u>	<u>\$ 605,668</u>

g. 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. The distribution of earnings is based on past experience and current operating circumstances. As such, the Company did not appropriate employee compensations for 2020 and 2019 due to loss before income tax.

If there is a change in the amounts after the annual Individual Financial Statements are authorized for issue, the differences should be recorded as a change in the accounting estimate in the following year.

There was no difference between the actual amounts of employees' compensation paid for 2018 and the amounts recognized in the Individual Financial Statements for the years ended December 31, 2018.

Information about employee compensation approved by the Board of Directors for 2021 and 2020 is available at the Taiwan Stock Exchange Market Observation Post System website.

## 22. INCOME TAX

a. Major components of tax benefits (expenses) recognized in profit or loss

	2020	2019
Current tax		
In respect of the current year	\$ -	( \$ 58,797 )
Income tax on unappropriated earnings	-	( 11,367 )
Deferred tax		
In respect of the current year	115,010	73,320
Adjustments for previous years	<u>11,109</u>	<u>572</u>
Income tax benefit (expense) recognized in profit or loss	<u>\$ 126,119</u>	<u>\$ 3,728</u>

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

	2020	2019
Loss before income tax	( <u>\$ 549,185</u> )	( <u>\$ 73,430</u> )
Income tax benefits (expenses)		
calculated at the statutory rate	\$ 109,837	\$ 14,686
Income tax on unappropriated earnings	-	( 11,367 )
Nondeductible expenses in determining taxable income	5,173	( 163 )
Adjustments for income tax benefits of prior periods	<u>11,109</u>	<u>572</u>
Income tax benefit (expense) recognized in profit or loss	<u>\$ 126,119</u>	<u>\$ 3,728</u>

The applicable tax rate for the Company is 20%.

Impacted by the COVID-19 pandemic, the Company presented the estimated loss for 2020 as a deduction to unappropriated earnings for 2018 when filing for a tax return, as directed by Rule No. 10904550440 by the Minister of Finance.

b. Income tax recognized in other comprehensive income

	<u>2020</u>	<u>2019</u>
<u>Deferred tax</u>		
In respect of the current year		
- Translation of foreign operations	\$ 23,931	\$ 4,003
- Remeasurement of defined benefit plans	( <u>2,314</u> )	<u>247</u>
	<u>\$ 21,617</u>	<u>\$ 4,250</u>

c. Current tax assets and liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current tax assets</u>		
Tax refund receivable	<u>\$ 374</u>	<u>\$ -</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ -</u>	<u>\$ 29,632</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:  
2020

	<u>Balance at January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Balance at December 31</u>
<u>Deferred Tax Assets</u>				
<u>Temporary difference</u>				
Exchange differences on translation of foreign operations	\$ 249,289	\$ -	\$ 23,931	\$ 273,220
Allowance for loss of write-down of inventories	26,118	10,557	-	36,675
Allowance for doubtful accounts	13,247	2,891	-	16,138
Defined benefits retirement plans	31,135	( 3,383 )	( 2,314 )	25,438
Provisions for warranty	2,809	3,028	-	5,837
Loss carryforwards	-	17,769	-	17,769
Others	<u>15,062</u>	<u>6,775</u>	<u>-</u>	<u>21,837</u>
	<u>\$ 337,660</u>	<u>\$ 37,637</u>	<u>\$ 21,617</u>	<u>\$ 396,914</u>
<u>Deferred tax liabilities</u>				
<u>Temporary difference</u>				
Share of profits and losses of subsidiaries accounted for using the equity method	( <u>386,668</u> )	<u>77,373</u>	<u>-</u>	( <u>309,295</u> )

2019

	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Others	Balance at December 31
<u>Deferred Tax Assets</u>					
Temporary difference					
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 doubtful accounts	16,020	( 2,773)	-	-	13,247
Defined benefits retirement plans	36,254	( 5,337)	247	( 29)	31,135
Provisions for warranty	4,509	( 1,700)	-	-	2,809
Others	10,354	4,756	-	( 48)	15,062
	<u>\$ 334,121</u>	<u>(\$ 634)</u>	<u>\$ 4,250</u>	<u>(\$ 77)</u>	<u>\$ 337,660</u>
<u>Deferred tax liabilities</u>					
Temporary difference					
Share of profits and losses of subsidiaries accounted for using the equity method	(\$ 460,622)	\$ 73,954	\$ -	\$ -	(\$ 386,668)

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

Unused Amount	Expiry Year
<u>\$ 88,845</u>	<u>2030</u>

f. Income tax approval

Income tax returns of the Company had been examined by the tax authorities through 2018.



### 23. LOSS PER SHARE

	2020	Unit: NT\$ Per Share 2019
Basic loss per share	<u>( \$ 2.14 )</u>	<u>( \$ 0.35 )</u>

The losses and the number of weighted average shares used for calculation of EPS are stated as follows:

#### Net loss attributable to Owners of the Company

	2020	2019
Losses used in the calculation of basic and diluted (loss) earnings per share	<u>( 423,066 )</u>	<u>( 69,702 )</u>

#### Unit: thousand shares

	2020	2019
Weighted average number of ordinary shares used in the calculation of basic earnings per share	198,000	198,000

If the Company offered to settle the compensation paid to employees in cash or shares, the Company 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 calculation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the calculation 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 2020 and 2019, divided loss per share was not included in the calculation as a result.

### 24. GOVERNMENT GRANTS

In 2020, the Company applied for salary subsidies and working capital subsidies of \$34,968 thousand, presented under Other income, in accordance with the revised provisions of the Ministry of Economic Affairs on the rescue and revitalization of industries with operating difficulties affected by severe and infectious pneumonia.

### 25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance within the next 12 months.

Key management personnel of the Company 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 Company 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.

