

Nien Hsing Textile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
years ended December 31, 2020 and 2019 and
Independent Auditors' Report**

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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, 2020 are all the same as the companies required to be included in the Consolidated Financial Statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the Consolidated Financial Statements of affiliates has all been disclosed in the Consolidated Financial Statements of parent and subsidiary companies. Hence, we have not prepared a separate set of Consolidated Financial Statements of affiliates.

Very truly yours,

NIEN HSING TEXTILE CO., LTD.

By

Chao-Kuo, Chen
Chairman

March 17, 2021

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying Consolidated Balance Sheets of Nien Hsing Textile Co., Ltd. (the Company) and its subsidiaries (collectively, the Group) as of December 31, 2020 and 2019, and the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, and 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, 2020 and 2019.

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, 2020 and 2019, and its consolidated financial performance and consolidated cash flows for the annual periods ended December 31, 2020 and 2019 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 effected by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the 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 2020 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, 2020 are stated as follows:

Impairment assessment of inventories

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

Description of Matter

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

Audit Procedures

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

1. We obtained an understanding of the design of internal control on inventory impairment, as well as its effectiveness.
2. We tested the inventory at the end of the year to confirm and assess whether there was any obsolete or damaged inventory.
3. We tested the accuracy of inventory age at the end of the year and assessed the reasonableness of management's policy on the estimation of write-downs of inventories, and sample-checked data related to the net realizable value to validate the appropriateness of the loss.

Other Matter

We have also audited the parent company only financial statements of Nien Hsing Textile Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified 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 in continuing 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 generally accepted auditing standards, does not guarantee that a material misstatement(s) 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and 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, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2021

Notice to Readers

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

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

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**
In Thousands of New Taiwan Dollars

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,134,391	13	\$ 694,697	7
Financial assets at fair value through profit or loss- current (Note 7)	-	-	494,583	5
Notes receivable (Note 9)	2,328	-	1,788	-
Trade receivables - net (Notes 5 and 9)	1,878,431	21	1,567,520	17
Other receivables (Note 9)	31,197	-	106,848	1
Current tax assets (Note 24)	374	-	-	-
Inventories (Note 10)	2,082,637	23	2,478,700	27
Prepayments	225,271	2	320,398	3
Other financial assets-current (Note 31)	1,990	-	50	-
Other current assets	70,636	1	72,972	1
Total current assets	<u>5,427,255</u>	<u>60</u>	<u>5,737,556</u>	<u>61</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss- NON-current (Note 7)	98,720	1	100,558	1
Financial assets at fair value through other comprehensive income - non-current (Note 8)	1,178,324	13	836,492	9
Investments accounted for using the equity method (Note 12)	64,504	1	106,064	1
Property, plant and equipment (Notes 13 and 31)	1,691,289	19	2,025,380	22
Right-of-use assets (Note 14)	32,691	-	21,670	-
Investment properties - net (Note 15)	115,454	1	116,364	1
Deferred tax assets (Note 24)	396,914	5	337,660	4
Prepayments for equipment	26,166	-	49,860	1
Refundable deposits	14,259	-	14,397	-
Total non-current assets	<u>3,618,321</u>	<u>40</u>	<u>3,608,445</u>	<u>39</u>
Total assets	<u>\$ 9,045,576</u>	<u>100</u>	<u>\$ 9,346,001</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 226,190	3	\$ 616,679	7
Notes payable (Note 17)	69,601	1	73,476	1
Trade payables (Note 17)	293,522	3	252,951	3
Other payables (Note 18)	567,971	6	578,345	6
Current tax liabilities (Note 24)	1,215	-	32,961	-
Provisions for onerous contract (Note 19)	2,734	-	380	-
Lease liabilities - current (Note 14)	1,888	-	478	-
Other current liabilities	40,107	-	25,773	-
Total current liabilities	<u>1,203,228</u>	<u>13</u>	<u>1,581,043</u>	<u>17</u>
Non-current liabilities				
Long-term borrowings (Note 16)	100,000	1	-	-
Deferred tax liabilities (Note 24)	309,295	4	386,668	4
Lease liabilities - non-current (Note 14)	31,601	-	18,504	-
Net defined benefit liabilities (Note 20)	130,388	2	157,817	2
Guarantee deposits received	1,555	-	1,482	-
Total non-current liabilities	<u>572,839</u>	<u>7</u>	<u>564,471</u>	<u>6</u>
Total liabilities	<u>1,776,067</u>	<u>20</u>	<u>2,145,514</u>	<u>23</u>
Equity Attributable to Owners of the Company				
Capital stock	1,980,000	22	1,980,000	21
Capital surplus	419,715	5	419,715	5
Retained earnings				
Legal Reserve	2,282,156	25	2,282,156	24
Special Reserve	274,992	3	321,638	3
Unappropriated Earnings	2,280,629	25	2,471,970	27
Total retained earnings	<u>4,837,777</u>	<u>53</u>	<u>5,075,764</u>	<u>54</u>
Other Equity	32,017	-	(274,992)	(3)
Total equity attributable to owners of the Company	<u>7,269,509</u>	<u>80</u>	<u>7,200,487</u>	<u>77</u>
Total equity	<u>7,269,509</u>	<u>80</u>	<u>7,200,487</u>	<u>77</u>
Total liabilities and equity	<u>\$ 9,045,576</u>	<u>100</u>	<u>\$ 9,346,001</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, 2020 AND 2019

