

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the Consolidated Financial Statements of Affiliates in accordance with the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the Consolidated Financial Statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the Consolidated Financial Statements of affiliates has all been disclosed in the Consolidated Financial Statements of parent and subsidiary companies. Hence, we have not prepared a separate set of Consolidated Financial Statements of Affiliates.

Very truly yours,

Company name: Nien Hsing Textile Co., Ltd.

Chairman: Chen, Wei-Han

March 8, 2024

## **Independent Auditors' Report**

The Board of Directors and the Shareholders

Nien Hsing Textile Co., Ltd.

### **Opinion**

We have audited the Consolidated Balance Sheets of Nien Hsing Textile Co., Ltd. (the Company) and its subsidiaries (collectively, the Group) as of December 31, 2023 and 2022, and the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows and the notes to the Consolidated Financial Statements (including the Summary of Significant Accounting Policies) from January 1 to December 31, 2023 and 2022.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and consolidated cash flows for the years ended December 31, 2023 and 2022 in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the paragraph titled Auditors' Responsibilities for the Audit of the Consolidated Financial Statements. We have stayed independent from the Group 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 refer to the matters that, in our professional judgment, were of most significance in our audit of the 2023 Consolidated Financial Statements of the Group. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Financial Statements of the Group for the year ended December 31, 2023 are stated as follows:

## **Operating revenue from major clients**

Please refer to Note 4 for the accounting policies and critical accounting estimates used for revenue recognition.

### Description of Matter

The Group is principally engaged in the manufacturing and sales of denim fabric and apparels. Considering the significant risk associated with the recognition of revenue in the entire financial statements and the Standards on Auditing of the Republic of China, we have listed the authenticity of the sales revenue to some of the eligible customers as the key audit matter.

### Audit Procedures

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

1. We studied the internal control mechanism related to sales transactions, and assessed the effectiveness of its design and implementation.
2. The substantiation test is conducted on the revenue transaction of the current year to confirm the authenticity of the sales.

## **OTHER MATTER**

We have also audited the parent company only financial statements of Nien Hsing Textile Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unqualified opinion.

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

It is the management's responsibility to fairly present the Consolidated Financial Statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission, and to maintain internal controls which are necessary for the preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the Consolidated Financial Statements, management is responsible for assessing the ability of the Group to continue as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Group 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 Group's financial reporting process.

## **Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance refers to high level of assurance. Nevertheless, our audit, which was carried out in accordance with the Standards on Auditing of the Republic of China, does not guarantee that a material misstatement will be detected in the Consolidated Financial Statements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. 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 Group's ability to continue as a going concern. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Consolidated Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure was found. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities of the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the year ended December 31, 2023 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 Chih-Ming Shao, and Kuo-Ning Huang.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 8, 2024

Notice to Readers

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

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

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
**Unit: NT\$ Thousand**

Code	ASSETS	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Note 6)	\$ 1,302,034	16	\$ 1,606,649	17
1110	Financial assets at fair value through profit or loss(Note 7)	978	-	-	-
1136	Financial assets at amortized costs (Note 9)	300,000	4	-	-
1150	Notes receivable (Note 10 and 23)	825	-	2,021	-
1170	Trade receivables - net (Notes 10 and 23)	1,226,941	15	1,675,286	18
1200	Other receivables (Note 10)	32,117	-	57,937	1
1220	Current tax assets (Note 25)	1,127	-	-	-
130X	Inventories (Note 11)	1,921,258	24	2,552,014	28
1410	Prepayments	354,445	5	352,931	4
1476	Other financial assets (Note 31)	8,414	-	5,153	-
1479	Other current assets	107,128	1	90,947	1
11XX	Total current assets	<u>5,255,267</u>	<u>65</u>	<u>6,342,938</u>	<u>69</u>
	<b>NON-CURRENT ASSETS</b>				
1510	Financial assets at fair value through profit or loss (Note 7)	48,065	1	32,509	-
1517	Financial assets at fair value through other comprehensive income (Note 8)	831,877	10	858,590	10
1550	Investments accounted for using the equity method (Note 13)	46,404	1	50,288	1
1600	Property, plant and equipment (Notes 14 and 31)	1,249,509	16	1,378,016	15
1755	Right-of-use assets (Note 15)	29,469	-	31,204	-
1760	Investment properties - net (Note 16)	112,724	1	113,634	1
1840	Deferred income tax assets (Note 25)	354,742	5	318,532	4
1915	Prepayments for equipment	94,692	1	26,641	-
1920	Refundable deposits	13,442	-	13,440	-
15XX	Total non-current assets	<u>2,780,924</u>	<u>35</u>	<u>2,822,854</u>	<u>31</u>
1XXX	Total assets	<u>\$ 8,036,191</u>	<u>100</u>	<u>\$ 9,165,792</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term borrowings (Note 17)	\$ 11,802	-	\$ 156,248	2
2150	Notes payable (Note 18)	5,674	-	6,618	-
2170	Trade payables (Note 18)	179,588	2	246,487	3
2200	Other payables (Note 19)	526,775	7	574,215	6
2230	Current tax liabilities (Note 25)	975	-	95,875	1
2250	Provisions for onerous contract (Note 20)	89	-	-	-
2280	Lease liabilities (Note 15)	1,962	-	1,999	-
2399	Other current liabilities	47,049	1	47,457	-
21XX	Total current liabilities	<u>773,914</u>	<u>10</u>	<u>1,128,899</u>	<u>12</u>
	<b>NON-CURRENT LIABILITIES</b>				
2540	Long-term borrowings (Note 17)	-	-	60,000	1
2570	Deferred income tax liabilities (Note 25)	283,235	4	292,849	3
2580	Lease liabilities (Note 15)	32,602	-	33,315	-
2640	Net defined benefit liabilities (Note 21)	34,265	-	46,193	1
2645	Guarantee deposits received	1,542	-	1,465	-
25XX	Total non-current liabilities	<u>351,644</u>	<u>4</u>	<u>433,822</u>	<u>5</u>
2XXX	Total liabilities	<u>1,125,558</u>	<u>14</u>	<u>1,562,721</u>	<u>17</u>
	<b>EQUITY</b>				
	Share capital				
3110	Common stock	2,063,900	26	2,066,900	22
3200	Capital surplus	506,552	6	509,657	6
	Retained earnings				
3310	Legal reserve	2,328,626	29	2,328,626	25
3320	Special reserves	533,764	7	157,802	2
3350	Unappropriated earnings	2,033,355	25	3,073,850	34
3300	Total retained earnings	4,895,745	61	5,560,278	61
3400	Other equity	( 555,564 )	( 7 )	( 533,764 )	( 6 )
3XXX	Total equity	<u>6,910,633</u>	<u>86</u>	<u>7,603,071</u>	<u>83</u>
	Total liabilities and equity	<u>\$ 8,036,191</u>	<u>100</u>	<u>\$ 9,165,792</u>	<u>100</u>

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

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**Unit: NT\$ Thousand, except (Losses) Earnings Per Share is NTD**

Code		2023		2022	
		Amount	%	Amount	%
	Operating revenue (Note 23)				
4110	Sales	\$ 6,329,171	99	\$ 8,690,074	100
4170	Less: Sales returns and allowances	<u>21,957</u>	<u>-</u>	<u>15,394</u>	<u>-</u>
4100	Net sales	6,307,214	99	8,674,680	100
4800	Other operating revenue	<u>51,602</u>	<u>1</u>	<u>20,489</u>	<u>-</u>
4000	Total operating revenue	<u>6,358,816</u>	<u>100</u>	<u>8,695,169</u>	<u>100</u>
	Operating costs (Notes 11 and 24)				
5110	Cost of goods sold	6,351,996	100	7,869,458	91
5800	Other operating costs	<u>18,047</u>	<u>-</u>	<u>18,662</u>	<u>-</u>
5000	Total operating costs	<u>6,370,043</u>	<u>100</u>	<u>7,888,120</u>	<u>91</u>
5900	Gross profit (loss)	( <u>11,227</u> )	<u>-</u>	<u>807,049</u>	<u>9</u>
	Operating expenses (Notes 10, 21, and 24)				
6100	Selling and marketing expenses	266,817	4	282,611	3
6200	General and administrative expenses	162,427	3	187,200	2
6300	Research and development expenses	13,804	-	16,662	-
6450	Expected credit (gain) loss	( <u>4,351</u> )	<u>-</u>	<u>10,174</u>	<u>-</u>
6000	Total operating expenses	<u>438,697</u>	<u>7</u>	<u>496,647</u>	<u>5</u>
6900	Operating (loss) gain	( <u>449,924</u> )	( <u>7</u> )	<u>310,402</u>	<u>4</u>
	Non-operating income and expenses (Notes 24 and 30)				
7100	Interest income	62,188	1	27,147	-
7010	Other income	67,570	1	129,717	1
7020	Other gains and losses	( 75,297)	( 2)	74,460	1
7050	Finance costs	( 6,246)	-	( 12,565)	-
7060	Share of the profit or loss of associates accounted for using the equity method	( <u>3,871</u> )	<u>-</u>	( <u>2,237</u> )	<u>-</u>
7000	Total non-operating income and expenses	<u>44,344</u>	<u>-</u>	<u>216,522</u>	<u>2</u>

(Continued on next page)



(Continued from previous page)

Code		2023		2022	
		Amount	%	Amount	%
7900	Net (loss) profit before income tax	(\$ 405,580)	( 7)	\$ 526,924	6
7950	Income tax benefit (expense) (Note 25)	<u>42,668</u>	<u>1</u>	( <u>100,468</u> )	( <u>1</u> )
8200	Net (loss) profit for the year	( <u>362,912</u> )	( <u>6</u> )	<u>426,456</u>	<u>5</u>
	Other comprehensive income (Note 22 and 25)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	( 3,558)	-	44,914	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	83,674	2	( 330,769)	( 4)
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	711	-	( 8,983)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of the financial statements of foreign operations	3,052	-	178,956	2
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	( <u>610</u> )	<u>-</u>	( <u>35,791</u> )	<u>-</u>
8300	Other comprehensive income (loss) for the year, net of income tax	<u>83,269</u>	<u>2</u>	( <u>151,673</u> )	( <u>2</u> )
8500	Total comprehensive income (loss) for the year	( <u>\$ 279,643</u> )	( <u>4</u> )	<u>\$ 274,783</u>	<u>3</u>
	Earnings (losses) per share (Note 26)				
	From continuing operations				
9710	Basic	( <u>\$ 1.83</u> )		<u>\$ 2.15</u>	
9810	Diluted	( <u>\$ 1.83</u> )		<u>\$ 2.13</u>	

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

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**Unit: NT\$ Thousand**

		Equity Attributable to Owners of the Company						Other equity			
		Share capital (Note 22)		Retained earnings (Notes 8 and 22)			Exchange differences on translating the financial statements of foreign operations (Note 22)	Unrealized gain/(loss) on financial assets at FVTOCI (Note 22)	Unearned employee compensation (Note 22 and 27)	Total equity	
Code		Number of shares (in thousands of shares)	amount	Capital surplus (Note 22)	Legal reserve	Special reserves					Unappropriated earnings
A1	Balance at January 1, 2022	198,000	\$ 1,980,000	\$ 419,716	\$ 2,282,156	\$ -	\$ 2,901,523	( \$ 653,431 )	\$ 495,629	\$ -	\$ 7,425,593
	Appropriation of the 2021 earnings										
B1	Legal reserve provided	-	-	-	46,470	-	( 46,470 )	-	-	-	-
B3	Special reserves provided	-	-	-	-	157,802	( 157,802 )	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	( 206,960 )	-	-	-	( 206,960 )
D1	Net profit for the year ended December 31, 2022	-	-	-	-	-	426,456	-	-	-	426,456
D3	Other comprehensive income (loss) after tax for the year ended December 31, 2022	-	-	-	-	-	35,931	143,165	( 330,769 )	-	( 151,673 )
D5	Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	462,387	143,165	( 330,769 )	-	274,783
N1	Share-based payment	8,690	86,900	89,941	-	-	270	-	-	( 67,456 )	109,655
Q1	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	-	-	-	-	-	120,902	-	( 120,902 )	-	-
Z1	Balance at December 31, 2022	206,690	2,066,900	509,657	2,328,626	157,802	3,073,850	( 510,266 )	43,958	( 67,456 )	7,603,071
	Appropriation of the 2022 earnings										
B3	Special reserves provided	-	-	-	-	375,962	( 375,962 )	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	( 412,900 )	-	-	-	( 412,900 )
D1	Net loss for the year ended December 31, 2023	-	-	-	-	-	( 362,912 )	-	-	-	( 362,912 )
D3	Other comprehensive income (loss) after tax for the year ended December 31, 2023	-	-	-	-	-	( 2,847 )	2,442	83,674	-	83,269
D5	Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	( 365,759 )	2,442	83,674	-	( 279,643 )
N1	Share-based payment	( 300 )	( 3,000 )	( 3,105 )	-	-	25,590	-	-	( 19,380 )	105
Q1	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	-	-	-	-	-	88,536	-	( 88,536 )	-	-
Z1	Balance at December 31, 2023	206,390	\$ 2,063,900	\$ 506,552	\$ 2,328,626	\$ 533,764	\$ 2,033,355	( \$ 507,824 )	\$ 39,096	( \$ 86,836 )	\$ 6,910,633