## 26. FINANCIAL INSTRUMENTS

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

#### 1) Fair value hierarchy

	<u>December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 239,343	\$ -	\$ -	\$ 239,343
Domestic emerging shares	-	23,143	-	23,143
Domestic and foreign unlisted securities	-	-	15,497	15,497
Total	<u>\$ 239,343</u>	<u>\$ 23,143</u>	<u>\$ 15,497</u>	<u>\$ 277,983</u>
	<u>December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivatives - dual currency	<u>\$ -</u>	<u>\$ 181,252</u>	<u>\$ -</u>	<u>\$ 181,252</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 201,196	\$ -	\$ -	\$ 201,196
Domestic emerging shares	-	18,069	-	18,069
Domestic and foreign unlisted securities	-	-	14,890	14,890
Total	<u>\$ 201,196</u>	<u>\$ 18,069</u>	<u>\$ 14,890</u>	<u>\$ 234,155</u>

There were no transfers between Levels 1 and 2 in 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial instruments  
2020

Financial assets	Investment in Equity Instrument Measured at FVTOCI
Balance at January 1	\$ 14,890
Acquisition of residual allocation of financial assets at FVTOCI	( 217)
Return of share due to capital reduction	( 303)
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTPL)	<u>1,127</u>
Balance at December 31	<u>\$ 15,497</u>

2019

Financial assets	Investment in Equity Instrument Measured at FVTOCI
Balance at January 1	\$ 29,521
Acquisition of residual allocation of financial assets at FVTOCI	( 129)
Transfer out of Level 3	( 24,200)
Recognized in other comprehensive income (included in unrealized gain/loss on financial assets at FVTOCI)	<u>9,698</u>
Balance at December 31	<u>\$ 14,890</u>

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

Financial Instruments	Valuation Technique and Inputs
Derivatives-dual currency	Valuation Model: Use 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.

b. Categories of financial instruments

The Company's financial assets and financial liabilities and their fair values as of December 31, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Financial assets at amortized cost				
Cash and cash equivalent	\$ 424,703	\$ 424,703	\$ 331,673	\$ 331,673
Notes receivable and trade receivables (including related parties)	1,954,005	1,954,005	2,029,040	2,029,040
Other receivables	16,552	16,552	7,307	7,307
Refundable deposits	11,534	11,534	11,604	11,604
Other financial assets—current	1,990	1,990	50	50
Financial assets at fair value through profit or loss (FVTPL) - current				
	-	-	181,252	181,252
Financial assets at FVTOCI - non-current				
	277,983	277,983	234,155	234,155
<u>Financial liabilities</u>				
Financial liabilities at amortized cost				
Short-term borrowings	151,190	151,190	536,179	536,179
Notes payable and trade payables (including related parties)	599,232	599,232	850,204	850,204
Other payables	194,934	194,934	212,333	212,333
Short-term provision for onerous contracts	2,734	2,734	380	380
Long-term borrowings	100,000	100,000	-	-
Guarantee deposits received	1,506	1,506	1,426	1,426

c. Financial risk management objectives and policies

The Company's financial risk management objective is to manage exchange rate risk, interest rate risk, credit risk and liquidity risk related to operating activities. To reduce related financial risks, the Company is committed to identifying, assessing and avoiding market uncertainties, so as to reduce potentially unfavorable effects of market changes on its financial performance.

The important financial activities of the Company are reviewed by the board of directors in accordance with relevant regulations and internal control systems. While the financial plan is underway, the Company shall comply with relevant financial operation procedures on the overall financial risk management and segregation of duties at all times.

## 1) Market risk

The Company'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 exchange risk

The Company had foreign currency sales and purchases, which exposed the Company 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 Company'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 31.

#### Sensitivity Analysis

The Company was mainly exposed to the U.S. dollars.

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 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		ZAR	
	2020	2019	2020	2019	2020	2019
Profit or loss	\$ 89,269	\$ 75,116	(\$ 6,264)	(\$ 1,812)	\$ 5,829	\$ 4,150

### b) Interest rate risk

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

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

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
- Financial assets	\$ 49,977	\$ 231,264
- Financial liabilities:	251,190	536,179
Cash flow interest rate risk		
- Financial assets	374,228	277,692

#### Sensitivity Analysis

The sensitivity analyses below were determined based on the Company'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.

If interest rate increases/decreases by 25 basis points, with other variables constant, the Company's income before tax will increase/decrease by \$936 thousand and \$694 thousand, respectively for 2020 and 2019.

c) Other price risk

The Company 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 other comprehensive income for the years ended December 31, 2020 and 2019 would increase/decrease by \$2,780 thousand and \$2,342 thousand due to increase/decrease in the fair value of financial assets at FVTOCI.

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 Company. The Company 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 Company 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 Company may enhance its protection against credit risk by requiring advance payment or using credit insurance.

In addition, the Company 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 Company 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 Company. The counterparties of the Company 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 Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company's current financial liabilities mature within a year and immediate settlements are not required. The Company's guarantee deposits do not have a specific maturity.

The table below details the contractual repayment schedule of the Company's non-current bank borrowings other than current liabilities which will mature in less than a year.

December 31, 2020	1 to 2 years	2 to 3 years	Over 3 years	Total
Long-term bank borrowings	\$ <u>      -</u>	\$ <u>100,000</u>	\$ <u>      -</u>	\$ <u>100,000</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

Except for those mentioned in Notes 12, 14 and 29, the transactions between the Company and other related parties are as follows.