In Thousands of New Taiwan Dollars, Except Losses Per Share

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 22)				
Sales	\$ 7,061,155	101	\$ 8,574,005	100
Less: Sales returns and allowances	<u>54,096</u>	<u>1</u>	<u>23,001</u>	<u>-</u>
Net sales	7,007,059	100	8,551,004	100
Revenue from processing	<u>12,314</u>	<u>-</u>	<u>16,508</u>	<u>-</u>
Total operating revenue	<u>7,019,373</u>	<u>100</u>	<u>8,567,512</u>	<u>100</u>
OPERATING COSTS (Notes 10, 20 and 23)				
Cost of Goods Sold	6,802,369	97	8,113,294	95
Processing costs	<u>12,314</u>	<u>-</u>	<u>16,195</u>	<u>-</u>
Total operating costs	<u>6,814,683</u>	<u>97</u>	<u>8,129,489</u>	<u>95</u>
GROSS PROFIT	<u>204,690</u>	<u>3</u>	<u>438,023</u>	<u>5</u>
OPERATING EXPENSES (Notes 9, 20, and 23)				
Selling and marketing expenses	301,339	4	314,041	4
General and administrative expenses	156,330	2	222,549	2
Research and development expenses	26,040	1	25,339	-
Expected credit loss (gain)	<u>20,898</u>	<u>-</u>	<u>(18,226)</u>	<u>-</u>
Total operating expenses	<u>504,607</u>	<u>7</u>	<u>543,703</u>	<u>6</u>
OPERATING LOSS	<u>(299,917)</u>	<u>(4)</u>	<u>(105,680)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 10, 12, 23, and 30)				
Interest income	10,328	-	17,976	-
Other income	102,650	1	81,104	1
Other gains and losses	(331,607)	(5)	(49,064)	(1)
Finance costs	(6,049)	-	(4,937)	-
Share of the profit or loss of associates accounted for using the equity method	<u>(23,467)</u>	<u>-</u>	<u>(9,801)</u>	<u>-</u>
Total non-operating income and expenses	<u>(248,145)</u>	<u>(4)</u>	<u>35,278</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(548,062)	(8)	(70,402)	(1)
INCOME TAX BENEFITS (Notes 4 and 24)	<u>124,996</u>	<u>2</u>	<u>615</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(423,066)</u>	<u>(6)</u>	<u>(69,787)</u>	<u>(1)</u>

(Continued)

(Continued)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE				
INCOME/(LOSS) (Notes 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	11,567	-	(1,237)	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	578,561	8	22,412	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,314)	-	247	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(119,657)	(2)	(20,011)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>23,931</u>	<u>1</u>	<u>4,003</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>492,088</u>	<u>7</u>	<u>5,414</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 69,022</u>	<u>1</u>	<u>(\$ 64,373)</u>	<u>(1)</u>
Loss Attributable to:				
Owners of the Company	(\$ 423,066)	(6)	(\$ 69,702)	(1)
Non-controlling interest	<u>-</u>	<u>-</u>	<u>(85)</u>	<u>-</u>
	<u>(\$ 423,066)</u>	<u>(6)</u>	<u>(\$ 69,787)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 69,022	1	(\$ 64,291)	(1)
Non-controlling interest	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>-</u>
	<u>\$ 69,022</u>	<u>1</u>	<u>(\$ 64,373)</u>	<u>(1)</u>
Loss per share from continuing operations (Note 25)				
Basic	(\$ 2.14)		(\$ 0.35)	

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, 2020 AND 2019 In Thousands of New Taiwan Dollars, Except Dividends Per Share

	Issued and Outstanding Capital Stock (Note 21)		Retained earnings (Notes 8 and 21)				Other Equity			Non-controlling interest (Note 21)	Total equity
	Number of shares (in thousand)	Amount	Capital surplus (Note 21)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences on translating the financial statements of foreign operations (Note 21)	Unrealized Gain and Loss on Financial Assets at Fair Value Through Other Comprehensive Income (Note 21)	Total		
BALANCE AT JANUARY 1, 2019	198,000	\$ 1,980,000	\$ 419,715	\$ 2,282,156	\$ 414,600	\$ 2,885,971	(\$ 480,336)	\$ 158,698	\$ 7,660,804	\$ 56	\$ 7,660,860
Appropriation of 2018 earnings											
Cash dividends distributed by the Company - NT\$2.0 per share	-	-	-	-	-	(396,000)	-	-	(396,000)	-	(396,000)
Special reserve reversed	-	-	-	-	(92,962)	92,962	-	-	-	-	-
Net loss for the year ended December 31, 2019	-	-	-	-	-	(69,702)	-	-	(69,702)	(85)	(69,787)
Other comprehensive income for the year ended on December 31, 2019, net of income tax	-	-	-	-	-	(990)	(16,011)	22,412	5,411	3	5,414
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(70,692)	(16,011)	22,412	(64,291)	(82)	(64,373)
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	(26)	-	-	(26)	26	-
Disposal in equity instruments measured at fair value through other comprehensive gains and losses.	-	-	-	-	-	(40,245)	-	40,245	-	-	-
BALANCE AT DECEMBER 31, 2019	198,000	1,980,000	419,715	2,282,156	321,638	2,471,970	(496,347)	221,355	7,200,487	-	7,200,487
Special reserve reversed	-	-	-	-	(46,646)	46,646	-	-	-	-	-
Net loss for the year ended December 31, 2020	-	-	-	-	-	(423,066)	-	-	(423,066)	-	(423,066)
Other comprehensive income (loss) (after tax) for 2020	-	-	-	-	-	9,253	(95,726)	578,561	492,088	-	492,088
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	(413,813)	(95,726)	578,561	69,022	-	69,022
Disposal in equity instruments measured at fair value through other comprehensive gains and losses.	-	-	-	-	-	175,826	-	(175,826)	-	-	-
BALANCE AT DECEMBER 31, 2020	198,000	\$ 1,980,000	\$ 419,715	\$ 2,282,156	\$ 274,992	\$ 2,280,629	(\$ 592,073)	\$ 624,090	\$ 7,269,509	\$ -	\$ 7,269,509