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

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**Unit: NT\$ Thousand**

Code		2023	2022
	<b>CASH FLOWS FROM OPERATING</b>		
	<b>ACTIVITIES</b>		
A10000	Net (loss) profit before income tax for the year	(\$ 405,580)	\$ 526,924
A20010	Adjustments for		
A20100	Depreciation expenses	223,822	242,721
A20300	Expected credit (gain) loss	( 4,351)	10,174
A20400	Net (gain) loss on financial instrument at fair value through profit or loss	( 46,901)	20,810
A20900	Finance costs	6,246	12,565
A21200	Interest income	( 62,188)	( 27,147)
A21300	Dividend income	( 16,213)	( 68,584)
A21900	Compensation costs of share-based payment	3,105	22,755
A22300	Share of the profit (losses) of associates accounted for using the equity method	3,871	2,237
A22500	Proceeds from disposal of property, plant and equipment	( 1,264)	( 2,164)
A23200	Loss on disposal of investments accounted for the using equity method	-	1
A23700	Impairment loss	15,950	-
A23800	Write-down of inventories	20,859	36,015
	Changes in operating assets and liabilities		
A31115	Financial assets at FVTPL	( 748)	-
A31130	Notes receivable	1,196	( 465)
A31150	Trade receivables	472,173	52,126
A31180	Other receivables	10,354	( 14,064)
A31200	Inventories	609,897	( 433,550)
A31230	Prepayments	( 1,514)	( 129,336)
A31240	Other current assets	( 16,181)	( 335)
A31250	Other financial assets	( 3,261)	( 5,103)
A32130	Notes payable	( 944)	( 57,767)
A32150	Trade payables	( 66,899)	14,577
A32180	Other payables	( 46,969)	34,350
A32200	Provision for onerous contracts	89	( 19,359)
A32230	Other current liabilities	( 408)	6,177
A32240	Net defined benefit liabilities	( 15,486)	( 16,584)
A33000	Cash generated from operations	678,655	206,974
A33500	Income tax paid	( 99,082)	( 16,046)
AAAA	Net cash inflow from operating activities	<u>579,573</u>	<u>190,928</u>

(Continued on next page)

(Continued from previous page)

Code		2023	2022
	<b>CASH FLOWS FROM INVESTING</b>		
	<b>ACTIVITIES</b>		
B00010	Purchase of financial assets at fair value through other comprehensive income	(\$ 49,240)	(\$ 125,325)
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	158,525	12,442
B00030	Return of capital on financial assets at fair value through other comprehensive income	-	248
B00040	Purchase of financial assets at amortized costs	( 1,164,984)	( 20,000)
B00050	Disposal of financial assets at amortized costs	864,984	20,000
B00100	Purchase of financial assets at fair value through profit or loss	( 850)	( 1,313)
B00200	Disposal of financial assets at fair value through profit or loss	30,673	58,394
B02400	Return of capital on investments accounted for using the equity method	-	3,522
B02700	Payments for property, plant and equipment	( 53,744)	( 49,502)
B02800	Proceeds from disposal of property, plant and equipment	1,268	3,168
B03800	Decrease (increase) in refundable deposits	( 2)	558
B07100	Increase in prepayments for equipment	( 138,721)	( 64,854)
B07500	Interest received	58,064	23,506
B07600	Dividends received	<u>16,213</u>	<u>76,703</u>
BBBB	Net cash outflow from investing activities	<u>( 277,814)</u>	<u>( 62,453)</u>
	<b>CASH FLOWS FROM FINANCING</b>		
	<b>ACTIVITIES</b>		
C00100	Increase (decrease) in short-term borrowings	( 144,446)	88,965
C01600	Proceeds from long-term borrowings	-	480,000
C01700	Repayments of long-term borrowings	( 60,000)	( 630,000)
C03000	Increase in guarantee deposits received	77	8
C04500	Cash dividends	( 412,900)	( 206,960)
C04020	Payments of lease liabilities	( 458)	-
C05600	Interest paid	( 6,718)	( 12,013)
C09900	Proceeds from employment restricted shares	-	89,600
C09900	Return of employment restricted shares	<u>( 3,000)</u>	<u>( 2,700)</u>
CCCC	Net cash used in financing activities	<u>( 627,445)</u>	<u>( 193,100)</u>
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>21,071</u>	<u>123,870</u>
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	( 304,615)	59,245
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,606,649</u>	<u>1,547,404</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,302,034</u>	<u>\$ 1,606,649</u>

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

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**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 denim fabric and apparels. The Company acquired Chih Hsing Textile Co., Ltd. on the merger date of July 1, 2000, with the Company as the surviving entity.

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

**2. APPROVAL OF FINANCIAL STATEMENTS**

The Consolidated Financial Statements were approved by the Company's Board of Directors on March 8, 2024.

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

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies, financial position and financial performance.

- (2) The IFRSs endorsed by the FSC for application starting from 2024

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16, "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendments to IAS 1, "Non-current liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3 The amendments provide some transition relief regarding disclosure requirements.

As of the date the Consolidated Financial Statements were authorized for issue, the Group found that the adoption of aforementioned standards and amendments has no significant impacts on the Group's financial position and financial performance.

- (3) The New IFRSs issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the Consolidated Financial Statements were authorized for issue, the Group 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

- (1) Statement of Compliance

The Consolidated Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs approved and promulgated by the FSC.

- (2) Basis of Preparation

The Consolidated Financial Statements have been prepared on the historical costs basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

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

1. Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities available at the measurement date.
2. Level 2 inputs: 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).
3. Level 3 inputs: Unobservable inputs for an asset or liability.

(3) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash 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 to be settled within 12 months after the reporting period, even if an agreement to refinance, or to restatement payments, on a long-term basis is completed after the reporting period and before the Consolidated Financial Statements are authorized for issue; and
3. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(4) Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (2) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 12 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

(5) Foreign Currency

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is 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 cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the Consolidated 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; The income and expense items are translated at the average rate of the year. The exchange differences arising are recognized in other comprehensive income (and are attributable to owners of the Company and non-controlling interest, respectively).



On the disposal of a foreign operation (i.e. a disposal of the Group'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 Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is reclassified to a non-controlling interest 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.

(6) Inventories

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

(7) Investment in Associates

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

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

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

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

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group'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 had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from

investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group 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, the Group continues to apply the equity method and does not remeasure the retained interest.

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

(8) Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at costs less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Before that asset reaches its intended use are measured at the lower of cost or net realizable value, and the proceed from sales and costs are recognized in profit and loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The Group reviews the estimated useful lives, residual value and depreciation methods at least once at each financial year-end and applies the changes in accounting estimates prospectively.

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.

(9) 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 costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at costs less accumulated depreciation and accumulated impairment loss. The Group accounts for depreciation on a straight line basis.

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.

(10) Impairment of Property, Plant and Equipment, and Right-of-Use Assets

At the end of each reporting period, the Group reviews the carrying amounts of its Property, plant and equipment and Right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group 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.

(11) Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance 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.

### (1) Measurement category

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

#### A. 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 costs criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

#### B. Financial assets at amortized costs

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

- a. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial assets 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 costs, including cash and cash equivalents, trade receivables at amortized costs, other financial assets and refundable deposits, are measured at amortized costs, 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:

- a. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b. Financial asset that is not credit impaired on purchase or origination but has 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 where the issuer or debtor has experienced major financial difficulties or defaults, the debtor is likely to claim bankruptcy or other financial restructuring, or disappearance of an active market for the financial asset due to financial difficulties.

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

#### C. Investments in equity instruments at FVTOCI

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

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

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

#### (2) Impairment of financial assets

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

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

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

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

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

B. When the underlying debt is overdue.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

(3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized costs 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 Group 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 Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

#### 4. Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which 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. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

#### (12) 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

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions. In assessing whether a contract is onerous, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling contracts.

#### (13) Revenue Recognition

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

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

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

#### (14) Leasing

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

1. The Group as lessor

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

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

2. The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.



(15) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the costs 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.

(16) 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 costs, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service costs, past service costs, 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 or curtailment occurs/or when the settlement occurs. Remeasurement, comprising actuarial gains and losses, 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

(17) Share-based payment agreement

Restricted shares for employees granted to employees

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefits. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and the considerations received should be returned if employees resign in the vesting period, the amounts expected to be returned are recognized as payables.

At the end of each reporting period, the Group revises its estimate of the number of restricted shares for employees that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

#### (18) Income Tax

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

##### 1. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

##### 2. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only 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 such temporary differences 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes

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 taxes are also recognized in other comprehensive income or directly in equity respectively.

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

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on 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.

When the Group develops material accounting estimates, the Group considers the possible impact of volatility in interest rate and foreign currency markets on cash flow projection, growth rates, discount rates, profitability, and other relevant significant estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

**6. CASH AND CASH EQUIVALENTS**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 17,752	\$ 17,825
Checking accounts and demand deposits	145,207	282,139
Cash equivalents (Investments with original maturities of 3 months or less)		
Time deposits with banks	1,089,068	1,176,685
Short-term bills	<u>50,007</u>	<u>130,000</u>
	<u>\$ 1,302,034</u>	<u>\$ 1,606,649</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.00% ~ 8.75%	0.005% ~ 7.50%
Short-term bills	1.15%	0.95% ~ 1.00%

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Held for trading		
Derivative financial assets (not under hedge accounting)		
- Foreign exchange forward contracts (1)	\$ <u>978</u>	\$ <u>-</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
- Fund beneficiary certificate (2)	\$ <u>48,065</u>	\$ <u>32,509</u>

(1) Foreign exchange forward contracts

The purpose of the Group's forward foreign exchange transactions is to hedge the risk of foreign currency assets or liabilities arising from exchange rate fluctuations. However, as the relevant transaction documents do not meet the requirements of hedge accounting regulations, they are classified as financial instruments measured at fair value through profit and loss in accordance with the regulations.

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

December 31, 2023

	<u>Currency</u>	<u>Maturity Date</u>	<u>Notional Amount (NT\$ Thousands)</u>
Sell	USD/TWD	2024.01.31~2024.02.29	USD6,000/TWD186,000

(2) Fund beneficiary certificate

The Group acquired fund beneficiary certificates from January 1 to December 31, 2022 for NT\$1,313 thousand; additionally, some of fund beneficiary certificates were disposed for NT\$58,394 thousand as the proceed from sales.

The Group acquired fund beneficiary certificates from January 1 to December 31, 2023 for NT\$850 thousand; additionally, some of fund beneficiary certificates were disposed for NT\$30,673 thousand as the proceed from sales.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Domestic investment		
Listed shares and emerging market shares	\$ 579,222	\$ 628,263
Unlisted shares	<u>28,227</u>	<u>28,343</u>
Subtotal	607,449	656,606
Foreign investment		
Listed shares	<u>224,428</u>	<u>201,984</u>
	<u>\$ 831,877</u>	<u>\$ 858,590</u>

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

Der Yang Biotechnology Venture Capital Co., Ltd. implemented a capital reduction in 2022, and returned shares of NT\$248 thousand.