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

Related Party	Relationship with the Company
Formosa Textile Co., Ltd.	Subsidiary
Nien Hsing International (B.V.I.) Co., Ltd.	Subsidiary
Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary
Phoenix Development and Marketing Co., Ltd.	Subsidiary
Nien Hsing International Investment Co., Ltd.	Subsidiary
Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary
Chih Hsing Garment (Cambodia) Co., Ltd.	Subsidiary
C & Y Garments Company (Proprietary) Limited	Subsidiary
Global Garment Co., Ltd.	Subsidiary
Nien Hsing International (Victoria) Co., Ltd.	Subsidiary
Nien Hsing International (Samoa) Co., Ltd.	Subsidiary
Glory International Co., Ltd.	Subsidiary
Hung Yuan Investment Co., Ltd.	Substantive related party
Guozhong Investment Co., Ltd.	Substantive related party
Li Feng Investment Co., Ltd.	Substantive related party
Nuevo Investment Development Co., Ltd.	Substantive related party
Ying Jeh Co. Ltd.	Substantive related party
Yien Yuan Co. Ltd.	Substantive related party
Fu Yuan Investment Co., Ltd.	Substantive related party

b. Operating revenue

Related Party Category	2020	2019
Subsidiary		
Formosa Textile Co., Ltd.	\$ 458,187	\$ 518,684
Phoenix Development and Marketing Co., Ltd.	23,212	39,666
Nien Hsing International (Lesotho) Co., Ltd.	<u>23,721</u>	<u>29,174</u>
	<u>\$ 505,120</u>	<u>\$ 587,524</u>

c. Service revenue

Related Party Category	2020	2019
Substantive related party	<u>\$ 513</u>	<u>\$ 456</u>

d. Rental income

Related Party Category	2020	2019
Subsidiary	\$ 25	\$ 25
Substantive related party	<u>128</u>	<u>120</u>
	<u>\$ 153</u>	<u>\$ 145</u>

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

e. Processing expenses (manufacturing expenses)

Related Party Category	2020	2019
Subsidiary		
Nien Hsing Garment (Ninh Binh) Co., Ltd.	\$ 742,759	\$ 798,058
Nien Hsing International (Victoria) Co., Ltd.	436,216	598,253
Formosa Textile Co., Ltd.	341,277	387,455
Nien Hsing International (Lesotho) Co., Ltd.	682,916	396,365
Global Garment Co., Ltd.	143,916	362,627
C & Y Garments Company (Proprietary) Limited	133,084	346,326
Glory International Co., Ltd.	<u>65,473</u>	<u>26,250</u>
	<u>\$ 2,545,641</u>	<u>\$ 2,915,334</u>

f. Receivables from Related Parties

Related Party Category	December 31, 2020	December 31, 2019
Subsidiary		
Formosa Textile Co., Ltd.	\$ 180,676	\$ 198,763
C & Y Garments Company (Proprietary) Limited	-	207,384
Global Garment Co., Ltd.	-	68,922
Nien Hsing International (Lesotho) Co., Ltd.	31,013	50,768
Phoenix Development and Marketing Co., Ltd.	7,320	-
Nien Hsing International Investment Co., Ltd.	53	42
Glory International Co., Ltd.	<u>6,150</u>	<u>51,472</u>
	<u>\$ 225,212</u>	<u>\$ 577,351</u>

g. Payable to related parties

Related Party Category	December 31, 2020	December 31, 2019
Subsidiary		
Nien Hsing International (Victoria) Co., Ltd.	\$ 125,281	\$ 36,239
Phoenix Development and Marketing Co., Ltd. (Note 1)	-	348,672
Chih Hsing Garment (Cambodia) Co., Ltd.	70,713	75,470
Nien Hsing Garment (Ninh Binh) Co., Ltd.	59,324	76,270
Nien Hsing International (Samoa) Co., Ltd. (Note 1)	<u>-</u>	<u>9,283</u>
	<u>\$ 255,318</u>	<u>\$ 545,934</u>

Note 1: Including payable for the purchase of machinery and equipment of \$229,377 thousand from its subsidiary Phoenix Development and Marketing Co., Ltd. in 2018. The payable has been paid in 2020.



h. Remuneration to key management

Remuneration to Directors and key management in 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 20,359	\$ 30,138
Retirement benefits	<u>448</u>	<u>689</u>
	<u>\$ 20,807</u>	<u>\$ 30,827</u>

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

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ 537,176	\$ 214,641
Other financial assets—current	<u>50</u>	<u>50</u>
Total	<u>\$ 537,226</u>	<u>\$ 214,691</u>

The Company took out an additional revolving line of credit of \$700 million, which will expire in February 2024 and are secured against property, plant and equipment of \$331,081 thousand; the pledged amount of the remaining Property, plant and equipment, as well as the revolving line of credit, was due in March 2014; however, the Company has not retired the liens.

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$217,041 thousand and \$596,444 thousand, respectively.
- b. As of December 31, 2020 and 2019, the non-cancellable cotton purchase contracts which the Company has entered into but where the goods have not yet been received are in the amounts of 12,011 thousand pounds and 23,198 thousand pounds, respectively.
- c. Below are the contingent liability incurred by subsidiaries to the Company

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Provide endorsement guarantee for the loan of Phoenix Development and Marketing Co., Ltd.		
— Guarantee amount	\$ 140,500	\$ 299,900
— Amount actually use	-	-
Provide endorsement guarantee for the loan of Nien Hsing International Investment Co. Ltd.		
— Guarantee amount	500,000	300,000
— Amount actually use	75,000	80,500

## 30. SEPARATELY DISCLOSED ITEMS

Amidst the global COVID-19 pandemic, management of the Company has been aware of the impact of COVID-19 on operations, and has timely adjusted business strategy and applied for government subsidies on salary and operating capital, etc.. As of December 31, 2020, the Company has been awarded \$34,968 thousand of government grants; Please refer to Note 21 for details. In addition, the Company hasn't found any event or circumstances that would cast significant doubt on its ability to continue operations, its asset impairment and financing risk assessment.