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, 2020 AND 2019

In Thousands of New Taiwan Dollars

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax for the year	(\$ 548,062)	(\$ 70,402)
Adjustments for		
Depreciation expenses	272,186	312,731
Expected credit loss recognized/(reversed) on trade receivables	20,898	(18,226)
Net (gain) loss on fair value change of financial assets designated as at fair value through profit or loss	55,855	(5,418)
Finance costs	6,049	4,937
Interest income	(10,328)	(17,976)
Dividend income	(1,133)	-
Share of the profit or loss of associates accounted for using the equity method	23,467	9,801
(Gain)/loss on disposal of property, plant and equipment	(523)	3,985
Impairment loss	67,130	-
Gain on disposal of investments accounted for the using equity method	(2)	-
Write-down (reversal of write-down) of inventories	52,784	22,103
Fire loss	-	3,333
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	448
Notes receivable	(540)	2,753
Trade receivables	(331,828)	105,133
Other Financial assets	(1,940)	-
Other receivables	(10,384)	10,965
Inventory	343,279	(40,100)
Prepayments	95,127	(34,116)
Other current assets	2,336	11,060
Notes payable	(3,875)	(42,735)
Trade payables	40,571	(85,074)
Other payables	(10,392)	(22,201)
Provision for onerous contracts	2,354	380
Other current liabilities	14,334	(15,271)
Net Defined Benefit Liabilities	(15,862)	(26,992)

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	<u>2020</u>	<u>2019</u>
Cash generated from/(used in) operations	\$ 61,501	\$ 109,118
Income tax paid	(22,134)	(120,843)
Cash generated from operations	<u>39,367</u>	<u>(11,725)</u>
Cash flows from investing activity		
Proceeds from disposal of financial assets at fair value through other comprehensive income	234,791	4,127
Distribution of residual property at fair value through other comprehensive income	217	129
Return of capital due to impairment on financial assets at fair value through other comprehensive income	303	-
Purchase of financial assets at fair value through other comprehensive income	(7,452)	(161,298)
Purchase of financial assets at fair value through profit or loss	(511,930)	(2,488,308)
Disposal of financial assets at fair value through profit or loss	1,036,944	2,428,046
Proceeds received from capital reduction of investee accounted for using equity method	10,690	53,854
Disposal of long-term equity investments accounted for using the equity method	20	-
Payments for property, plant and equipment	(69,604)	(148,416)
Proceeds from disposal of property, plant and equipment	4,299	989
Decrease (Increase) in refundable deposits	138	(361)
Increase in prepayments for equipment	(27,599)	(244,420)
Interest received	10,303	37,399
Dividends received	<u>3,765</u>	<u>8,928</u>
Net cash (used in) generated from investing activities	<u>684,885</u>	<u>(509,331)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(390,489)	218,974
Proceeds from long-term borrowings	150,000	-
Repayments of long-term borrowings	(50,000)	(182,000)
Increase in guarantee deposits received	73	45
Dividends paid to owners of the Company	-	(396,000)
Interest paid	(5,226)	(3,896)
Net cash used in financing activities	<u>(295,642)</u>	<u>(362,877)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>11,084</u>	<u>3,097</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 439,694	(\$ 880,836)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>694,697</u>	<u>1,575,533</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,134,391</u>	<u>\$ 694,697</u>

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

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (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 17, 2021.

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

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

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

- b. FSC-endorsed IFRSs Applicable on or after 2021

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Effective on issuance
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - "Interest Rate Benchmark Reform - Phase 2"	Effective for the annual reporting periods beginning on January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	Effective for the annual reporting periods beginning on and after June 1, 2020

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

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

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

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

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

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

Note 5: The amendments are applicable to contracts of which the obligations have not been fulfilled on or after January 1, 2021.

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

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

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

a. 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.

b. 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 is arrived at by taking the present value of defined benefit obligation minus the fair value of plan assets.

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

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

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

Current assets include:

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

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

d. Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Company and the financial statements of entities controlled by the Company. The Consolidated Statement of Comprehensive Income include the operating income/loss of the acquired or disposed subsidiaries from the date of acquisition to the date of disposal in the current period. The accounting policies of the subsidiaries are consistent with the those of the Group. When compiling the Consolidated Financial Statements, all transactions, account balances, income and expenses between the entities were eliminated. A subsidiary's total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if non-controlling interests become having deficit balances in the process.

When changes in the ownership interest of the Group in subsidiaries do not cause the Group to lose control, they are recognized as equity transactions. The carrying amounts of the Group and its non-controlling interests have been adjusted to reflect the relative changes in the interest in the subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity attributable to the owners of the Company.

When the Group loses control over its subsidiaries, the gains and losses from disposal is the difference between the following two items: (1) the sum of the fair value of the consideration received and the fair value of the residual investment in the former subsidiaries as at the date of loss of control; and (2) the sum of the carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the former subsidiaries at the date of loss of control. The Group recognizes the amounts in other comprehensive income in relation to the subsidiary on the same accounting basis as would be required if such assets or liabilities had been directly disposed of by the Group.

For details of subsidiaries' shareholding ratios and business activities, please refer to Note 11 and Table 6.

e. Foreign Currencies

When preparing the individual financial report, transactions denominated in another currency (foreign currency) other than the entity's functional currency shall be converted into the functional currency using the exchange rate on the date of the transaction.

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 that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined, with exchange differences arising therefrom recognized in profit or loss, except when fair value changes are recognized in other comprehensive income, in which case the exchange differences are recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

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.

f. Inventories

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

g. Investment in Associates

Associates are entities over which the Group has major influence but they are neither subsidiaries nor joint ventures.

The Group follows the equity method for investment 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. In addition, equity changes in associates are recognized based on shareholding ratio.

Any excess of acquisition costs over the Group's share of an associate's or a joint venture's identifiable assets and liabilities measured at the fair value on the date of acquisition is recognized as goodwill. The goodwill shall be included in the carrying amount of the investment but not allowed for amortization. If the Group's share of the net fair value of the identifiable assets and liabilities exceeds acquisition costs, the excessive amount is recognized immediately in profit or loss.