The Group disposed of all shares of Thousand Luck Limited held at the fair value in 2022 for NT\$445 thousand and transferred related other equity - unrealized gain or loss on financial assets at fair value through other comprehensive loss of NT\$5,481 thousand to retained earnings.

The parent company of Bioengine Capital Inc ("Bioengine") held by the Group, Center Laboratories, Inc. ("Center Laboratories") resolved in board meeting on April 7, 2022 to absorb the equity of Bioengine in the manner of issuing new shares for merger. The base date of converting shares to the issued new shares was July 8, 2022, and the conversion ratio is one common share of Bioengine to 0.1078 common share of Center Laboratories, with the face value of NT\$10 per share. After the merger, the Group acquired 3,337,488 shares in Center Laboratories for NT\$193,574 thousand, and transferred Bioengine-related other equity - unrealized gain or loss on financial assets at fair value through other comprehensive gain of NT\$118,574 thousand to retained earnings.

In 2023 and 2022, the Group purchased the ordinary shares of HKT Trust and HKT Limited for NT\$35,249 thousand and NT\$125,325 thousand, respectively, which were designated as at fair value through other comprehensive income since these investments were held for medium to long term strategic purposes.

The Group disposed of some shares of Mycenax Biotech Inc. held at the fair value in 2023 and 2022 for NT\$63,259 thousand and NT \$11,997 thousand, and transferred related other equity - unrealized gain or loss on financial assets at fair value through other comprehensive gain of NT\$35,944 thousand and NT\$7,809 thousand to retained earnings.

In 2023, The Group participated in BioGend Therapeutics Co., Ltd. Ltd. issuance of ordinary shares in 2022 and invested NT\$13,991 thousand.

In 2023, Leadray Energy Co., Ltd. conducted a capital decrease to compensate the deficit, and the Group's cancelled 2,504 thousand common shares in accordance with its shareholding pro rata for the capital decrease.

The Group disposed of some shares of BioGend Therapeutics Co. Ltd. held at the fair value in 2023 for NT\$62,724 thousand and transferred related other equity - unrealized gain or loss on financial assets at fair value through other comprehensive gain of NT\$44,295 thousand to retained earnings.

The Group disposed of some shares of Center Laboratories, Inc. held at the fair value in 2023 for NT\$32,542 thousand and transferred related other equity - unrealized gain or loss on financial assets at fair value through other comprehensive gain of NT\$8,297 thousand to retained earnings.

#### 9. FINANCIAL ASSETS AT AMORTIZED COST-CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Domestic investment		
Time deposits with original maturity date of more than three months	<u>\$300,000</u>	<u>\$ -</u>

As of December 31, 2023, the interest rate on time deposits with original maturity date of more than three months was 1.35%.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable - operating	<u>\$ 825</u>	<u>\$ 2,021</u>
<u>Trade receivables</u>		
Trade receivables	\$ 1,269,325	\$ 1,741,498
Less: allowance for impairment loss	( <u>42,384</u> )	( <u>66,212</u> )
	<u>\$ 1,226,941</u>	<u>\$ 1,675,286</u>
<u>Other receivables</u>		
Payment on behalf of others	\$ 17,087	\$ 32,458
Interest	7,931	3,807
Others	26,689	21,672
Less: allowance for impairment loss	( <u>19,590</u> )	-
	<u>\$ 32,117</u>	<u>\$ 57,937</u>

(1) Trade receivables

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

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

The expected credit loss rates for the years ended December 31, 2023 and 2022 were 0.25%~80% and 0.25%~50%. The Group recognizes 100% allowance for bad debts when there is information indicating that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. Furthermore, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group's allowance for trade receivables were as follows:

December 31, 2023

	Trade receivables without overdue	1 to 45 days	Over 46 days	Total
Gross carrying amount	\$1,120,995	\$ 116,639	\$ 31,691	\$1,269,325
Loss allowance (Lifetime ECL)	( 21,082)	( 7,330)	( 13,972)	( 42,384)
Amortized costs	<u>\$1,099,913</u>	<u>\$ 109,309</u>	<u>\$ 17,719</u>	<u>\$1,226,941</u>

December 31, 2022

	Trade receivables without overdue	1 to 45 days	Over 46 days	Total
Gross carrying amount	\$1,445,800	\$ 217,253	\$ 78,445	\$1,741,498
Loss allowance (Lifetime ECL)	( 36,254)	( 14,150)	( 15,808)	( 66,212)
Amortized costs	<u>\$1,409,546</u>	<u>\$ 203,103</u>	<u>\$ 62,637</u>	<u>\$1,675,286</u>

The above aging analysis was based on the overdue days.

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

	2023	2022
Balance at the beginning of the year	\$ 66,212	\$ 55,547
Expected credit loss recognized(reversed)	( 23,941)	10,174
Foreign exchange gains and losses	<u>113</u>	<u>491</u>
Balance at the end of the year	<u>\$ 42,384</u>	<u>\$ 66,212</u>

(2) Other receivables

As some payments were overdue already, and by taking account of the uncertainty for collecting such payments, NT\$19,590 thousand was recognized expected credit loss for 2023.

(3) Notes receivable

Ages of all notes receivables of the Group were not overdue, so the Group did not recognize an allowance for impairment loss.

## 11. INVENTORY

	December 31, 2023	December 31, 2022
Finished goods	\$ 426,443	\$ 476,289
Work in process	723,054	794,461
Raw materials	710,375	1,209,126
Inventory in transit	<u>61,386</u>	<u>72,138</u>
	<u>\$ 1,921,258</u>	<u>\$ 2,552,014</u>

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2023 and 2022 were NT\$6,351,996 thousand and NT\$7,869,458 thousand, respectively. The costs of goods sold included write-down of inventories were NT\$20,859 thousand and NT\$36,015 thousand, respectively.



## 12. SUBSIDIARIES

Entities covered by the Consolidated Financial Statements were as follows, there were no subsidiary which had not been included in the Consolidated Financial Statements, nor a subsidiary which the Group had significant non-controlling interest.

Investor	Name of Subsidiary	Main Businesses	Proportion of Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	Nien Hsing International (B.V.I.) Co., Ltd.	Investment holding company	100%	100%	
The Company	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Processing denim garments for the Company	100%	100%	
The Company	Nien Hsing International Investment Co., Ltd.	Engage in general investment business	100%	100%	
The Company	Chih Hsing Garment (Cambodia) Co., Ltd	Processing denim garments for the Company	100%	100%	
Nien Hsing International (B.V.I.) Co., Ltd.	Nien Hsing International (Bermuda) Co., Ltd.	Investment holding company	100%	100%	
Nien Hsing International (B.V.I.) Co., Ltd.	Nien Hsing International (Samoa) Co., Ltd.	Investment holding company	100%	100%	
Nien Hsing International (B.V.I.) Co., Ltd.	Phoenix Development & Marketing Co., Ltd.	Engaged in the trading of denim and general investment business	100%	100%	
Nien Hsing International (Bermuda) Co., Ltd.	Nien Hsing International (Victoria) Co., Ltd.	Processing denim for the Company	99.99%	99.99%	
Nien Hsing International (Bermuda) Co., Ltd.	Nien Hsing Garment Co, Ltd	Processing denim garments for the Company	99.99%	99.99%	
Nien Hsing International (Samoa) Co., Ltd.	Nien Hsing International (Lesotho) Co., Ltd.	Processing denim garments for the Company	100%	100%	
Nien Hsing International (Samoa) Co., Ltd.	Formosa Textile Co., Ltd.	Processing denim for the Company	100%	100%	
Nien Hsing International (Samoa) Co., Ltd.	Blue Star (PTY) Ltd.	Engage in general investment business	100%	-	(1)
Phoenix Development & Marketing Co., Ltd.	Glory International Co., Ltd.	Processing knitted garments for the Company	100%	100%	
Nien Hsing International (Lesotho) Co., Ltd.	C&Y Garments	Processing denim garments for the Company	100%	100%	
Nien Hsing International (Lesotho) Co., Ltd.	Global Garment Co., Ltd.	Processing denim garments for the Company	100%	100%	

(1) The 100% owned subsidiary established by the Group in 2023.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Associates that are not individually material	\$ <u>46,404</u>	\$ <u>50,288</u>

Please refer to Table 6 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

The above-mentioned associates conducted capital reductions in 2022 and returned capital of \$2,110 thousand.

C&D Capital Corp. was liquidated in December 2022. The Group was allocated the residual distribution of NT\$1,412 thousand upon the liquidation, and NT\$1 thousand was recognized as the loss on disposal of equity investment, accounted as other gains and losses (please refer to Note 24).

The said investment accounted for using the equity method as of December 31, 2023 and 2022, as well as the Group’s share of profit or loss and share of other comprehensive income in them were based on the financial statements audited by independent auditors.

### 14. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Carrying amount</u>		
Land and land improvements	\$ 253,331	\$ 250,988
Buildings	506,957	559,587
Machinery and equipment	381,038	454,639
Transportation equipment	7,946	10,020
Office equipment	6,496	10,177
Miscellaneous equipment	93,741	84,427
Construction in progress	-	8,178
	<u>\$ 1,249,509</u>	<u>\$ 1,378,016</u>

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

Land improvements	3 to 4 years
Buildings	
Domestic factories and main buildings	25 to 60 years
Foreign factories and main buildings	5 to 20 years
Construction for drain water	2 to 20 years
Machinery and equipment	3 to 11 years
Transportation equipment	2 to 10 years
Office equipment	2 to 10 years
Miscellaneous equipment	2 to 20 years

For changes of property, plant and equipment for the years ended December 31, 2023 and 2022, please refer to Table 8.

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings were set out in Note 31.

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

The Group is expected to dispose some properties, plants and equipment, and right-of-use assets in the garment processing factory in Lesotho, upon the resolution adopted in the board meeting on October 20, 2022; as of March 8, 2024, the related procedures were in progress.

On November 21, 2023, the Group's denim fabric factory in Houlong will fully cease production upon the completion of the production and sales for the current orders. Therefore, the expected recoverable amount from property, plant, and equipment became NT\$0. In 2023, the Group recognized impairment loss of property, plant, and equipment of NT\$15,950 thousand, and estimated related severance pay of NT\$74,398 thousand. It was presented under other gains and losses (Note 24).

## 15. LEASE ARRANGEMENTS

### (1) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	<u>\$ 29,469</u>	<u>\$ 31,204</u>
Depreciation expense of right-of-use assets		
Land	<u>\$ 1,146</u>	<u>\$ 1,580</u>

### (2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 1,962</u>	<u>\$ 1,999</u>
Non-current	<u>\$ 32,602</u>	<u>\$ 33,315</u>

The discount rate ranges for lease liabilities were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	3.73% ~ 14.46%	3.73% ~ 14.46%

(3) Major lease activities and terms

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

(4) Other lease information

	<u>2023</u>	<u>2022</u>
Short-term lease expenses	\$ <u>1,362</u>	\$ <u>637</u>
Total cash (outflow) for leases	(\$ <u>3,435</u> )	(\$ <u>2,164</u> )

Please refer to Note 16 for the agreement of the Group to lease investment property under an operating lease.

## 16. INVESTMENT PROPERTY

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2023	\$ <u>80,284</u>	\$ <u>50,738</u>	\$ <u>131,022</u>
Balance at December 31, 2023	\$ <u>80,284</u>	\$ <u>50,738</u>	\$ <u>131,022</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	(\$ 17,388)	(\$ 17,388)
Depreciation expenses	-	( 910)	( 910)
Balance at December 31, 2023	\$ -	(\$ <u>18,298</u> )	(\$ <u>18,298</u> )
Carrying amounts at January 1, 2023	\$ <u>80,284</u>	\$ <u>33,350</u>	\$ <u>113,634</u>
Carrying amounts at December 31, 2023	\$ <u>80,284</u>	\$ <u>32,440</u>	\$ <u>112,724</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ <u>80,284</u>	\$ <u>50,738</u>	\$ <u>131,022</u>
Balance at December 31, 2022	\$ <u>80,284</u>	\$ <u>50,738</u>	\$ <u>131,022</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	(\$ 16,478)	(\$ 16,478)
Depreciation expenses	-	( 910)	( 910)
Balance at December 31, 2022	\$ -	(\$ <u>17,388</u> )	(\$ <u>17,388</u> )
Carrying amounts at January 1, 2022	\$ <u>80,284</u>	\$ <u>34,260</u>	\$ <u>114,544</u>
Carrying amounts at December 31, 2022	\$ <u>80,284</u>	\$ <u>33,350</u>	\$ <u>113,634</u>

The above items of investment properties 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, 2023 and 2022, the fair values of the investment properties of the Group were NT\$277,706 thousand and NT\$291,132 thousand, respectively. The management of the Group conducted the evaluation with reference to the market prices of similar real estate transactions in the neighborhood to derive the fair values, which were not provided by independent appraisers.