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's 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:

December 31, 2020

	Foreign Currency	Exchange rate	Carrying Amount
<u>Foreign Currency Asset</u>			
<u>Monetary items</u>			
USD	\$ 77,777	28.10 (USD: NTD)	\$ 2,185,544
ZAR	60,692	1.921 (ZAR: NTD)	116,589
			<u>\$ 2,302,133</u>
<u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	2,562	28.10 (USD: NTD)	\$ 71,980
VND	151,946,756	0.001215 (VND: NTD)	184,588
			<u>\$ 256,568</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	14,241	28.10 (USD: NTD)	\$ 400,167
PESO	88,879	1.410 (PESO: TWD)	125,281
			<u>\$ 525,448</u>

December 31, 2019

	Foreign Currency	Exchange rate	Carrying Amount
<u>Foreign Currency Asset</u>			
<u>Monetary items</u>			
USD	\$ 74,732	29.99 (USD: NTD)	\$ 2,241,198
ZAR	38,999	2.128 (ZAR: NTD)	82,990
			<u>\$ 2,324,188</u>
<u>Non-monetary items</u>			
Derivative Financial Instruments			
USD	6,044	29.99 (USD: NTD)	\$ 181,252
Subsidiaries accounted for using the equity method			
USD	2,561	29.99 (USD: NTD)	\$ 76,819
VND	149,629,230	0.001295 (VND: NTD)	193,797
			<u>\$ 270,616</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	24,637	29.99 (USD: NTD)	\$ 738,878
PESO	22,805	1.59 (PESO: TWD)	36,239
			<u>\$ 775,117</u>

The company's foreign currency exchange losses (including realized and unrealized) in 2020 and 2019 were \$123,474 thousand and \$20,704 thousand, respectively.

### 32. ADDITIONAL DISCLOSURES

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: None.
- 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 3.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 9) Trading in derivative instruments: Note 7.
- 10) Information on investees: Table 5.

c. 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.

d. Information on major stockholders (names of stockholders with a holding ratio of 5% or more and the amount and proportion of shares held): (Table 6)

**NIEN HSING TEXTILE CO., LTD.**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Unit: In Thousands of New Taiwan Dollars**

No.	Endorsement/Guarantee Provider	Counterparty		Limits on Guarantee for a Single Entity (Note 2)	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 2)	Endorsement s/guarantees Provided by Parent for Subsidiary	Endorsement s/guarantees Provided by Subsidiary for Parent	Endorsement s/guarantees for Entities in China	Note
		Name	Relationship (Note 1)											
0	Nien Hsing Textile Co., Ltd. (the "Company" )	Phoenix Development & Marketing Co., Ltd.	2	\$ 2,180,853	\$ 302,200	\$ 140,500	\$ -	\$ -	1.93	\$ 3,634,755	Y	N	N	
0	Nien Hsing Textile Co., Ltd. (the "Company" )	Nien Hsing International Investment Co., Ltd.	2	2,180,853	500,000	500,000	75,000	-	6.88	3,634,755	Y	N	N	

Note 1: The relationship between Nien Hsing Textile Co., Ltd. and the endorsed/guaranteed entities can be classified into the following seven categories.

1. A company with a business relationship.
2. A subsidiary in which over 50% of the ordinary shares are directly or indirectly held by the parent company.
3. An investee company in which over 50% of the ordinary shares are directly or indirectly held by the Company.
4. Companies in which the Company directly and indirectly holds more than 90 percent of the voting shares.
5. Mutually endorsed companies due to the contractual requirements of commonly contracted work.
6. A company endorsed due to a co-investment agreement. The endorsement percentage of each investor is based on its investment percentage.
7. 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.

Note 2: 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.

**NIEN HSING TEXTILE CO., LTD.**

**MARKETABLE SECURITIES HELD  
FOR THE YEAR ENDED DECEMBER 31, 2020  
Unit: 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, 2020				Note
				Number of Shares/Units	Carrying Value	Percentage of Ownership(%)	Fair Value	
Nien Hsing Textile Co., Ltd. (the "Company" )	<u>Share</u>							
	Mycenax Biotech Inc.	—	Financial assets at FVTOCI - non-current	7,433,000	\$ 239,343	5.81	\$ 239,343	
	BioGend Therapeutics Co., Ltd.	—	Financial assets at FVTOCI - non-current	806,662	23,143	0.88	23,143	
	Leadray Energy Co., Ltd.	—	Financial assets at FVTOCI - non-current	2,532,619	14,747	6.34	14,747	
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	Financial assets at FVTOCI - non-current	70,798	750	2.22	750	
	Wu Hsing International Co., Ltd.	—	Financial assets at FVTOCI - non-current	450,000	-	30.00	-	Note 2

Note 1: For information about investment in subsidiaries and associates, please refer to Table 5.

Note 2: The Company's shareholding proportion is 30 percent, which was assessed by the management as having no material significant influence.