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

When the Group's share of loss derived from the investment of an associate equals or exceeds the Group's interest (including the carrying amount of the investment and other long-term substantial interests in the associate's net asset in proportion to ownership percentage), the Group shall cease recognizing losses further. The Group shall recognize additional losses and liabilities only to the extent that any legal obligation, constructive obligation or payment has been made on behalf of the related enterprise.

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

The Group shall suspend the use of the equity method on the day that its investment is no longer an associate and shall measure its retained interest in the original associate through fair value. The difference between the fair value, the disposal proceeds, and the carrying amount of the investment on the day the equity method ceases to apply shall be recognized in profit or loss of the current period. 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. When investments in associates become investments in joint ventures, or vice versa, the Group would continue to adopt the equity method and not to remeasure the retained interests.

Profit or loss arising from up- and downstream transactions between the Group and the associates lineal transactions between associates needs to be recognized in the Consolidated Financial Statements to the extent that such recognition shall not affect the interests of the Group in the associate.

h. Property, Plant and Equipment

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

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of the item of property, plant and equipment is shorter than its useful life, the asset is depreciated over the lease term. The 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.

i. Investment Property

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

Investment properties are measured initially at 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.

j. 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. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs.

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

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

k. Financial Instruments

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

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

1) Financial assets

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

a) Measurement category

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

i) Financial assets at FVTPL

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

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

ii) Financial assets at amortized costs

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

- i) Held under a business model whose purpose of holding such financial assets is to collect the contractual cash flows; and
- ii) The contractual terms give rise to cash flows on specified dates 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:

- i) In the case of purchased or originated credit-impaired financial assets, interest revenue is recognized by applying the credit-adjusted effective interest rate to the amortized costs.
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized costs 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 and short-term transactions instruments.

iii) Investments in equity instruments at FVTOCI

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

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.

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.

b) 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 the purpose of internal credit risk management, the following circumstances are identified as defaults in financial assets, without considering the collateral held:

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

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

2) Derecognition of financial liabilities

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.

3) Equity instruments

The debt and equity instruments issued by the Group are classified as financial liabilities or equity according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

Equity instruments issued by the Group are recognized based on the price obtained less direct issuance costs.

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

4) Financial liabilities

a) 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.

b) Derecognition of financial liabilities

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

5) Derivatives financial instruments

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

l. Provisions

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

Onerous contract

When the Group expects the inevitable costs of fulfilling contractual obligations exceeds the expected economic benefits from the contract, the current obligations arising from the onerous contract shall be recognized as the liability reserve.

m. Revenue Recognition

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

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

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.

n. 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

A right of use asset is initially measured at costs (including the initial measured amount of lease liability, the amount of lease payments made to the lessors less lease incentives received prior to the inception of the lease, initial direct costs and the estimated costs of restored underlying assets), and subsequently measured at costs less accumulated depreciation and accumulated impairment, adjusted for any remeasurements of the lease liability. The right-of-use assets are separately expressed in the consolidated balance sheets.

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

A lease liability is initially measured at the present value of lease payments (including fixed payments). When the interest rate implicit in a lease can be readily determined, lease payments are discounted using the interest rate. If the interest rate implicit in a lease cannot be easily determined, lease payments are discounted using the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at the amortized costs using the effective interest rate method, and interest expense is amortized over the lease term. In case of the variations in the lease period or the index or rate used to determine the lease payment, the Group will re-measure the lease liabilities and adjust the right-of-use assets accordingly. However, if the carrying amount of

the right-of-use assets has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. If a lease modification is a separate lease, the remeasurement of lease liability due to decrease in scope is charged to right-of-use assets, and partial or full termination of the lease should be recognized in P/L; if a lease liability is to be remeasured due to other modifications, such amount is adjusted through right-of-use assets. Lease liabilities are presented on a separate line in the consolidated balance sheets.

o. 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.

p. Government Grants

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

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

If the government subsidy is used to compensate fees or losses that had occurred, or is given to the Group for the purpose of immediate financial support without related future costs, it can be recognized as income within the collectible period.

q. Employee Benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the 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 remeasurement) 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/curtailment/settlement occurs. Remeasurement, comprising actuarial gains and losses, and the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in Retained earnings and will not be reclassified to profit or loss. Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

r. Income Tax

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

1) Current tax

The Group determines the current income (loss) in accordance with the laws and regulations established by each income tax jurisdiction, and calculates the income tax payable (recoverable) on such basis.

According to the Income Tax Act of the Republic of China (ROC), an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the 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. The deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Measurement of deferred income tax liabilities and assets is a reflection of the tax consequences resulting from the means by which the Group expects to recover or settle the carrying amount of its assets and liabilities at the balance sheet date.

3) Current income tax and deferred income tax for the current year

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

If current income or deferred tax arises from business combination, the income tax effects are included in the accounting of business combination.

5. CRITICAL ACCOUNTING JUDGMENTS, ASSUMPTIONS, AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Write-down of Inventory

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 15,509	\$ 11,898
Checking accounts and demand deposits	745,307	547,160
Cash equivalents (Investments with original maturities within three months)		
Bank time deposits	323,648	85,677
Short-term bills	<u>49,927</u>	<u>49,962</u>
	<u>\$ 1,134,391</u>	<u>\$ 694,697</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits	0.001%~3.3%	0.001%~6.25%
Short-term bills	0.24%	0.48%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Embedded derivative financial assets (not under hedge accounting)		
- Dual Currency (b)	<u>\$ -</u>	<u>\$ 494,583</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
- Fund beneficiary certificate	<u>\$ 98,720</u>	<u>\$ 100,558</u>

a. The Group entered into foreign exchange forward contracts in 2019 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. There were no outstanding forward contracts as of the balance sheet date.