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, 2023</u>	<u>December 31, 2022</u>
Year 1	\$ 8,095	\$ 8,083
Year 2	7,318	7,465
Year 3	7,376	7,310
Year 4	6,709	7,376
Year 5	<u>-</u>	<u>6,709</u>
	<u>\$ 29,498</u>	<u>\$ 36,943</u>

## 17. BORROWINGS

### (1) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 11,802</u>	<u>\$ 156,248</u>
<u>Interest rate ranges</u>		
Unsecured borrowings		
Line of credit borrowings	5.80% ~ 6.30%	4.73% ~ 5.58%

(2) Long-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secured borrowings</u>		
Pledged loans	\$ <u>          -</u>	\$ <u>60,000</u>
<u>Interest rate ranges</u>		
Secured borrowings		
Pledged loans	-	1.44%

The Group signed the three-year credit line agreement amounting to \$700,000 thousand with Cathay United Bank in 2021. The borrowings are a revolving line of credit, with the duration from February 2, 2021 to February 2, 2024. The credit line is secured by mortgage of the Group's own land and buildings (see Note 31). As of December 31, 2023, the Group has settled the borrowings early and released the pledge.

**18. NOTES PAYABLE AND TRADE PAYABLES**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes payable	\$ <u>5,674</u>	\$ <u>6,618</u>
Trade payables	\$ <u>179,588</u>	\$ <u>246,487</u>

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

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

**19. OTHER PAYABLES**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payables for salaries or bonuses	\$ 303,641	\$ 332,353
Payables for fuel and utilities	16,278	18,892
Payables for annual leave	15,293	15,186
Payables for remuneration of directors and supervisors	9,000	9,000
Payables for employees' compensation	20	5,281
Payables for interest	-	471
Others	<u>182,543</u>	<u>193,032</u>
	<u>\$ 526,775</u>	<u>\$ 574,215</u>

## 20. PROVISION FOR ONEROUS CONTRACTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Onerous contract	<u>\$ 89</u>	<u>\$ -</u>

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

## 21. RETIREMENT BENEFIT PLANS

### (1) 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.

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

### (2) 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 contributed 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 retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the Consolidated Balance Sheet in respect of the defined benefit plans were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligation	\$ 211,653	\$ 218,083
Fair value of plan assets	( 177,388 )	( 171,890 )
Net defined benefit liabilities	<u>\$ 34,265</u>	<u>\$ 46,193</u>

Movements in net defined benefit liabilities were as follows:

	Present value of the defined benefit obligation	Fair Value of the Plan Assets	Net defined benefit liabilities
	<u>\$ 218,083</u>	<u>(\$ 171,890)</u>	<u>\$ 46,193</u>
January 1, 2023			
Service costs			
Current service costs	1,427	-	1,427
Net interest expense (income)	<u>2,801</u>	<u>( 2,255)</u>	<u>546</u>
Recognized in profit or loss	<u>4,228</u>	<u>( 2,255)</u>	<u>1,973</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	-	( 1,438)	( 1,438)
Actuarial (gain) loss - changes in demographic assumptions	( 2)	-	( 2)
Actuarial (gain) loss - experience adjustments	3,061	-	3,061
Actuarial (gains) losses – changes in financial assumptions	<u>1,937</u>	<u>-</u>	<u>1,937</u>
Recognized in other comprehensive income	<u>4,996</u>	<u>( 1,438)</u>	<u>3,558</u>
Contributions from the employer	-	( 17,459)	( 17,459)
Benefits paid	<u>( 15,654)</u>	<u>15,654</u>	<u>-</u>
December 31, 2023	<u>\$ 211,653</u>	<u>(\$ 177,388)</u>	<u>\$ 34,265</u>

(Continued on next page)



(Continued from previous page)

	Present value of the defined benefit obligation	Fair Value of the Plan Assets	Net defined benefit liabilities
January 1, 2022	<u>\$ 266,340</u>	<u>(\$ 158,649)</u>	<u>\$ 107,691</u>
Service costs			
Current service costs	1,864	-	1,864
Past service costs (gain)	( 143)	-	( 143)
Net interest expense (income)	<u>1,813</u>	<u>( 1,121)</u>	<u>692</u>
Recognized in profit or loss	<u>3,534</u>	<u>( 1,121)</u>	<u>2,413</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	-	( 12,741)	( 12,741)
Actuarial (gain) loss - changes in demographic assumptions	1	-	1
Actuarial (gain) loss - experience adjustments	( 18,842)	-	( 18,842)
Actuarial (gains) losses – changes in financial assumptions	<u>( 13,332)</u>	<u>-</u>	<u>( 13,332)</u>
Recognized in other comprehensive income	<u>( 32,173)</u>	<u>( 12,741)</u>	<u>( 44,914)</u>
Contributions from the employer	-	( 17,890)	( 17,890)
Benefits paid	<u>( 19,618)</u>	<u>18,511</u>	<u>( 1,107)</u>
December 31, 2022	<u>\$ 218,083</u>	<u>(\$ 171,890)</u>	<u>\$ 46,193</u>

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

	<u>2023</u>	<u>2022</u>
Operating cost	\$ 1,451	\$ 1,831
Operating expenses	<u>522</u>	<u>582</u>
	<u>\$ 1,973</u>	<u>\$ 2,413</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 rate 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 using the future salaries of plan participants. As such, an increase in the salaries 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 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.20%	1.30%
Expected rate of salary increase	2.00%	2.00%
Turnover rate (Note)	0.00%~0.40%	0.27%

Note: As of December 31, 2023, the turnover rate under significant actuarial assumptions was calculated at different ratios for different age groups.

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	(\$ <u>4,795</u> )	(\$ <u>5,199</u> )
Decrease by 0.25%	\$ <u>4,958</u>	\$ <u>5,382</u>
Expected rate of salary increase		
Increase by 0.25%	\$ <u>4,906</u>	\$ <u>5,331</u>
Decrease by 0.25%	(\$ <u>4,770</u> )	(\$ <u>5,177</u> )
Turnover rate		
Expected turnover rate by 110%	(\$ <u>10</u> )	(\$ <u>13</u> )
Expected turnover rate by 90%	\$ <u>10</u>	\$ <u>13</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The expected contributions to the plan for the next year	<u>\$ 17,040</u>	<u>\$ 8,461</u>
The average duration of the defined benefit obligation	9 years	9 years

## 22. EQUITY

### (1) Share capital

#### Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Shares authorized (in thousands of shares)	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>206,390</u>	<u>206,690</u>
Shares issued	<u>\$ 2,063,900</u>	<u>\$ 2,066,900</u>

The changes in the Company's share capital for 2023 and 2022 were as following:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 2,066,900	\$ 1,980,000
Issuance of the restricted shares for employee	-	89,600
Cancellation of the restricted shares for employee	( <u>3,000</u> )	( <u>2,700</u> )
Balance at the end of the year	<u>\$ 2,063,900</u>	<u>\$ 2,066,900</u>

The Company issued 8,960 thousand restricted shares for employees in 2022; the employee's subscription price was NT\$10 per share, for NT\$89,600 thousand.

The Company retrieved 300 thousand and 270 thousand shares from some employees retired before meeting the vesting conditions of the restricted shares for employees in 2023 and 2022. The retrieval price was \$10 per share, for NT\$3,000 thousand and NT\$2,700 thousand.

The par value of the issued common shares is \$10. Except for Note 27, the provisions related to the restricted shares for employees, carry one vote per share and carry a right to dividends.

(2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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
Employee restricted shares (Note 27)	86,836	89,941
Others	<u>5,156</u>	<u>5,156</u>
	<u>\$ 506,552</u>	<u>\$ 509,657</u>

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. The capital surplus recognized for the restricted shares for employees was not to be used for any other purpose.

(3) Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, please refer to employee benefits expense in Note 24 (7) Employees' Compensation.

By considering the 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 less 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.

The Company should be appropriated to or reversed from a special reserve in accordance with the relevant rules of the FSC. For any subsequent reversal of the deduction in other shareholders' equity, the appropriate amount of earnings distribution should be reversed from the net debit balance.

The appropriations of earnings for 2022 and 2021, which were approved in the shareholders' meetings on June 13, 2023 and June 23, 2022, respectively, were as follows:

	Appropriation of Earnings		Dividends per share (NT\$)	
	2022	2021	2022 (Note 1)	2021 (Note 2)
Legal reserve	\$ -	\$ 46,470		
Special reserves	375,962	157,802		
Cash dividend	412,900	206,960	\$ 2.0	\$ 1.0

Note 1: The calculation was based on the sum of the ordinary shares, 206,690 thousand shares on December 31, 2022, less the 240 thousand restricted shares for employees issued between January 1 and June 13, 2023.

Note 2: The calculation was based on the sum of the ordinary shares, 198,000 thousand shares on December 31, 2021, plus the 8,960 thousand restricted shares for employees issued between January 1 and June 23, 2022.

The Company resolved to approve the appropriations of earnings for 2023 in the board meeting on March 8, 2024 as below:

	Earning distribution proposal	Dividends per share (NT\$)
	2023	2023
Cash dividend	\$ 103,105	\$ 0.5

Separately, it is proposed to reverse special reserves pursuant to the related correspondence orders of the FSC for NT\$65,036 thousand.

The 2023 appropriations of earnings will be resolved in the shareholders' meeting on June 18, 2024.

(4) Special reserves

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 157,802	\$ -
Special reserves provided		
Provision of deduction to other equity items	<u>375,962</u>	<u>157,802</u>
Balance at the end of the year	<u>\$ 533,764</u>	<u>\$ 157,802</u>

(5) Other equity

1. Exchange differences on translation of the financial statements of foreign operations

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	(\$ 510,266)	(\$ 653,431)
Exchange difference arising on translation of the net assets of foreign operations	3,052	178,956
Income tax related to gains or losses arising on translation of the net assets of foreign operations	( <u>610</u> )	( <u>35,791</u> )
Balance at the end of the year	( <u>\$ 507,824</u> )	( <u>\$ 510,266</u> )

Exchange difference from the translation of foreign operations' net assets denominated in its functional currency into the consolidated entity's presentation currency (NTD) is directly recognized under other comprehensive income as exchange differences on translation of foreign operations. 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>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 43,958	\$ 495,629
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	83,674	( 330,769)
Accumulated gains and losses on disposal of equity instruments, transferred to retained earnings	( 88,536)	( 120,902)
Balance at the end of the year	<u>\$ 39,096</u>	<u>\$ 43,958</u>

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

3. Unearned employees' compensations

Please refer to Note 27 for a description of the restricted shares for employees.