**NIEN HSING TEXTILE CO., LTD.**

**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, 2020**

**Unit: In Thousands of New Taiwan Dollars**

Buyer	Counterparty	Relationship	Transaction Details				Unusual Transaction Terms and Reasons		Notes and Trades Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total (Note 3)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Nien Hsing Textile Co., Ltd. (the "Company")	Formosa Textile Co., Ltd.	Sub-subsidiary	Sale	(\$ 458,187)	( 6.54%)	(Note 2)	—	(Note 2)	\$ 180,676	9.25%	
	Nien Hsing International (Victoria) Co., Ltd.	Sub-subsidiary	Processing expense	436,216	12.78%	(Note 1)	(Note 1)	(Note 1)	( 125,281)	( 20.91%)	
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary	Processing expense	742,759	21.76%	(Note 1)	(Note 1)	(Note 1)	( 59,324)	( 9.90%)	
	C & Y Garments	Sub-subsidiary	Processing expense	133,084	8.24%	(Note 1)	(Note 1)	(Note 1)	-		
	Nien Hsing International (Lesotho) Co., Ltd.	Sub-subsidiary	Processing expense	682,916	20.01%	(Note 1)	(Note 1)	(Note 1)	-		
	Global Garment Co., Ltd.	Sub-subsidiary	Processing expense	143,916	8.91%	(Note 1)	(Note 1)	(Note 1)	-		
	Formosa Textile Co., Ltd.	Sub-subsidiary	Processing expense	341,277	10.0%	(Note 1)	(Note 1)	(Note 1)	-		

Note 1: Processing fees charged by subsidiaries were based on operating cost; subsidiaries made payments depending on their financial condition.

Note 2: Payments were made in cash upon demand.

Note 3: Processing expenses were calculated as a percentage to the sum of manufacturing expense and direct labor.

**NIEN HSING TEXTILE CO., LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Unit: In Thousands of New Taiwan Dollars**

Company Name	Counterparty	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Nien Hsing Textile Co., Ltd. (the "Company" )	Formosa Textile Co., Ltd.	Sub-subsidiary	\$ 180,676	(Note)	\$ -	—	\$ 66,364	\$ -

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

## NIEN HSING TEXTILE CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2020

Unit: In Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Value			
Nien Hsing Textile Co., Ltd. (the "Company" )	Nien Hsing International (B.V.I.) 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	\$ 1,897,744	(\$ 241,884)	(\$ 241,884)	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	184,588	3,014	3,014	Subsidiary
	Chih Hsing Garment (Cambodia) Co., Ltd.	ROAD 6 ,PHUM KHTOR,SANGKAT PREK LEAP,CHROY CHANGVAR DISTRICT,PHNOM PENH,KINGDOM OF CAMBODIA	Manufacturing of jeans	133,641	133,641	4,500	100.00	71,980	2	2	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	500,665	( 1,095 )	( 1,095 )	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	-	-	-	( 17,891 )	( 4,012 )	Equity-method investee. Note 1

Note 1: The Company disposed of all the shares of China International Investment Co., Ltd. in November 2020 for \$20 thousand and recognized a Gain/loss on disposal of \$2,000 under Other gains and losses. Please refer to Note 21 (3) for Other gains and losses.



**TABLE 6****NIEN HSING TEXTILE CO., LTD.  
INFORMATION ON MAJOR SHAREHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Name	Shares	
	Holding Shares	%
Ron Yuan Investment Co., Ltd.	47,524,506	24.00%
Yi-Feng, Chen	11,743,549	5.93%
Taiwan Life Insurance Co., Ltd.	11,644,311	5.88%

Note: The information on major shareholders listed in this table is based on the information on shareholders holding more than 5% of the ordinary and preference shares that have completed non-physical registration and delivery (including treasury shares) on the last business day of the current quarter as calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Individual Financial Statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

## NIEN HSING TEXTILE CO., LTD.

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Unit: In Thousands of New Taiwan Dollars

	Land	Land improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Total
<u>Cost</u>								
BALANCE AT JANUARY 1, 2019	\$ 230,001	\$ 1,516	\$ 700,636	\$ 1,336,201	\$ 10,016	\$ 21,950	\$ 639,609	\$ 2,939,929
Addition	-	-	4,340	580	-	1,577	7,115	13,612
Disposal	-	-	-	( 1,209)	( 1,390)	-	( 12,717)	( 15,316)
Fire loss (Note)	-	-	( 1,665)	-	-	-	-	( 1,665)
Reclassifications	-	-	1,290	42,737	-	1,431	21,002	66,460
BALANCE AT DECEMBER 31, 2019	<u>\$ 230,001</u>	<u>\$ 1,516</u>	<u>\$ 704,601</u>	<u>\$ 1,378,309</u>	<u>\$ 8,626</u>	<u>\$ 24,958</u>	<u>\$ 655,009</u>	<u>\$ 3,003,020</u>
<u>Accumulated depreciation</u>								
BALANCE AT JANUARY 1, 2019	\$ -	\$ 1,516	\$ 320,320	\$ 1,081,008	\$ 5,753	\$ 19,767	\$ 517,738	\$ 1,946,102
Disposal	-	-	-	( 1,209)	( 1,389)	-	( 12,708)	( 15,306)
Fire loss (Note)	-	-	( 1,119)	-	-	-	-	( 1,119)
Depreciation expenses	-	-	16,999	41,448	1,417	1,495	44,901	106,260
BALANCE AT DECEMBER 31, 2019	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 336,200</u>	<u>\$ 1,121,247</u>	<u>\$ 5,781</u>	<u>\$ 21,262</u>	<u>\$ 549,931</u>	<u>\$ 2,035,937</u>
Carrying amounts at December 31, 2019	<u>\$ 230,001</u>	<u>\$ -</u>	<u>\$ 368,401</u>	<u>\$ 257,062</u>	<u>\$ 2,845</u>	<u>\$ 3,696</u>	<u>\$ 105,078</u>	<u>\$ 967,083</u>
<u>Cost</u>								
BALANCE AT JANUARY 1, 2020	\$ 230,001	\$ 1,516	\$ 704,601	\$ 1,378,309	\$ 8,626	\$ 24,958	\$ 655,009	\$ 3,003,020
Addition	-	-	288	-	-	2,854	2,789	5,931
Disposal	-	-	-	( 49,886)	( 4,277)	( 574)	( 10,524)	( 65,261)
Reclassifications	-	-	-	4,186	-	651	6,874	11,711
BALANCE AT DECEMBER 31, 2020	<u>\$ 230,001</u>	<u>\$ 1,516</u>	<u>\$ 704,889</u>	<u>\$ 1,332,609</u>	<u>\$ 4,349</u>	<u>\$ 27,889</u>	<u>\$ 654,148</u>	<u>\$ 2,955,401</u>
<u>Accumulated depreciation</u>								
BALANCE AT JANUARY 1, 2020	\$ -	\$ 1,516	\$ 336,200	\$ 1,121,247	\$ 5,781	\$ 21,262	\$ 549,931	\$ 2,035,937
Disposal	-	-	-	( 49,886)	( 2,474)	( 553)	( 10,524)	( 63,437)
Depreciation expenses	-	-	17,455	41,491	829	1,869	33,940	95,584
BALANCE AT DECEMBER 31, 2020	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 353,655</u>	<u>\$ 1,112,852</u>	<u>\$ 4,136</u>	<u>\$ 22,578</u>	<u>\$ 573,347</u>	<u>\$ 2,068,084</u>
Carrying amounts at December 31, 2020	<u>\$ 230,001</u>	<u>\$ -</u>	<u>\$ 351,234</u>	<u>\$ 219,757</u>	<u>\$ 213</u>	<u>\$ 5,311</u>	<u>\$ 80,801</u>	<u>\$ 887,317</u>