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

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

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

Investments in Equity Instruments at FVTOCI

	December 31, 2020	December 31, 2019
Domestic investment		
Listed shares and emerging market shares	\$ 627,095	\$ 467,693
Unlisted shares	455,625	272,356
Subtotal	<u>1,082,720</u>	<u>740,049</u>
Foreign investment		
Listed shares	95,604	96,443
	<u>\$ 1,178,324</u>	<u>\$ 836,492</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. The management elected to designate these investments to be measured at fair value through other comprehensive income as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the aforementioned strategy of holding these investments for long-term purposes.

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

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

Youfu Investment Co., Ltd. was liquidated in March 2019, and the Group received a residual property distribution of \$217 thousand in 2020. In 2020 and 2019, the Group transferred other relevant equity - unrealized profit or loss on financial assets measured at fair value through other comprehensive income of \$217 thousand and \$(31,622) thousand to retained earnings, respectively.

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

The Group participated in Gongwin BioPharm Holdings, Co., Ltd.'s issuance of ordinary shares in 2020 and invested \$7,452 thousand.

In November 2019, the Group purchased the ordinary shares of TOT BIOPHARM for \$153,519 thousand, which were designated as at fair value through other comprehensive income since these investments were held for medium to long term strategic purposes.

To diversify risks, the Group adjusted its investment position in 2020. The Group disposed of all shares of KOATECH TECHNOLOGY CORP., and some shares of Gongwin BioPharm Holdings, Co., Ltd. and Mycenax Biotech Inc. for \$239,608 thousand, and transferred Other equity - unrealized gain or loss of financial assets at fair value through other comprehensive income of \$175,609 thousand to Retained earnings; among which \$4,817 thousand have not been collected as of December 31, 2020 and was recognized in Other receivables.

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

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
Notes receivable - operating	<u>\$ 2,328</u>	<u>\$ 1,788</u>
<u>Trade receivables</u>		
Trade receivables	\$ 1,980,808	\$ 1,648,980
Less: Allowance for impairment loss	(<u>102,377</u>)	(<u>81,460</u>)
	<u>\$ 1,878,431</u>	<u>\$ 1,567,520</u>
<u>Other receivables</u>		
Payment on behalf of others	\$ 10,313	\$ 7,978
Interest	74	49
Proceeds due from Financial assets at FVTPL	-	90,877
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,817	-
Others	<u>15,993</u>	<u>7,944</u>
	<u>\$ 31,197</u>	<u>\$ 106,848</u>

a. Trade receivables

The average credit period of sales of goods was 30 days to 90 days. No interest was charged on the trade receivables. In determining the recoverability of a trade receivable, the 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 trade receivables, customer ratings and the mechanism for the retention of accounts receivable, etc. comprehensively when determining the Group's expected credit loss rate.

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

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

December 31, 2020

	<u>1 to 60 days</u>	<u>61 to 90 days</u>	<u>Over 91 days</u>	<u>Total</u>
Expected credit loss rate	0.5% ~ 15.0%	0.5% ~ 15.0%	0.5% ~ 15.0%	
Gross carrying amount	\$1,198,743	\$ 526,256	\$ 255,809	\$1,980,808
Loss allowance (Lifetime ECL)	(66,475)	(23,336)	(12,566)	(102,377)
Amortized costs	<u>\$1,132,268</u>	<u>\$ 502,920</u>	<u>\$ 243,243</u>	<u>\$1,878,431</u>

December 31, 2019

	<u>1 to 60 days</u>	<u>61 to 90 days</u>	<u>Over 91 days</u>	<u>Total</u>
Expected credit loss rate	0.5% ~ 15.0%	0.5% ~ 15.0%	0.5% ~ 15.0%	
Gross carrying amount	\$1,086,405	\$ 400,271	\$ 162,304	\$1,648,980
Loss allowance (Lifetime ECL)	(56,927)	(18,833)	(5,700)	(81,460)
Amortized costs	<u>\$1,029,478</u>	<u>\$ 381,438</u>	<u>\$ 156,604</u>	<u>\$1,567,520</u>

The above aging schedule was based on the invoice date.

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

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 81,460	\$ 99,641
Add: Impairment loss provided (reversed) / Bad debt expenses	20,898	(18,226)
Exchange difference	19	45
Ending Balance	<u>\$ 102,377</u>	<u>\$ 81,460</u>

b. Notes receivable and other receivable

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

10. INVENTORIES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 281,123	\$ 376,795
Work in process	648,283	801,290
Raw materials	1,141,385	1,240,739
Inventory in transit	11,846	59,876
	<u>\$ 2,082,637</u>	<u>\$ 2,478,700</u>

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2020 and 2019 were \$6,802,369 thousand and \$8,113,294 thousand, respectively. The costs of goods sold includes inventory valuation loss and (recovered gains) obsolete loss of \$52,784 thousand and \$22,103 thousand. In addition, due to COVID-19, some subsidiaries suspended work during certain periods in accordance with local government policies in 2020. The related losses during the shutdown period were \$99,141 thousand, recognized under Cost of goods sold.

In addition, a fire broke out on March 20, 2019. The amount of inventory costs recognized by the Group for 2019 was \$2,787 thousand under Other gains and losses (Note 23).

11. SUBSIDIARIES

Entities covered by the Consolidated Financial Statements are 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 Company	Name of Subsidiary	Main Businesses	Proportion of Ownership (%)		Description
			December 31, 2020	December 31, 2019	
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.	C & Y Garments	Processing denim garments for the Company	-	100%	(1), (2)
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.	Global Garment Co., Ltd.	Processing denim garments for the Company	-	100%	(2)
Nien Hsing International (Samoa) Co., Ltd.	Formosa Textile Co., Ltd.	Processing denim for the Company	100%	100%	
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%	-	(2)
Nien Hsing International (Lesotho) Co., Ltd.	Global Garment Co., Ltd.	Processing denim garments for the Company	100%	-	(2)

- a. On September 30, 2019, the Group acquired 0.2% of shares of C&Y Garments from non-controlling interest, raising the shareholding ratio from 99.8% to 100%.
- b. The Group adjusted organizational structure from January 1, 2020. Nien Hsing International (Samoa) Co., Ltd. sold all shares of its subsidiaries C&Y Garments and Global Garment Co., Ltd. at the carrying amount to Nien Hsing International (Lesotho) Co., Ltd., in exchange for new shares issued by Nien Hsing International (Lesotho) Co., Ltd..