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	(\$ 67,456)	\$ -
Granted during the year	-	( 92,736)
Cancelled during the year	3,105	2,795
(Reversed) recognized expenses of share-based payment	( 22,485)	<u>22,485</u>
Balance at the end of the year	<u>(\$ 86,836)</u>	<u>(\$ 67,456)</u>

**23. REVENUE**

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 6,307,214	\$ 8,674,680
Other operating revenue	<u>51,602</u>	<u>20,489</u>
	<u>\$ 6,358,816</u>	<u>\$ 8,695,169</u>

(1) Description of customer contracts

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

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

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

(2) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivable and Trade receivables (Note 10)	<u>\$ 1,227,766</u>	<u>\$ 1,677,307</u>	<u>\$ 1,739,633</u>

(3) Disaggregation of revenue  
2023

	<u>Textile Segment</u>	<u>Garment Segment</u>	<u>Total</u>
Revenue from sale of goods	\$ 3,294,516	\$ 3,012,698	\$ 6,307,214
Other operating revenue	<u>46,917</u>	<u>4,685</u>	<u>51,602</u>
	<u>\$ 3,341,433</u>	<u>\$ 3,017,383</u>	<u>\$ 6,358,816</u>

2022

	<u>Textile Segment</u>	<u>Garment Segment</u>	<u>Total</u>
Revenue from sale of goods	\$ 5,063,644	\$ 3,611,036	\$ 8,674,680
Other operating revenue	<u>18,408</u>	<u>2,081</u>	<u>20,489</u>
	<u>\$ 5,082,052</u>	<u>\$ 3,613,117</u>	<u>\$ 8,695,169</u>

**24. NET PROFIT (LOSS) FOR THE YEAR**

Net profit (loss) for the current year comprises the following items:

(1) Interest income

	<u>2023</u>	<u>2022</u>
Bank deposits	<u>\$ 62,188</u>	<u>\$ 27,147</u>



(2)	Other income		
		<u>2023</u>	<u>2022</u>
	Compensation revenue	\$ 8,538	\$ 22,845
	Rental income	9,319	8,823
	Dividend income	16,213	68,584
	Others	<u>33,500</u>	<u>29,465</u>
		<u>\$ 67,570</u>	<u>\$ 129,717</u>
(3)	Other gains and losses		
		<u>2023</u>	<u>2022</u>
	Proceeds from disposal of property, plant and equipment	\$ 1,264	\$ 2,164
	Net foreign exchange gains (losses)	( 1,936)	147,581
	Net gain (loss) on financial instrument at fair value through profit or loss	46,901	( 20,810)
	Compensation loss	-	( 322)
	Loss on disposal of investments accounted for the using equity method	-	( 1)
	Impairment loss (Note 14)	( 15,950)	-
	Severance pay (Note 14)	( 74,398)	-
	Others	<u>( 31,178)</u>	<u>( 54,152)</u>
		<u>(\$ 75,297)</u>	<u>\$ 74,460</u>
(4)	Finance costs		
		<u>2023</u>	<u>2022</u>
	Interest on bank loans	\$ 4,631	\$ 10,952
	Interest on lease liabilities	<u>1,615</u>	<u>1,613</u>
		<u>\$ 6,246</u>	<u>\$ 12,565</u>
(5)	Depreciation		
		<u>2023</u>	<u>2022</u>
	Property, plant and equipment	\$ 221,766	\$ 240,231
	Investment property	910	910
	Right-of-use assets	<u>1,146</u>	<u>1,580</u>
	Total	<u>\$ 223,822</u>	<u>\$ 242,721</u>
	An analysis of depreciation by function		
	Operating cost	\$ 188,143	\$ 198,255
	Operating expenses	13,442	12,887
	Non-operating expenses	<u>22,237</u>	<u>31,579</u>
		<u>\$ 223,822</u>	<u>\$ 242,721</u>

(6) Employee benefits expense

	<u>2023</u>	<u>2022</u>
Retirement benefits (Note 21)		
Defined contribution plan	\$ 21,861	\$ 22,018
Defined benefit plan	<u>1,973</u>	<u>2,413</u>
	23,834	24,431
Short-term employee benefits	1,627,642	1,724,818
Resignation benefits (Notes 14 and 24(3))	<u>74,398</u>	<u>-</u>
	<u>\$ 1,725,874</u>	<u>\$ 1,749,249</u>

An analysis of employee benefits expense by function

Operating cost	\$ 1,431,235	\$ 1,508,160
Operating expenses	220,241	241,089
Non-operating expenses	<u>74,398</u>	<u>-</u>
	<u>\$ 1,725,874</u>	<u>\$ 1,749,249</u>

(7) Employees' Compensation

According to the Company's Articles, 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. The employees' compensation for 2022 resolved by the Board of Directors amounted to NT\$5,261 thousand March 10, 2023. Due to loss before income tax in 2023, it was not required to estimate employees' compensation.

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

There is no difference between the actual amounts of employees' compensation paid and the amounts recognized in the consolidated financial statements for 2022 and 2021.

Information on the employees' compensation resolved by the Company's board of directors for 2024 and 2023 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAX FROM CONTINUING OPERATIONS

(1) Income tax recognized in the profit or loss

The major components of income tax benefit (expense) were as below:

	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	(\$ 5,653)	(\$ 102,971)
Income tax on unappropriated earnings	-	( 2,673)
Deferred tax		
In respect of the current year	45,723	4,788
Adjustments for prior years	<u>2,598</u>	<u>388</u>
Income tax benefit (expense) recognized in profit or loss	<u>\$ 42,668</u>	<u>(\$ 100,468)</u>

A reconciliation of accounting profit and income tax benefit (expense) were as follows:

	<u>2023</u>	<u>2022</u>
Net (loss) profit before income tax	( <u>\$ 405,580</u> )	<u>\$ 526,924</u>
Income tax benefit (expense) calculated at the statutory rate	\$ 76,594	(\$ 110,288)
Income tax on unappropriated earnings	-	( 2,673)
Income tax effects of adjusted items	( 36,524)	12,105
Adjustments for income tax benefits of prior periods	<u>2,598</u>	<u>388</u>
Income tax benefit (expense) recognized in profit or loss	<u>\$ 42,668</u>	<u>(\$ 100,468)</u>

The tax rate applicable to the Group is 20%; the tax amount incurred in other jurisdictions is calculated based on the tax rate applicable to each relevant jurisdiction.

(2) Income tax benefit (expense) recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
<u>Deferred tax</u>		
In respect of the current year		
— Translation of foreign operations	(\$ 610)	(\$ 35,791)
— Remeasurement of defined benefit plans	<u>711</u>	<u>(8,983)</u>
	<u>\$ 101</u>	<u>(\$ 44,774)</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax assets		
Tax refund receivable	<u>\$ 1,127</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 975</u>	<u>\$ 95,875</u>

(4) Deferred tax assets and liabilities

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

2023

	<u>Balance at the beginning of the year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Balance at the end of the year</u>
<u>Deferred Tax Assets</u>				
Temporary difference				
Exchange differences on translation of foreign operations	\$ 252,769	\$ -	(\$ 610)	\$ 252,159
Allowance for loss of write-down of inventories	31,364	4,172	-	35,536
Allowance for impairment loss	7,714	( 335)	-	7,379
Defined benefits retirement plans	7,643	( 2,121)	711	6,233
Provisions for warranty	5,026	( 2,123)	-	2,903
Loss carryforwards	-	17,646	-	17,646
Impairment loss	-	3,190	-	3,190
Severance pay	-	14,880	-	14,880
Others	<u>14,016</u>	<u>800</u>	<u>-</u>	<u>14,816</u>
	<u>\$ 318,532</u>	<u>\$ 36,109</u>	<u>\$ 101</u>	<u>\$ 354,742</u>
<u>Deferred Tax Liabilities</u>				
Temporary difference				
Share of profits and losses of subsidiaries accounted for using the equity method	<u>(\$ 292,849)</u>	<u>\$ 9,614</u>	<u>\$ -</u>	<u>(\$ 283,235)</u>

2022

	Balance at the beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end of the year
<u>Deferred Tax Assets</u>				
Temporary difference				
Exchange differences on translation of foreign operations	\$ 288,560	\$ -	(\$ 35,791)	\$ 252,769
Allowance for loss of write-down of inventories	24,436	6,928	-	31,364
Allowance for impairment loss	6,968	746	-	7,714
Defined benefits retirement plans	19,953	( 3,327)	( 8,983)	7,643
Provisions for warranty	5,128	( 102)	-	5,026
Others	<u>23,314</u>	<u>( 9,298)</u>	<u>-</u>	<u>14,016</u>
	<u>\$368,359</u>	<u>(\$ 5,053)</u>	<u>(\$ 44,774)</u>	<u>\$318,532</u>
<u>Deferred Tax Liabilities</u>				
Temporary difference				
Share of profits and losses of subsidiaries accounted for using the equity method	(\$302,690)	<u>\$ 9,841</u>	<u>\$ -</u>	(\$292,849)

- (5) Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss carryforwards		
Expiring in 2023	\$ -	\$ 900
Expiring in 2024	3,037	3,037
Expiring in 2026	3,958	3,958
Expiring in 2027	1,185	1,185
Expiring in 2028	4,561	4,561
Expiring in 2030	3	3
Expiring in 2033	<u>14,816</u>	<u>-</u>
	<u>\$ 27,560</u>	<u>\$ 13,644</u>
Deductible temporary differences		
Unrealized investment loss	<u>\$ 6,808</u>	<u>\$ 27,653</u>

(6) Information on unused loss carryforwards

Loss carryforwards as of December 31, 2023 were as follows:

<u>Unused Amount</u>	<u>Expiry Year</u>
\$ 3,037	2024
3,958	2026
1,185	2027
4,561	2028
3	2030
<u>103,045</u>	2033
<u>\$ 115,789</u>	

(7) Income tax assessments

The income tax returns through 2021 filed by the Company and the subsidiary Nien Hsing International Investment Co., Ltd. have been assessed by the tax authority.

**26. EARNINGS (LOSSES) PER SHARE**

	2023	Unit: NT\$ Per Share 2022
Basic earnings (losses) per share	( <u>\$ 1.83</u> )	<u>\$ 2.15</u>
Diluted earnings (losses) per share	( <u>\$ 1.83</u> )	<u>\$ 2.13</u>

The earnings (losses) and weighted average number of ordinary shares outstanding used in the computation of earnings (losses) per share were as follows:

Net (loss) profit attributable to owners of the Company

	2023	2022
Net (losses) earnings used in the computation of basic and diluted (losses) earnings per share	( <u>\$ 362,912</u> )	<u>\$ 426,456</u>

Number of Shares

	Unit: Number of shares (in thousand) 2023	2022
Weighted average number of ordinary shares used in the computation of basic (losses) earnings per share	198,000	198,000
Effect of potentially dilutive ordinary shares:		
Employees' bonuses or compensation	-	280
Restricted shares for employees	-	<u>1,524</u>
Weighted average number of ordinary shares used in the computation of diluted (losses) earnings per share	<u>198,000</u>	<u>199,804</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. However, it is a loss in 2023, which has an anti-dilution effect, and thus not is accounted to compute the diluted loss per share.

## **27. SHARE-BASED PAYMENT ARRANGEMENTS**

### Program of restricted shares for employees

On August 11, 2021, the shareholders' meeting of the Company resolved to issue restricted shares for employees, with the upper limit of 9,900 shares, to be subscribed by the employees at NT\$10 per share. On March 30, 2022, the board meeting adopted the resolution to grant 9,280 thousand restricted shares for employees; provided that the actual number subscribed by the employees were 8,960 thousand shares, with the granting date on March 30, 2022. The fair value of the share on the granting date was NT\$20.35. As of December 31, 2023, 570 thousand shares were retrieved as some employees resigned before meeting the vesting conditions.

The employee's vesting conditions of the restricted shares for employees resolved in the shareholders' meeting of the Company on August 11, 2021 were as below:

- (1) Employees must have served for three years from the date of issuance of restricted shares for employees.
- (2) The average appraisal score of the three years prior to the expiry date of the vested period is 85 points or above.
- (3) Based on the consolidated financial statements audited by the CPAs, the average consolidated operating profit rate for the last three years prior to the expiry date of the vested period is more than 3%.

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions were as follows:

- (1) All such shares should be delivered to the trust institution designated by the Company for custody, and the restricted shares for employees must not be sold, pledged, transferred, donated to others, set up or disposed of in other ways.
- (2) The rights to attend, propose, speak, vote, and elect at the shareholders' meetings are identical to the issued common shares of the Company, and are implemented pursuant to the trust custody contract.
- (3) Except for the above restrictions, other rights are identical to the common shares issued by the Company.

Employees allocated with the restricted shares for employees who fail to meet the vesting conditions, the Company repurchased the employee restricted stock at the issue price for cancellation; provided, the obtained cash or share dividends were not required to be returned by the employees.

Information on the restricted shares for employees was as following:

	2023	2022
<u>Restricted shares for employees</u>	<u>Unit: (in thousand)</u>	<u>Unit: (in thousand)</u>
Granted but not vested at the beginning of the year	8,690	-
Granted during the year	-	8,960
Cancelled during the year (note)	( 300)	( 270)
Granted but not vested at the end of the year	<u>8,390</u>	<u>8,690</u>

Note: the number of cancelled shares during the year was the restricted shares for employees returned due to employees' resignation.