Note: It accounts other gains and losses, referring to Note 21 (c) other gains and losses.

## Schedules of Important Accounts

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**TABLE 1****NIEN HSING TEXTILE CO., LTD.****Schedules of Cash and Cash Equivalents  
FOR THE YEAR ENDED DECEMBER 31, 2020****Unit: In Thousand of New Taiwan Dollars, Unless Otherwise Stated**

Item	Amount
Cash on hand	\$ 2,487
Bank deposits	
Checking account and demand deposit	126,678
Foreign currency demand deposits (Note 1)	245,611
Cash equivalents	
Short-term bills - annual interest rate of 0.24%, expiry date of January 6, 2021.	<u>49,927</u>
	<u>\$ 424,703</u>

Note 1: Including USD 8,739 thousand and RMB 10 thousand, converted at the exchange rate US\$1=NT\$28.1, RMB\$1=NT\$4.318.

**TABLE 2****NIEN HSING TEXTILE CO., LTD.****Schedule of Trade Receivables****For the Year Ended December 31, 2020****Unit: In Thousands of New Taiwan Dollars**

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Name	Amount
M001 company	\$ 488,377
S094 company	361,788
S140 company	241,035
S041 company	221,317
S084 company	161,260
Others (Note)	<u>350,565</u>
	1,824,342
Less: Allowance for impairment loss	<u>97,877</u>
Total	<u>\$ 1,726,465</u>

Note: The balance for each vendor did not exceed 5% of the balance of this account.

**TABLE 3****NIEN HSING TEXTILE CO., LTD.****Statement of Inventories****For the Year Ended December 31, 2020****Unit: In Thousands of New Taiwan Dollars**

Item	Amount	
	Costs	Net realizable value (Note)
Raw materials	\$ 1,131,826	\$ 1,359,883
Work in process	545,116	638,543
Finished goods	281,123	367,300
Raw materials in transit	11,488	11,488
Supplies	<u>9,559</u>	<u>9,559</u>
	<u>\$ 1,979,112</u>	<u>\$ 2,386,773</u>

Note: The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

**TABLE 4****NIEN HSING TEXTILE CO., LTD.****Financial assets and non-current changes at fair value through other comprehensive income  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Balance at January 1		Addition		Reduction		Unrealized gain/(loss) on financial assets at FVTOCI	Balance at December 31		Guarantee or Pledge
	Number of Shares/Units	Fair Value	Number of Shares	Amount	Number of Shares	Amount		Number of Shares/Units	Fair Value	
Mycenax Biotech Inc.	8,635,000	\$ 201,196	-	\$ -	1,202,000	\$ 63,830	\$ 101,977	7,433,000	\$ 239,343	N/A
BioGenD Therapeutics Co., Ltd.	806,662	18,069	-	-	-	-	5,074	806,662	23,143	N/A
Yu Fu Investment Co., Ltd.	-	-	-	-	-	217	217	-	-	N/A
Leadray Energy Co., Ltd.	2,532,619	13,811	-	-	-	-	936	2,532,619	14,747	N/A
Der Yang Biotechnology Venture Capital Co., Ltd.	101,141	1,079	-	-	30,343	303	( 26 )	70,798	750	N/A
Gongwin BioPharm Holdings, Co., Ltd.	-	-	83,732	7,452	83,732	20,587	13,135	-	-	N/A
Wu Hsing International Industrial Co., Ltd (Note 1)	450,000	-	-	-	-	-	-	450,000	-	N/A
		<u>\$ 234,155</u>		<u>\$ 7,452</u>		<u>\$ 84,937</u>	<u>\$ 121,313</u>		<u>\$ 277,983</u>	N/A

Note 1: The Company's shareholding proportion is 30 percent, which was assessed by the management as having no material or significant influence.