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates that are not individually material	<u>\$ 64,504</u>	<u>\$ 106,064</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 2020 and 2019 and returned capital of \$10,690 thousand and \$53,854 thousand, respectively.

The Group disposed of all the shares of China International Investment Co., Ltd. in November 2020 for \$20 thousand and recognized a Gain/loss on disposal of \$2 thousand under Other gains and losses. Please refer to Note 23.

The said investment accounted for using the equity method as of December 31, 2020, as well as the Group’s share of profit or loss and share of other comprehensive income in them, were based on the financial statement audited by an independent auditor, except for China International Investment Co., Ltd.. The Group’s investments accounted for using equity method, share of profit or loss, and other comprehensive income within investees on December 31, 2019 were computed based on financial statements audited by an independent auditor for the same period.

13. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Carrying amount</u>		
Land and land improvements	\$ 244,580	\$ 246,434
Buildings	666,674	798,842
Machinery and equipment	646,272	770,075
Transportation equipment	6,469	9,956
Office equipment	7,848	8,867
Miscellaneous equipment	113,210	148,784
Construction in progress	6,236	42,422
	<u>\$ 1,691,289</u>	<u>\$ 2,025,380</u>

The PP&E of the Group is depreciated based on straight-line method as per their useful life listed here:

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	3-20 years
Machinery and equipment	3 to 11 years
Transportation equipment	2 to 10 years
Office equipment	2 to 10 years
Miscellaneous equipment	3-20 years

For changes of property, plant and equipment for the years ended on December 31, 2020 and 2019, refer to Table 8.

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

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

In 2020, after assessment, the Group believes that the property, plant and equipment of its textile factory in Lesotho has suffered an impairment due to decreasing market demands as a result of the pandemic; as such, the Group believes that the expected recoverable amount of \$135,811 thousand will be less than the carrying amount and recognized an impairment loss on Property, plant and equipment in the amount of \$66,097 thousand. The recoverable amount of property, plant, and equipment is calculated by applying the value in use and a discount rate of 5.87%, and recognized under other gains and losses (Note 23).

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of right-of-use assets		
Land	<u>\$ 32,691</u>	<u>\$ 21,670</u>

In 2020, after assessment, the Group believes that the right-of-use assets of its textile factory in Lesotho have suffered an impairment due to decreasing market demands as a result of the pandemic; as such, the Group believes that the expected recoverable amount of \$2,123 thousand will be less than the carrying amount and recognized an impairment loss on right-of-use assets in the amount of \$1,033 thousand. The recoverable amount of the right of assets is calculated by applying the value in use and a discount rate of 5.87%, and recognized under other gains and losses (Note 23).

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Addition of right-of-use assets	<u>\$ 16,152</u>	<u>\$ -</u>
Depreciation expense of right-of-use assets		
Land	<u>\$ 1,399</u>	<u>\$ 1,344</u>

b. Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of lease liabilities		
Current	<u>\$ 1,888</u>	<u>\$ 478</u>
Noncurrent	<u>\$ 31,601</u>	<u>\$ 18,504</u>

The discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	3.73% ~ 14.46%	4.65% ~ 14.46%

c. 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.

d. Other lease information

	<u>2020</u>	<u>2019</u>
Total cash (outflow) for leases	<u>(\$ 602)</u>	<u>(\$ 159)</u>

Please refer to Note 15 for the agreement of the Group to lease investment property under an operating lease.

15. INVESTMENT PROPERTIES

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

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

Buildings	
Main Buildings	50 to 55 years
Construction Improvements	5 years

As of December 31, 2020 and 2019, the fair values of the investment properties of the consolidated company were \$291,055 thousand and \$293,818 thousand, respectively. The management of the Group used the valuation arrived at based on market evidence of transaction prices for similar properties.

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

The maturity analysis of lease payments receivable under operating leases of investment properties in 2020 and 2019 were as follows:

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

16. BORROWINGS

a. Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Unsecured borrowings</u>		
- Line of credit borrowings	<u>\$ 226,190</u>	<u>\$ 616,679</u>
<u>Interest rate ranges</u>		
Unsecured borrowings		
Line of credit borrowings	0.805% ~ 1.48%	0.81% ~ 2.69%

b. Long-term borrowings

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

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

17. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes payable	<u>\$ 69,601</u>	<u>\$ 73,476</u>
Trade payables	<u>\$ 293,522</u>	<u>\$ 252,951</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.

18. OTHER PAYABLES

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables for salaries or bonuses	\$ 332,207	\$ 356,638
Payables for fuel and utilities	18,347	17,063
Payables for annual leave	14,559	15,434
Payables for remuneration of directors and supervisors	8,500	11,833
Payables for employees' compensation	20	20
Others	<u>194,338</u>	<u>177,357</u>
	<u>\$ 567,971</u>	<u>\$ 578,345</u>

19. SHORT-TERM PROVISIONS FOR ONEROUS CONTRACTS PROVISION

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

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

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 3% (6% from September 2015) of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who would become eligible for retirement 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 are as follows:

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

Movements in net defined benefit liabilities are as follows:

	Present value of the defined benefit obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
January 1, 2019	<u>\$ 353,118</u>	<u>(\$ 169,546)</u>	<u>\$ 183,572</u>
Service costs			
Current service costs	3,580	-	3,580
Past service costs and gain on settlements	(1,009)	-	(1,009)
Net interest expense (income)	<u>3,487</u>	<u>(1,791)</u>	<u>1,696</u>
Recognized in profit or loss	<u>6,058</u>	<u>(1,791)</u>	<u>4,267</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	-	(5,744)	(5,744)
Actuarial (gain) loss - changes in demographic assumptions	(14)	-	(14)
Actuarial (gain) loss - experience adjustments	(1,871)	-	(1,871)
Actuarial (gains) losses – changes in financial assumptions	<u>8,866</u>	<u>-</u>	<u>8,866</u>
Recognized in other comprehensive income	<u>6,981</u>	<u>(5,744)</u>	<u>1,237</u>
Contributions from the employer	-	(28,021)	(28,021)
Benefits paid	<u>(32,411)</u>	<u>29,173</u>	<u>(3,238)</u>
December 31, 2019	<u>\$ 333,746</u>	<u>(\$ 175,929)</u>	<u>\$ 157,817</u>
January 1, 2020	<u>\$ 333,746</u>	<u>(\$ 175,929)</u>	<u>\$ 157,817</u>
Service costs			
Current service costs	2,966	-	2,966
Past service costs and gain on settlements	(1,808)	-	(1,808)
Net interest expense (income)	<u>2,473</u>	<u>(1,360)</u>	<u>1,113</u>
Recognized in profit or loss	<u>3,631</u>	<u>(1,360)</u>	<u>2,271</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	-	(5,683)	(5,683)
Actuarial (gain) loss - changes in demographic assumptions	11	-	11
Actuarial (gain) loss - experience adjustments	(19,730)	-	(19,730)
Actuarial (gains) losses – changes in financial assumptions	<u>13,835</u>	<u>-</u>	<u>13,835</u>
Recognized in other comprehensive income	<u>(5,884)</u>	<u>(5,683)</u>	<u>(11,567)</u>
Contributions from the employer	-	(18,133)	(18,133)
Benefits paid	<u>(35,170)</u>	<u>35,170</u>	<u>-</u>
December 31, 2020	<u>\$ 296,323</u>	<u>(\$ 165,935)</u>	<u>\$ 130,388</u>

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

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

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investments are conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by the plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.30%	0.75%
Expected rate of salary increase	2.00%	2.00%
Turnover rate	0.47%	0.47%

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
Increase by 0.25%	(\$ 7,747)	(\$ 8,841)
Decrease by 0.25%	<u>\$ 8,049</u>	<u>\$ 9,187</u>
Expected rate of salary increase		
Increase by 0.25%	<u>\$ 7,892</u>	<u>\$ 9,050</u>
Decrease by 0.25%	(\$ 7,639)	(\$ 8,756)
Turnover rate		
10% increase	(\$ 109)	(\$ 149)
10% decrease	<u>\$ 109</u>	<u>\$ 149</u>

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

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

21. EQUITY

a. Share capital

Ordinary shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of shares authorized (in thousands)	<u>600,000</u>	<u>600,000</u>
Authorized capital	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>198,000</u>	<u>198,000</u>
Shares issued	<u>\$ 1,980,000</u>	<u>\$ 1,980,000</u>

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

b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</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
Others	<u>5,155</u>	<u>5,155</u>
	<u>\$ 419,715</u>	<u>\$ 419,715</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.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after the amendment, please refer to employee benefits expense in Note 23(g).

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.

Under Order No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a Special Reserve. If other stockholders' equity deductions are reversed afterward, the reversal may be applicable for the appropriation of earnings.

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

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

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

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

	Appropriation of Earnings	Dividends per Share (NT\$)
	<u>2020</u>	<u>2020</u>
Cash dividends	\$ 118,800	\$ 0.6

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

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

d. Special reserve

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

e. Other equity items

1) Exchange differences on translating foreign operations

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

Exchange difference from the translation of foreign operations' net assets denominated in its functional currency into the consolidated entity's presentation currency 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>2020</u>	<u>2019</u>
Balance at January 1	\$ 221,355	\$ 158,698
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	578,561	22,412
Accumulated gains and losses on disposal of equity instruments, transferred to retained earnings	(<u>175,826</u>)	<u>40,245</u>
Balance at December 31	<u>\$ 624,090</u>	<u>\$ 221,355</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.

f. NON-CONTROLLING INTERESTS

	<u>2019</u>
Balance at January 1	\$ 56
Attributable to non-controlling interests	
NET LOSS FOR THE YEAR	(85)
Exchange differences on translating the financial statements of foreign operations	3
Acquisition of subsidiaries' net assets (Note 27)	<u>26</u>
Balance at December 31	<u>\$ -</u>

22. REVENUE

	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 7,007,059	\$ 8,551,004
Revenue from processing	<u>12,314</u>	<u>16,508</u>
	<u>\$ 7,019,373</u>	<u>\$ 8,567,512</u>

a. Description of customer contracts

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

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

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.

b. Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Notes receivable and Trade receivables (Note 9)	<u>\$ 1,880,759</u>	<u>\$ 1,569,308</u>	<u>\$ 1,659,013</u>

c. Disaggregation of revenue

2020

	<u>Textile Department</u>	<u>Garment Department</u>	<u>Total</u>
Revenue from sale of goods	\$ 2,913,144	\$ 4,093,915	\$ 7,007,059
Revenue from processing	<u>12,314</u>	<u>-</u>	<u>12,314</u>
	<u>\$ 2,925,458</u>	<u>\$ 4,093,915</u>	<u>\$ 7,019,373</u>

2019

	<u>Textile Department</u>	<u>Garment Department</u>	<u>Total</u>
Revenue from sale of goods	\$ 4,266,006	\$ 4,284,998	\$ 8,551,004
Revenue from processing	<u>16,508</u>	<u>-</u>	<u>16,508</u>
	<u>\$ 4,282,514</u>	<u>\$ 4,284,998</u>	<u>\$ 8,567,512</u>