The Group's employee remuneration costs recognized in 2023 and 2022 were NT\$3,105 thousand and NT\$22,755 thousand, respectively.

## 28. CAPITAL RISK MANAGEMENT

The Group manages its capital risks to ensure that entities in the Group will be able to continue operating with necessary financial resources and business plans and to respond to the needs for operating fund, capital expenditures, loan repayment, and dividends in the following 12 months.

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

## 29. FINANCIAL INSTRUMENTS

### (1) Fair value of financial instruments measured at fair value on a recurring basis

#### 1. Fair value hierarchy

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at</u>				
<u>FVTPL</u>				
— Foreign exchange forward contracts	\$ -	\$ -	\$ 978	\$ 978
— Fund beneficiary certificate	-	-	48,065	48,065
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,043</u>	<u>\$ 49,043</u>
<u>Financial assets at</u>				
<u>FVTOCI</u>				
Investments in equity instruments				
— Domestic listed shares	\$ 579,222	\$ -	\$ -	\$ 579,222
— Domestic and foreign unlisted securities	-	-	28,227	28,227
— Foreign listed securities	224,428	-	-	224,428
Total	<u>\$ 803,650</u>	<u>\$ -</u>	<u>\$ 28,227</u>	<u>\$ 831,877</u>



December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
– Fund beneficiary certificate	\$ -	\$ -	\$ 32,509	\$ 32,509
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
– Domestic listed shares	\$ 624,086	\$ 4,177	\$ -	\$ 628,263
– Domestic and foreign unlisted securities	-	-	28,343	28,343
– Foreign listed securities	201,984	-	-	201,984
Total	<u>\$ 826,070</u>	<u>\$ 4,177</u>	<u>\$ 28,343</u>	<u>\$ 858,590</u>

There were transfers between Level 1 and Level 2 fair value measurements in 2023 and 2022. As some of the listed stocks were returned from the centralized custody compulsorily, the related amounts were transferred from Level 2 to Level 1.

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

2023

<u>Financial assets</u>	<u>Financial assets at FVTPL</u>		<u>Financial assets at FVTOCI</u>
	<u>Fund beneficiary certificate</u>	<u>Foreign exchange forward contracts</u>	<u>Investments in equity instruments</u>
Balance at the beginning of the year	\$ 32,509	\$ -	\$ 28,343
Recognized in profit or loss	46,671	230	-
Purchase	850	-	-
Disposal/settlement	( 30,673 )	748	-
Recognized in other comprehensive income - Unrealized gain/(loss) on financial assets at FVTOCI	-	-	( 116 )
Recognized in other comprehensive income - Exchange differences on translating the financial statements of foreign operations	( 1,292 )	-	-
Balance at the end of the year	<u>\$ 48,065</u>	<u>\$ 978</u>	<u>\$ 28,227</u>

2022

<u>Financial assets</u>	<u>Financial assets at FVTPL Fund beneficiary certificate</u>	<u>Financial assets at FVTOCI Investments in equity instruments</u>
Balance at the beginning of the year	\$ 103,252	\$ 489,687
Recognized in profit or loss	( 20,810 )	-
Purchase	1,313	-
Disposal	( 58,394 )	( 445 )
Return of share due to capital reduction	-	( 248 )
Transfer out Level 3	-	( 193,574 )
Recognized in other comprehensive income - Unrealized gain/(loss) on financial assets at FVTOCI	-	( 267,077 )
Recognized in other comprehensive income - Exchange differences on translating the financial statements of foreign operations	<u>7,148</u>	<u>-</u>
Balance at the end of the year	<u>\$ 32,509</u>	<u>\$ 28,343</u>

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

<u>Financial Instruments</u>	<u>Valuation Technique and Inputs</u>
Restricted shares in active markets	Observe the market quotation at the end of the period and consider the liquidity risk discount.

4. Valuation techniques and inputs for Level 3 fair value measurements

The fair value of the fund beneficiary certificate was calculated based on the net value of the fund. The domestic unlisted equity investment was based on the market method and the asset-based approach. The market method is based on the price of the benchmark, considering the difference between the evaluation target and the comparable standard, and the value of the target is evaluated with an appropriate multiplier. The asset-based approach is to evaluate the value of a target based on the valuation result of each investee by the investing company with the income-based approach, market method, or both at the end of period.

The fair value of foreign exchange forward contract was based on the discounted cash flow method. The future cash flows are estimated based on the observable forward exchange rates at the end of the period and the contractual exchange rates, and are discounted at the discount rates reflecting the credit risks of each counter party.

(2) Categories of financial instruments

The Group's financial assets and financial liabilities and their fair values as of December 31, 2023 and 2022 were as follows:

	December 31, 2023		December 31, 2022	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial assets</u>				
Financial assets at amortized costs				
Cash and cash equivalents	\$ 1,302,034	\$ 1,302,034	\$ 1,606,649	\$ 1,606,649
Financial assets at amortized costs	300,000	300,000	-	-
Notes receivables and trade receivables	1,227,766	1,227,766	1,677,307	1,677,307
Other receivables	32,117	32,117	57,937	57,937
Refundable deposits	13,442	13,442	13,440	13,440
Other financial assets	8,414	8,414	5,153	5,153
Financial assets at FVTPL	49,043	49,043	32,509	32,509
Financial assets at FVTOCI	831,877	831,877	858,590	858,590
<u>Financial liabilities</u>				
Financial liabilities at amortized costs				
Short-term borrowings	11,802	11,802	156,248	156,248
Long-term borrowings	-	-	60,000	60,000
Notes payables and trade payables	185,262	185,262	253,105	253,105
Other payables	526,775	526,775	574,215	574,215
Guarantee deposits received	1,542	1,542	1,465	1,465

(3) Financial risk management objectives and policies

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

1. Market risks

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

(1) Foreign currency risk

The Group's sales and purchase transactions are denominated in foreign currency; as a consequence, the Group is exposed to the risk of fluctuation in the exchange rate. 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.

Please refer to Note 35 for the Group's carrying amount of significant monetary assets and liabilities denominated in non-functional currency (including monetary items denominated in non-functional currency that have been eliminated in preparing the Consolidated Financial Statements).

Sensitivity Analysis

The Group was mainly exposed to the U.S. dollar, ZAR, and PESO.

The following table details the Group's sensitivity to a 5% increase and decrease in the exchange rates of 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 associated with the relevant foreign currencies strengthening 5% against the functional currency. For a 5% weakening of the relevant foreign currencies against the functional currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	Effect of USD		Effect of PESO		Effect of ZAR	
	2023	2022	2023	2022	2023	2022
Profit or loss	\$43,749	\$66,310	(\$2,116)	(\$1,568)	\$17,919	\$20,043

(2) Interest rate risk

The interest rate risk refers to the risk of changes in fair values of financial instrument resulted from the movement of market interest rates

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates on the balance sheet date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
- Financial assets	\$ 1,361,069	\$ 1,095,738
- Financial liabilities	46,366	251,562
Cash flow interest rate risk		
- Financial assets	230,050	480,998

Sensitivity Analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rate increases/decreases by 25 basis points, held other variables constant, the Group's income before tax will increase/decrease by NT\$575 thousand and NT\$1,202 thousand, respectively for 2023 and 2022.

(3) Other price risk

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

Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 1% higher/lower, pre-tax profit or loss for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$481 thousand and NT\$325 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. The pre-tax other comprehensive income for the year ended December 31, 2023 and 2022 would have increased/decreased by NT\$8,319 thousand and NT\$8,586 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## 2. Credit risk

Credit risk refers to the risk of financial loss of the Group caused by the counterparty's default of contractual obligations. The Group is exposed to credit risk from operating activities, primarily on trade receivables, and from financing activities, primarily on deposits, fixed-income investments and other financial instruments with banks. Credit risk is managed separately for business- and financial-related exposures.

### Business-related credit risk

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

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

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

### Financial credit risk

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

## 3. Liquidity risk

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

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

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

December 31, 2022	1 to 2 years	2 to 3 years	Over 3 years	Total
Long-term bank borrowings	<u>\$60,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$60,000</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

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

(1) Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Hung Yuan Investment Co., Ltd	Substantial related party
Guozhong Investment Co., Ltd.	Substantial related party
Li Feng Investment Co., Ltd.	Substantial related party
Nuevo Investment Development Co., Ltd.	Substantial related party
Ying Jeh Co. Ltd.	Substantial related party
Yien Yuan Co. Ltd.	Substantial related party

(2) Rental income

<u>Related Party Category</u>	<u>2023</u>	<u>2022</u>
Substantial related party	<u>\$ 128</u>	<u>\$ 128</u>

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

(3) Remuneration to key management

Remuneration of directors and key management in 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 23,356	\$ 33,035
Retirement benefits	515	384
Share-based payment	<u>1,234</u>	<u>2,846</u>
	<u>\$ 25,105</u>	<u>\$ 36,265</u>

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

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, and customs guarantee.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ -	\$ 513,607
Other financial assets	<u>50</u>	<u>50</u>
	<u>\$ 50</u>	<u>\$ 513,657</u>

As of December 31, 2022, for the pledged amount for property, plant and equipment was NT\$189,002 thousand, the revolving line of credit expired in March 2014. The Group has not retired the liens. As of December 31, 2023, the Group had been released from the pledge for the aforementioned revolving financing facility.

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to NT\$343,786 thousand and NT\$692,058 thousand, respectively.
- (2) As of December 31, 2023 and 2022, the non-cancellable cotton purchase contracts for which the Group has entered into but where the goods have not yet been received were in the amounts of 7,560 thousand pounds and 7,180 thousand pounds, respectively.

### 33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On January 12, 2024, the Board of Directors of the Group resolved to conduct the public auction of its office, on the 12th floor (430.78 Taiwanese ping) and 3rd floor (434.85 Taiwanese ping), and 40 parking space, at its headquarter in the Wall Street Technology Building in Neihu, Taipei, and related matters.

### 34. OTHER MATTER

Due to the global COVID-19 pandemic, the management of the Group has been observing the impact of COVID-19 on operations and timely adjusted the business policy. In addition, the Group hasn't found any events or circumstances that would cast significant doubt on its ability to continue operations, its asset impairment and financing risk assessment.

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

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

December 31, 2023

	Foreign Currency	Exchange rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 675	18.587 (USD: ZAR)	\$ 20,738
USD	38,446	30.705 (USD: NTD)	1,180,471
USD	4,388	23,866 (USD: VND)	134,732
ZAR	110,326	1.652 (ZAR: NTD)	182,258
ZAR	106,611	0.054 (ZAR: USD)	176,122
			<u>\$ 1,694,321</u>
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	1,256	18.587 (USD: ZAR)	\$ 38,582
USD	12,745	30.705 (USD: NTD)	391,330
USD	1,011	23,866 (USD: VND)	31,049
PESO	19,955	1.818 (PESO: NTD)	36,269
PESO	3,327	0.059 (PESO: USD)	6,047
			<u>\$ 503,277</u>



December 31, 2022

	Foreign Currency	Exchange rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 2,777	16.985 (USD: ZAR)	\$ 85,309
USD	67,536	30.725 (USD: NTD)	2,075,050
USD	3,954	23,612 (USD: VND)	121,472
ZAR	88,573	1.809 (ZAR: NTD)	160,228
ZAR	133,017	0.059 (ZAR: USD)	<u>240,627</u>
			<u>\$ 2,682,686</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 10,411	16.985 (USD: ZAR)	\$ 319,880
USD	19,665	30.725 (USD: NTD)	604,220
USD	1,026	23,612 (USD: VND)	31,525
PESO	15,587	1.587 (PESO: NTD)	24,735
PESO	4,172	0.052 (PESO: USD)	<u>6,620</u>
			<u>\$ 986,980</u>

For the years ended December 31, 2023 and 2022, net foreign exchange gains (losses) (realized and unrealized) were (NT\$1,936) thousand and NT\$147,581 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### **36. SEPARATELY DISCLOSED ITEMS**

- (1) Information on significant transactions, and (2) information on investees:
1. Financing provided to others: None.
  2. Endorsements/guarantees provided: Table 1.
  3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures): 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: Notes 7 and 29.
  10. Others: Intercompany relationships and significant intercompany transactions: Table 5.
  11. Information on investees: Table 6.
- (3) 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.
    - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - (3) The amount of property transactions and the amount of the resultant gains or losses.
    - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - (6) 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.
- (4) Information on Major Shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder, Table 7.