## NIEN HSING TEXTILE CO., LTD.

Statement of Changes in Investments Accounted for Using the Equity Method  
FOR THE YEAR ENDED DECEMBER 31, 2020

Unit: In Thousand of New Taiwan Dollars, Unless Otherwise Stated

Investee	Par value per share (NT\$)	Balance at January 1		Addition		Reduction		Cash dividends	Gain (Loss) on investment accounted for using the equity method	Adjustment of foreign currency translation	Unrealized gain/(loss) on financial assets at FVTOCI	Balance at December 31			Note
		Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount					Number of Shares	Shareholding %	Amount	
Accounted for using the equity method															
Nien Hsing International (B.V.I.) Co., Ltd.	US\$500	28,409	\$2,149,301	-	\$ -	-	\$ -	( \$ 148,000 )	( \$ 241,883 )	( \$ 102,593 )	\$ 240,919	28,409	100	\$1,897,744	(Note 1)
Nien Hsing Garment (Ninh Binh) Co., Ltd.	-	-	193,797	-	-	-	-	-	3,014	( 12,223 )	-	-	100	184,588	(Notes 1 and 2)
Chih Hsing Garment (Cambodia) Co., Ltd.	US\$1,000	4,500	76,819	-	-	-	-	-	2	( 4,841 )	-	4,500	100	71,980	(Note 1)
Nien Hsing International Investment Co., Ltd.	NT\$10	9,722,833	285,431	-	-	-	-	-	( 1,095 )	-	216,329	9,722,833	100	500,665	(Note 1)
China International Investment Co., Ltd.	NT\$10	81,850	<u>7,399</u>	-	<u>-</u>	81,850	<u>755</u>	( <u>2,632</u> )	( <u>4,012</u> )	<u>-</u>	<u>-</u>	-	100	<u>-</u>	(Note 4)
			<u>\$2,712,747</u>		<u>\$ -</u>		<u>\$ 755</u>	( <u>\$ 150,632</u> )	( <u>\$ 243,974</u> )	( <u>\$ 119,657</u> )	<u>\$ 457,248</u>			<u>\$2,654,977</u>	

Note 1: Calculated based on the financial statements audited by an independent auditor during the same period.

Note 2: There is no data on par value and number of shares because it is not a company limited by shares.

Note 3: Investments accounted for using the equity method is neither pledged nor collateralized.

Note 4: The Company disposed of all the shares of China International Investment Co., Ltd. for \$2,000, presented under Other gains and losses. Please refer to Note 21 (3) for Other gains and losses.



**TABLE 6****NIEN HSING TEXTILE CO., LTD.****Schedule of Short-term Borrowings and Long-term Borrowings  
For the Year Ended December 31, 2020****Unit: In Thousand of New Taiwan Dollars, Unless Otherwise Stated**

Types of Borrowings and Creditors	Borrowings period	Annual Interest Rate (%)	Balance at December 31	Financing Line	Pledged or Secured	Note
Line of credit borrowings						
Cathay Bank	2020.12.10—2021.1.8	0.805%	\$ 140,000	\$ 140,000	N/A	—
Hua Nan Bank	2020.12.9—2021.1.28	1.26%—1.48%	<u>11,190</u>	<u>281,000</u>	N/A	Note 1
Short-term borrowings			<u>\$ 151,190</u>	<u>\$ 421,000</u>		
Long-term borrowings						
Secured borrowings						
Hua Nan Bank	2020.12.14— 2023.6.19	0.99%	<u>\$ 100,000</u>	<u>\$ 150,000</u>	N/A	—

Note 1: It is the LC advance on behalf of the Company. The balance at the end of the year is USD 398,000, which is converted at the exchange rate of US\$1: NT\$28.1.

**TABLE 7****NIEN HSING TEXTILE CO., LTD.****Schedule of Trade payables****For the Year Ended December 31, 2020****Unit: In Thousands of New Taiwan Dollars**

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<u>Supplier</u>	<u>Amount</u>
M001 company	\$ 41,838
PD364 company	23,996
PD052	15,885
Others (Note)	<u>195,766</u>
Total	<u>\$ 277,485</u>

Note: The balance of each vendor does not exceed 5% of the balance of this account.

**TABLE 8****NIEN HSING TEXTILE CO., LTD.****Schedule of Operating Revenue  
For the Year Ended December 31, 2020  
Unit: In Thousands of New Taiwan Dollars**

Item	Numbers	Amount
Sales		
Denim garment (dozens)	1,633 thousand dozens	\$ 4,103,121
Denim (yard)	29,869 thousand yards	2,492,907
Ring spinning yarn (kg)	5,089 thousand kgs	448,933
Others		<u>16,194</u>
Subtotal		<u>7,061,155</u>
Less: return of sales		9,085
Sales allowance		<u>45,011</u>
Subtotal		<u>54,096</u>
Net Operating Revenue		<u>\$ 7,007,059</u>

**TABLE 9****NIEN HSING TEXTILE CO., LTD.****Schedule of Operating Costs****For the Year Ended December 31, 2020****Unit: In Thousands of New Taiwan Dollars**

Item	Amount
Raw materials - beginning (including raw materials in transit)	\$ 1,307,366
Raw materials purchased	3,254,447
Raw materials - ending (including raw materials in transit)	( 1,179,342)
Plus (minus): Inventory profit	6,791
Transferred from self-made finished products	215,179
(Note)	
Sale	( 23,344)
Own use and others	( 125,641)
Annual raw material consumption	3,455,456
Direct labor	143,787
Manufacturing overheads	3,191,428
Manufacturing costs	6,790,671
Plus (minus): Work in progress at the beginning of the year	725,139
Work in progress at the end of the year	( 599,776)
Sale	( 35)
Own use and others	( 556)
Cost of finished goods	6,915,443
Plus (minus): finished products at the beginning of the year	442,650
Finished products at the end of the year	( 373,809)
Transferred back to raw materials (Note)	( 215,179)
Inventory profit	80
Own use and others	( 10,688)
Cost to sale of finished goods	6,758,497
Cost to sale of raw materials and work in progress	23,379
Cost to sale transferred from unamortized fixed manufacturing overheads	77,443
Allowance for loss of write-down of inventories	52,784
Short-term provision for onerous contracts	2,354
Gain on physical inventory	( 6,871)
Revenue from sale of scraps	( 31,559)
Total operating costs	<u>\$ 6,876,027</u>

Note: Conversion of some finished products of the ring spinning mills to the raw materials for the textile mills.