### **37. SEGMENT INFORMATION**

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

- Textile segment
- Garment segment

The amounts were disclosed below by type of product by the chief decision makers.

(1) Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segments income	
	2023	2022	2023	2022
Textile segment			(\$ 455,064)	\$ 224,178
Revenue from external customers	\$3,341,433	\$5,082,052		
Revenue from other segments	588,929	832,705		
Garment segment			76,939	195,658
Revenue from external customers	3,017,383	3,613,117		
Eliminations of transactions between departments	( 588,929)	( 832,705)	-	-
Total	<u>\$6,358,816</u>	<u>\$8,695,169</u>	( 378,125)	419,836
Unallocated amount:				
Administrative costs			( 89,542)	( 114,103)
Other shared revenue			<u>17,743</u>	<u>4,669</u>
Operating (loss) gain			( 449,924)	310,402
Interest income			62,188	27,147
Other income			67,570	129,717
Other gains and losses			( 75,297)	74,460
Finance costs			( 6,246)	( 12,565)
Share of the profit or loss of associates accounted for using the equity method			( 3,871)	( 2,237)
Net (loss) profit before tax for the period			( \$ 405,580)	\$ 526,924

The measure of the operating segments' profit or loss was measured at the profit of loss controllable.

(2) Total segment assets and liabilities

	December 31, 2023	December 31, 2022
Segment assets		
<u>Continued operations</u>		
Textile segment	\$ 3,245,000	\$ 4,193,024
Garment segment	1,701,628	1,997,200
Finance segment	<u>3,089,563</u>	<u>2,975,568</u>
Consolidated total assets	<u>\$ 8,036,191</u>	<u>\$ 9,165,792</u>

The measure of the operating segments' assets was measured at the assets controllable. The measure of operating liabilities was the Group's capital budget and capital demand that were not allocated to individual operating segments. Thus, the operating liabilities were not subject to segment performance evaluation.

(3) Other segment information

	<u>2023</u>	<u>2022</u>
<u>Depreciation and amortization</u>		
Textile segment	\$ 109,786	\$ 106,175
Garment segment	107,646	129,950
Finance segment	<u>6,390</u>	<u>6,596</u>
	<u>\$ 223,822</u>	<u>\$ 242,721</u>

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

(4) Revenue from major products

The following was an analysis of the Group's revenue from its major products:

	<u>2023</u>	<u>2022</u>
Textile	\$ 3,266,654	\$ 5,056,469
Garment	3,004,661	3,591,984
Others	<u>87,501</u>	<u>46,716</u>
	<u>\$ 6,358,816</u>	<u>\$ 8,695,169</u>

(5) Geographical information

The Group operated in four principal geographical areas: Taiwan, America, Africa and other Asian areas.

The Group's revenue from external customers by operating location and information about its non-current assets by geographical location were as follows:

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	<u>2023</u>	<u>2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan	\$5,689,348	\$7,762,911	\$ 826,096	\$ 806,157
America	-	-	234,165	229,697
Africa	623,308	874,002	306,413	376,706
Asia and other area	<u>46,160</u>	<u>58,256</u>	<u>119,720</u>	<u>136,935</u>
	<u>\$6,358,816</u>	<u>\$8,695,169</u>	<u>\$1,486,394</u>	<u>\$1,549,495</u>

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

(6) Information on major customers

Single customers contributing 10% or more to the Group's revenue in 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Customer A	\$ 1,162,890	\$ 1,442,003
Customer B	1,319,439	2,513,075
Customer C	669,931	793,340
Customer D	<u>647,335</u>	<u>848,465</u>
	<u>\$ 3,799,595</u>	<u>\$ 5,596,883</u>

The aforesaid Customers B and D are major customers for the textile business segment; Customers A and C are the major customers for the garment business segment.

**Table 1**

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**  
**ENDORSEMENTS/GUARANTEES PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**Unit: NT\$ Thousand**

No.	Endorser/ Guarantor	Endorsee/ Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	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/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Remarks
		Company Name	Relations (Note 1)											
0	Nien Hsing Textile Co., Ltd.	Phoenix Development & Marketing Co., Ltd.	2	\$ 2,073,189	\$ 64,870	\$ 61,410	\$ -	\$ -	0.89	\$ 3,455,316	Y	N	N	
0	Nien Hsing Textile Co., Ltd.	Nien Hsing International Investment Co., Ltd.	2	2,073,189	500,000	400,000	-	-	5.79	3,455,316	Y	N	N	

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

- a. A company with a business relationship.
- b. A subsidiary in which over 50% of the ordinary shares were directly or indirectly held by the Company.
- c. An investee company in which over 50% of the ordinary shares were directly or indirectly held by the Group.
- d. Companies in which the Company directly and indirectly holds more than 90 percent of the voting shares.
- e. Companies with the same industry or mutual project undertakers that have mutual guarantee based on contract agreements due to contractual project needs.
- f. A company endorsed due to a co-investment agreement. The endorsement percentage of each investor was based on its investment percentage.
- g. Companies in the same industry engaged in the provision of joint performance guarantee of sales contracts for the sale of pre-construction homes, pursuant to the Consumer Protection Act.

Notes 2: The maximum total guarantee that the Company may provide was 50% of the carrying value of its net assets, and the maximum guarantee for each party was 30% of the carrying value of the Company's net assets.

Table 2

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**  
**MARKETABLE SECURITIES HELD**

December 31, 2023

Unit: NT\$ Thousand

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Ending Balance				Remarks
				Number of Shares	Book Value	Percentage of Ownership (%)	Fair Value	
Nien Hsing Textile Co., Ltd.	<u>Share</u> Mycenax Biotech Inc.	—	Financial assets at FVTOCI - non-current	6,789,665	\$ 242,391	3.30	\$ 242,391	
	BioGend Therapeutics Co., Ltd.	—	Financial assets at FVTOCI - non-current	806,662	30,855	0.66	30,855	
	Leadray Energy Co., Ltd.	—	Financial assets at FVTOCI - non-current	1,367,766	12,871	4.12	12,871	
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	Financial assets at FVTOCI - non-current	46,018	564	2.22	564	
	Wu Hsing International Co., Ltd.	—	Financial assets at FVTOCI - non-current	450,000	-	30.00	-	Note 2
Nien Hsing International (B.V.I.) Co., Ltd.	<u>Share</u> TOT BIOPHARM	—	Financial assets at FVTOCI - non-current	5,982,000	46,301	0.77	46,301	
	<u>Funds</u> Prodigy Strategic Investment Fund XXI Segregated Portfolio	—	Financial assets at FVTPL - non-current	288	48,065	-	48,065	
Phoenix Development & Marketing Co., Ltd.	<u>Share</u> HKT Trust and HKT Limited	—	Financial assets at FVTOCI - non-current	4,861,000	178,127	0.06	178,127	
	DigiMedia Technologies Co., Ltd.	—	Financial assets at FVTOCI - non-current	368,532	-	0.54	-	
	Top Fashion Industrial Co., Ltd	—	Financial assets at FVTOCI - non-current	450,000	-	30.00	-	Note 2

(Continued on next page)

(Continued from previous page)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Ending Balance				Remarks
				Number of Shares	Book Value	Percentage of Ownership (%)	Fair Value	
Nien Hsing International Investment Co., Ltd.	<u>Share</u>							
	Mycenax Biotech Inc.	—	Financial assets at FVTOCI - non-current	1,025,844	\$ 36,623	0.50	\$ 36,623	
	Leadray Energy Co., Ltd.	—	Financial assets at FVTOCI - non-current	1,571,886	14,792	4.73	14,792	
	Center Laboratories, Inc.	—	Financial assets at FVTOCI - non-current	3,654,355	161,888	0.53	161,888	
	BioGend Therapeutics Co., Ltd.	—	Financial assets at FVTOCI - non-current	2,809,547	107,465	2.28	107,465	

Note 1: For information about investment in subsidiaries and associates, please refer to Table 6.

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



**Table 3**

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Unit: NT\$ Thousand**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes and Trades Receivable (Payable)		Remarks
			Purchase/Sale	Amount (Note 4)	% to total purchase (sales) (Note 3)	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 4)	Percentage to total notes and accounts receivable (payable)	
Nien Hsing Textile Co., Ltd.	Formosa Textile Co., Ltd.	Sub-subsidiary	Sale	(\$ 540,312)	( 8.53% )	(Note 2)	—	(Note 2)	\$ 162,802	12.59%	
	Nien Hsing International (Victoria) Co., Ltd.	Sub-subsidiary	Processing expense	587,081	19.23%	(Note 1)	(Note 1)	(Note 1)	( 36,269 )	( 8.53% )	
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary	Processing expense	712,056	23.32%	(Note 1)	(Note 1)	(Note 1)	( 131,545 )	(30.95%)	
	Nien Hsing International (Lesotho) Co., Ltd.	Sub-subsidiary	Processing expense	405,433	13.28%	(Note 1)	(Note 1)	(Note 1)	( 11,166 )	( 2.63% )	
	Formosa Textile Co., Ltd.	Sub-subsidiary	Processing expense	410,552	13.45%	(Note 1)	(Note 1)	(Note 1)	-	-	
Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Purchases	540,312	100.00%	(Note 2)	—	(Note 2)	( 162,802 )	( 100% )	
	Nien Hsing Textile Co., Ltd.	Parent company	Revenue from processing	( 410,552 )	(100.00% )	(Note 1)	(Note 1)	(Note 1)	-	-	
Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Revenue from processing	( 712,056 )	(100.00% )	(Note 1)	(Note 1)	(Note 1)	131,545	100%	
Nien Hsing International (Victoria) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Revenue from processing	( 587,081 )	(100.00% )	(Note 1)	(Note 1)	(Note 1)	36,269	100%	
Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Revenue from processing	( 405,433 )	(100.00% )	(Note 1)	(Note 1)	(Note 1)	11,166	100%	

Note 1: Processing expenses charged by subsidiaries were based on operating costs; subsidiaries' payment requests were based on their financial condition.

Note 2: Payments were made based on operational cash requirements.

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

Note 4: The accounts were eliminated when the consolidated financial statements were prepared.

**Table 4****NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****December 31, 2023****Unit: NT\$ Thousand**

Company Name	Related Party	Relationship	Ending Balance	Turnover ratio	Overdue receivables from related parties		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Nien Hsing Textile Co., Ltd.	Formosa Textile Co., Ltd.	Sub-subsidiary	\$ 162,802	(Note 1)	\$ -	—	\$ 55,558	\$ -
Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	131,545	(Note 1)	-	—	38,346	-

Note 1: Collection of receivables was based on the related parties' cash requirements.

Note 2: The accounts were eliminated when the consolidated financial statements were prepared.

Table 5

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Unit: NT\$ Thousand

No.	Company name	Related Party	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 5)	Payment Terms	% of Total Sales or Assets
0	Nien Hsing Textile Co., Ltd.	Formosa Textile Co., Ltd.	1	Sales	\$ 540,312	Note 2	8%
		Formosa Textile Co., Ltd.	1	Receivables from affiliates	162,802	Note 2	2%
		Phoenix Development & Marketing Co., Ltd.	1	Sales	39,384	Note 2	1%
		Nien Hsing International Investment Co., Ltd.	1	Rental income	25	Note 4	-
		Nien Hsing International (Lesotho) Co., Ltd.	1	Sales	68,488	Note 2	1%
		Glory International Co., Ltd.	1	Receivables from affiliates	38,582	Note 2	-
1	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Revenue from processing	712,056	Note 3	11%
		Nien Hsing Textile Co., Ltd.	2	Receivables from affiliates	131,545	Note 2	2%
2	Nien Hsing International (Victoria) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Revenue from processing	587,081	Note 3	9%
		Nien Hsing Textile Co., Ltd.	2	Receivables from affiliates	36,269	Note 2	-
		Phoenix Development & Marketing Co., Ltd.	3	Receivables from affiliates	6,047	Note 2	-
		Nien Hsing Garment Co, Ltd	3	Receivables from affiliates	12,034	Note 2	-
3	Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Revenue from processing	405,433	Note 3	6%
		Nien Hsing Textile Co., Ltd.	2	Receivables from affiliates	11,166	Note 2	-
		Formosa Textile Co., Ltd.	3	Receivables from affiliates	574	Note 2	-
		Glory International Co., Ltd.	3	Receivables from affiliates	52	Note 2	-

(Continued on next page)

(Continued from previous page)

No.	Company name	Related Party	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note E)	Payment Terms	% of Total Sales or Assets
4	Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Revenue from processing	\$ 410,552	Note 3	6%
		Nien Hsing International (Lesotho) Co., Ltd.	3	Receivables from affiliates	21,946	Note 2	-
		Glory International Co., Ltd.	3	Receivables from affiliates	5	Note 2	-
		Blue Star (PTY) Ltd.	3	Receivables from affiliates	54	Note 2	-
5	Chih Hsing Garment (Cambodia) Co., Ltd	Nien Hsing Textile Co., Ltd.	2	Receivables from affiliates	77,269	Note 2	1%
6	Phoenix Development & Marketing Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Receivables from affiliates	1,154	Note 2	-
		Nien Hsing International (Bermuda) Co., Ltd.	3	Receivables from affiliates	1,450	Note 2	-

Notes 1: Relationship with transaction counterparties was classified as following:

1. The parent company to subsidiaries.
2. From subsidiary to parent company
3. Subsidiaries to subsidiaries

Notes 2: Collection of receivables was based on the related parties' cash requirements.

Notes 3: Processing incomes charged by subsidiaries were based on operating costs; subsidiaries' payment requests were based on their financial condition.

Notes 4: Related-party transactions were not significantly different from third-party transactions.

Notes 5: The accounts were eliminated when the consolidated financial statements were prepared.

**Table 6**

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**Unit: NT\$ Thousand**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net Income (Loss) of the Investee	Share of Profit (Loss)	Remarks
				End of current period	End of last year	Number of shares	Percentage (%)	Book Value			
Nien Hsing Textile Co., Ltd.	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	\$ 458,543	\$ 458,543	19,185	100.00	\$ 1,754,790	\$ 20,863	\$ 20,863	Subsidiary
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Plot C4, Khanh Phu Industrial zone, Khanh Phu Commune, Yen Khanh district, Ninh Binh province, Vietnam	Denim garments processing	714,092	714,092	-	100.00	203,282	3,782	3,782	Subsidiary
	Chih Hsing Garment (Cambodia) Co., Ltd	ROAD 6, PHUM KHTOR,SANGKAT PREK LEAP,CHROY CHANGVAR DISTRICT,PHNOM PENH,KINGDOM OF CAMBODIA	Denim garments processing	133,641	133,641	4,500	100.00	78,656	1	1	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	20,500,000	100.00	366,411	3,489	3,489	Subsidiary
Nien Hsing International (B.V.I.) Co., Ltd.	Nien Hsing International (Bermuda) Co., Ltd.	Victoria Place,5 the Floor,31 Victoria Street Hamilton HM 10, Bermuda	Investment holding company	256,288	256,288	10,222	100.00	356,596	21,920	21,920	Sub-subsiidiary
	Nien Hsing International (Samoa) Co., Ltd.	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	Investment holding company	1,142,312	1,131,866	35,600,000	100.00	255,476	( 52,341 )	( 52,341 )	Sub-subsiidiary
	Phoenix Development & Marketing Co., Ltd.	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	Denim trading and general investment business	102,692	102,692	1,000,000	100.00	1,053,666	48,570	48,570	Sub-subsiidiary
Nien Hsing International (Bermuda) Co., Ltd.	Nien Hsing International (Victoria) Co., Ltd.	LIBRAMIENTO NACIONES UNIDAS KM 20 PARQUE INDUSTRIAL NUEVO SANTANDER S/N, CIUDAD VICTORIA, TAMAULIPAS, MEXICO CP87137	Denim processing	\$ 455,433	\$ 455,433	17,410	99.99	\$ 368,991	\$ 23,357	\$ 23,357	Sub-subsiidiary
	Nien Hsing Garment Co, Ltd	LIBRAMIENTO NACIONES UNIDAS KM 20 PARQUE INDUSTRIAL NUEVO SANTANDER S/N, CIUDAD VICTORIA, TAMAULIPAS, MEXICO CP87137	Denim garments processing	30,021	30,021	26	99.99	( 10,988 )	( 7 )	( 7 )	Sub-subsiidiary

(Continued on next page)

(Continued from previous page)

Investor	Name of investee	Location	Main Businesses and Products	Original Investment Amount		Holding at the end of period			Net Income (Loss) of the Investee	Share of Profit (Loss)	Remarks
				End of current period	End of last year	Number of shares	Percentage (%)	Book Value			
Nien Hsing International (Samoa) Co., Ltd.	Nien Hsing International (Lesotho) Co., Ltd.	Site No.009 Thetsane Industrial Area Maseru 100. Lesotho	Denim garments processing	333,848	333,848	566,000	100.00	216,819	( 30,601 )	( 30,601 )	Sub-subsidiary
	Formosa Textile Co., Ltd.	827 Thetsane Industrial Area, Maseru 100. Lesotho	Denim processing	280,856	280,856	100,000	100.00	28,030	( 21,666 )	( 21,666 )	Sub-subsidiary
	Blue Star (PTY) Ltd.	16 BEETON STREET FLAT E3 LADYBRAND FREE STATE 9745	Investment business	10,539	-	6,000,000	100.00	9,856	( 58 )	( 58 )	Sub-subsidiary
Nien Hsing International (Lesotho) Co., Ltd.	C & Y Garments	Site No.7D Thetsane Industrial Area Maseru 100. Lesotho	Denim garments processing	4,005	4,005	100,000	100.00	-	-	-	Sub-subsidiary
	Global Garment Co., Ltd.	Site No.12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	Denim garments processing	22,453	22,453	100,000	100.00	-	-	-	Sub-subsidiary
Phoenix Development & Marketing Co., Ltd.	C&D Capital II Corp.	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.	Investment business	\$ 103,355	\$ 103,355	3,227,209	28.74	\$ 46,404	( \$ 13,468 )	( \$ 3,871 )	Equity-method investee
	Glory International Co., Ltd.	827 Thetsane Industrial, Ha Thetsane, Maseru, Lesotho	Knitted garments processing	387,002	387,002	100,000	100.00	49,905	( 22,940 )	( 22,940 )	Sub-subsidiary

Note 1: Profits and losses on investments between parent and subsidiary, long-term equity investments in investors and net equity interests in investees have been eliminated.

**Table 7****NIEN HSING TEXTILE CO., LTD.  
INFORMATION OF MAJOR SHAREHOLDERS  
December 31, 2023**

Name of major shareholder	Share	
	Number of Shares	Percentage of Ownership (%)
Ron Yuan Investment Co., Ltd.	47,524,506	23.02%
Panda Investment Co., Ltd.	28,892,146	13.99%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Table 8

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**  
**STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Unit: NT\$ Thousand

	Land	Land improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Construction in progress	Total
<b>Cost</b>									
Balance at January 1, 2023	\$ 250,988	\$ 1,516	\$ 2,142,899	\$ 5,122,660	\$ 48,316	\$ 71,470	\$ 1,188,305	\$ 8,178	\$ 8,834,332
Addition	-	-	879	13,848	-	676	33,974	4,367	53,744
Disposal	-	-	( 3,293)	( 19,115)	-	( 76)	( 5,513)	-	( 27,997)
Reclassifications	-	-	11,176	58,424	1,779	322	11,337	( 12,551)	70,487
Net exchange difference	2,343	-	760	( 58,809)	( 424)	( 409)	413	6	( 56,120)
Balance at December 31, 2023	<u>\$ 253,331</u>	<u>\$ 1,516</u>	<u>\$ 2,152,421</u>	<u>\$ 5,117,008</u>	<u>\$ 49,671</u>	<u>\$ 71,983</u>	<u>\$ 1,228,516</u>	<u>\$ -</u>	<u>\$ 8,874,446</u>
<b>Accumulated Depreciation and Impairment</b>									
Balance at January 1, 2023	\$ -	\$ 1,516	\$ 1,583,312	\$ 4,668,021	\$ 38,296	\$ 61,293	\$ 1,103,878	\$ -	\$ 7,456,316
Disposal	-	-	( 3,293)	( 19,113)	-	( 74)	( 5,513)	-	( 27,993)
Impairment loss	-	-	-	7,101	428	269	8,152	-	15,950
Depreciation expenses	-	-	60,244	125,099	3,354	4,449	28,620	-	221,766
Net exchange difference	-	-	5,201	( 45,138)	( 353)	( 450)	( 362)	-	( 41,102)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 1,645,464</u>	<u>\$ 4,735,970</u>	<u>\$ 41,725</u>	<u>\$ 65,487</u>	<u>\$ 1,134,775</u>	<u>\$ -</u>	<u>\$ 7,624,937</u>
Net as of January 1, 2023	<u>\$ 250,988</u>	<u>\$ -</u>	<u>\$ 559,587</u>	<u>\$ 454,639</u>	<u>\$ 10,020</u>	<u>\$ 10,177</u>	<u>\$ 84,427</u>	<u>\$ 8,178</u>	<u>\$ 1,378,016</u>
Net as of December 31, 2023	<u>\$ 253,331</u>	<u>\$ -</u>	<u>\$ 506,957</u>	<u>\$ 381,038</u>	<u>\$ 7,946</u>	<u>\$ 6,496</u>	<u>\$ 93,741</u>	<u>\$ -</u>	<u>\$ 1,249,509</u>
<b>Cost</b>									
Balance at January 1, 2022	\$ 248,540	\$ 1,516	\$ 2,011,797	\$ 5,040,977	\$ 43,788	\$ 65,559	\$ 1,156,111	\$ 5,056	\$ 8,573,344
Addition	-	-	3,495	12,470	2,072	3,331	13,646	14,488	49,502
Disposal	-	-	-	( 64,852)	( 457)	( 2,050)	( 11,990)	-	( 79,349)
Reclassifications	-	-	9,892	79,919	-	2,678	14,260	( 11,774)	94,975
Net exchange difference	2,448	-	117,715	54,146	2,913	1,952	16,278	408	195,860
Balance at December 31, 2022	<u>\$ 250,988</u>	<u>\$ 1,516</u>	<u>\$ 2,142,899</u>	<u>\$ 5,122,660</u>	<u>\$ 48,316</u>	<u>\$ 71,470</u>	<u>\$ 1,188,305</u>	<u>\$ 8,178</u>	<u>\$ 8,834,332</u>
<b>Accumulated Depreciation and Impairment</b>									
Balance at January 1, 2022	\$ -	\$ 1,516	\$ 1,421,468	\$ 4,561,460	\$ 32,925	\$ 56,581	\$ 1,065,205	\$ -	\$ 7,139,155
Disposal	-	-	-	( 63,947)	( 366)	( 2,050)	( 11,982)	-	( 78,345)
Depreciation expenses	-	-	62,360	132,932	3,294	4,939	36,706	-	240,231
Net exchange difference	-	-	99,484	37,576	2,443	1,823	13,949	-	155,275
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 1,583,312</u>	<u>\$ 4,668,021</u>	<u>\$ 38,296</u>	<u>\$ 61,293</u>	<u>\$ 1,103,878</u>	<u>\$ -</u>	<u>\$ 7,456,316</u>
Net as of January 1, 2022	<u>\$ 248,540</u>	<u>\$ -</u>	<u>\$ 590,329</u>	<u>\$ 479,517</u>	<u>\$ 10,863</u>	<u>\$ 8,978</u>	<u>\$ 90,906</u>	<u>\$ 5,056</u>	<u>\$ 1,434,189</u>
Net as of December 31, 2022	<u>\$ 250,988</u>	<u>\$ -</u>	<u>\$ 559,587</u>	<u>\$ 454,639</u>	<u>\$ 10,020</u>	<u>\$ 10,177</u>	<u>\$ 84,427</u>	<u>\$ 8,178</u>	<u>\$ 1,378,016</u>