**TABLE 10****NIEN HSING TEXTILE CO., LTD.****Schedule of Operating Expenses****For the Year Ended December 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	Selling and marketing expenses	General and administrative expenses	R&D	Expected credit loss	Total
Salaries	\$ 78,262	\$ 78,229	\$ 1,599	\$ -	\$ 158,090
Sample fee	22,665	-	-	-	22,665
Insurance premiums	20,000	8,381	168	-	28,549
Taxation	15,756	2,827	-	-	18,583
Expected credit loss	-	-	-	16,993	16,993
Freight	30,505	198	-	-	30,703
Commodity development fee	-	-	23,852	-	23,852
Disposals	2,749	8,786	110	-	11,645
Others (Note)	<u>58,943</u>	<u>29,890</u>	<u>311</u>	<u>-</u>	<u>89,144</u>
Total	<u>\$ 228,880</u>	<u>\$ 128,311</u>	<u>\$ 26,040</u>	<u>\$ 16,993</u>	<u>\$ 400,224</u>

Note: Each amount does not exceed 5% of the account total.

**NIEN HSING TEXTILE CO., LTD.**

**Summary Table of Employee Benefits, Depreciation and Amortization Expenses Incurred During the Current Period  
For the Years Ended December 31, 2020 and 2019  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	2020				2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total
Employee benefits expenses								
Salary and Wages	\$ 315,279	\$ 149,589	\$ -	\$ 464,868	\$ 336,626	\$ 167,346	\$ -	\$ 503,972
Labor and health insurance	30,693	15,588	-	46,281	32,072	15,750	-	47,822
Pension	13,495	6,243	-	19,738	14,454	7,432	-	21,886
Directors' remuneration	-	7,921	-	7,921	-	10,489	-	10,489
Other employee benefit expenses	9,714	10,151	-	19,865	11,838	9,661	-	21,499
	<u>\$ 369,181</u>	<u>\$ 189,492</u>	<u>\$ -</u>	<u>\$ 558,673</u>	<u>\$ 394,990</u>	<u>\$ 210,678</u>	<u>\$ -</u>	<u>\$ 605,668</u>
Depreciation expenses	<u>\$ 83,939</u>	<u>\$ 11,645</u>	<u>\$ 910</u>	<u>\$ 96,494</u>	<u>\$ 93,743</u>	<u>\$ 12,517</u>	<u>\$ 910</u>	<u>\$ 107,170</u>

Note:

1. The average number of employees for this year and the previous year were 834 and 891 respectively, of which the average number of directors who do not concurrently serve as an employee were 3 and 3 respectively.
2. For companies whose shares have been listed on the stock exchange or traded on an OTC market, the following additional information should be disclosed:
  - (1) The average employee benefit expense for the year was \$663 thousand ((Total employee benefit expense for the year-Total remuneration for Directors) / (Number of employees for the year – Number of Directors who do not serve concurrently as an employee))  
The average employee benefit expense for the previous year was \$670 thousand ((Total employee benefit expense for the previous year-Total remuneration for Directors) / (Number of employees for the previous year – Number of Directors who do not serve concurrently as an employee))
  - (2) The average employee salary expense for the year was \$559 thousand (Total salary expense for the year / (Number of employees for the year - Number of Directors who do not serve concurrently as an employee.))  
The average employee salary expense for the previous year was \$568 thousand (Total salary expense for the year / (Number of employees for the previous year - Number of Directors who do not serve concurrently as an employee.))
  - (3) The average adjustment of employee salary and wages decreased by 1.58%.
  - (4) The remuneration to the Company's supervisors for 2020 and 2019 were \$1,000 thousand and \$2,000 thousand, respectively.
  - (5) The Company has established an audit committee, and the remuneration of independent directors has been disclosed along with remuneration of the directors.
  - (6) Salary and remuneration policy
    - A. Directors' remuneration:
      - a. Commuting fee: \$3~5 thousand per meeting.
      - b. Remuneration: Each director of the Company receives a fixed remuneration of \$1,000 thousand per year.
      - c. Directors' compensation: Compensations are not available for directors.
      - d. Other rewards: The chairman of the Company is issued a company car.
    - B. Supervisor's remuneration:
      - a. Commuting fee: \$3 thousand per meeting.
      - b. Remuneration: Each supervisor of the Company receives a fixed remuneration of \$1,000 thousand per year.
      - c. Supervisors' compensation: Compensations are not available for supervisors.
    - C. Manager's remuneration:
      - a. Salaries and bonuses: Salaries are given in accordance with the Company's salary approval regulations; bonuses are given with reference to the operating performance and future risks of each business unit; a performance bonus is given if the annual operating profit and production targets are met.
      - b. Employee compensation: Employee compensations are not available for managers.
      - c. Other rewards: The Company's manager equals to or above the vice president level is issued a company car.  
The remuneration committee of the Company also regularly evaluates and reviews the policies, systems, standards and structures of remuneration awarded to directors, supervisors and managers, and proposes to the board of directors for consideration.
    - D. Employee remuneration:  
The Company's remuneration policy positively relates to individual ability, contribution to the Company, individual performance and operating performance. Remuneration is comprised of three parts: basic salary, bonus and employee compensation and benefits. Criteria for remuneration payments can be broken down to (a) basic salary, given based on the Company's salary approval regulations, as well as the market competition of the employee's job; (b) bonus and employee remuneration, given when department targets are met, or company operating performance are satisfied; and (c) benefits, devised to care for employees needs in accordance with laws and regulations.