23. NET LOSS

Net loss for the current year comprises the following items:

a. Interest income

	<u>2020</u>	<u>2019</u>
Bank deposits	<u>\$ 10,328</u>	<u>\$ 17,976</u>

b. Other income

	<u>2020</u>	<u>2019</u>
Compensation revenue	\$ 20,154	\$ 22,389
Rental income (Note 30)	9,136	8,931
Government grants (Note 26)	34,968	-
Dividend income	1,133	-
Others	<u>37,259</u>	<u>49,784</u>
	<u>\$ 102,650</u>	<u>\$ 81,104</u>

c. Other gains and losses

	<u>2020</u>	<u>2019</u>
Gain/(loss) on disposal of property, plant and equipment	\$ 523	(\$ 3,985)
Foreign exchange loss - net	(204,120)	(27,161)
Net gain (loss) on financial instrument at fair value through profit or loss	(55,855)	5,418
Fire loss	-	(3,333)
Compensation loss	(1,360)	(10,467)
Impairment loss (Notes 13 and 14)	(67,130)	-
Gain on disposal of equity investment	2	-
Others	<u>(3,667)</u>	<u>(9,536)</u>
	<u>(\$ 331,607)</u>	<u>(\$ 49,064)</u>

d. Finance costs

	2020	2019
Interest on commercial paper	\$ 63	\$ -
Interest on bank loans	4,579	3,728
Interest on lease liabilities	<u>1,407</u>	<u>1,209</u>
	<u>\$ 6,049</u>	<u>\$ 4,937</u>

e. Depreciation and amortization

	2020	2019
Property, plant and equipment	\$ 269,877	\$ 310,477
Investment property	910	910
Right-of-use assets	<u>1,399</u>	<u>1,344</u>
Total	<u>\$ 272,186</u>	<u>\$ 312,731</u>
An analysis of depreciation by function		
Operating costs	\$ 259,595	\$ 299,228
Operating expenses	11,681	12,593
Non-operating expenses	<u>910</u>	<u>910</u>
	<u>\$ 272,186</u>	<u>\$ 312,731</u>

f. Employee benefits expense

	2020	2019
Retirement benefits (Note 20)		
Defined contribution plan	\$ 20,213	\$ 20,540
Defined benefit plans	<u>2,271</u>	<u>4,267</u>
	22,484	24,807
Short-term employee benefits	<u>1,891,597</u>	<u>2,109,530</u>
	<u>\$ 1,914,081</u>	<u>\$ 2,134,337</u>
By function		
Operating costs	\$ 1,688,419	\$ 1,861,122
Operating expenses	<u>225,662</u>	<u>273,215</u>
	<u>\$ 1,914,081</u>	<u>\$ 2,134,337</u>

g. Employees' Compensation

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates higher than 1% of net profit before income tax. The distribution of earnings is based on past experience and current operating circumstances. As such, the Company believes it unnecessary to appropriate employee compensations for 2020 and 2019 due to loss before income tax.

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

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

24. INCOME TAX FROM CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The main components of income tax (expense) benefits are as follows:

	2020	2019
Current tax		
Income tax expenses recognized in the period	(\$ 1,123)	(\$ 61,910)
Income tax on unappropriated earnings	-	(11,367)
Deferred tax		
Income tax expenses recognized in the period	115,010	73,320
Adjustment for prior years	<u>11,109</u>	<u>572</u>
Income tax expense recognized in profit or loss	<u>\$ 124,996</u>	<u>\$ 615</u>

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

	2020	2019
LOSS BEFORE INCOME TAX	<u>(\$ 548,062)</u>	<u>(\$ 70,402)</u>
Income tax benefits (expenses) calculated at the statutory rate	\$ 108,714	\$ 11,573
Income tax on unappropriated earnings	-	(11,367)
Nondeductible expenses in determining taxable income	5,173	(163)
Adjustments for income tax benefits of prior periods	<u>11,109</u>	<u>572</u>
Income tax expense recognized in profit or loss	<u>\$ 124,996</u>	<u>\$ 615</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.

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

b. Income tax recognized in other comprehensive income

	2020	2019
<u>Deferred tax</u>		
Income tax expenses recognized in the period		
- Translation of foreign operations	\$ 23,931	\$ 4,003
- Remeasurement of defined benefit plans	<u>(2,314)</u>	<u>247</u>
	<u>\$ 21,617</u>	<u>\$ 4,250</u>

c. Current tax assets and liabilities

	December 31, 2020	December 31, 2019
Current tax assets		
Tax refund receivable	<u>\$ 374</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 1,215</u>	<u>\$ 32,961</u>

d. Deferred tax assets and liabilities

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

2020

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

2019

	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Others	Balance at December 31
<u>Deferred Tax Assets</u>					
Temporary difference					
Exchange differences on translation of foreign operations	\$ 245,286	\$ -	\$ 4,003	\$ -	\$ 249,289
Allowance for loss of write-down of inventories	21,698	4,420	-	-	26,118
Allowance for doubtful accounts	16,020	(2,773)	-	-	13,247
Defined benefits retirement plans	36,254	(5,337)	247	(29)	31,135
Provisions for warranty	4,509	(1,700)	-	-	2,809
Others	<u>10,354</u>	<u>4,756</u>	<u>-</u>	<u>(48)</u>	<u>15,062</u>
	<u>\$ 334,121</u>	<u>(\$ 634)</u>	<u>\$ 4,250</u>	<u>(\$ 77)</u>	<u>\$ 337,660</u>
<u>Deferred tax liabilities</u>					
Temporary difference					
Share of profits and losses of subsidiaries accounted for using the equity method	(\$ 460,622)	<u>\$ 73,954</u>	<u>\$ -</u>	<u>\$ -</u>	(\$ 386,668)

- e. Deductible temporary differences and unused loss deductions that are not recognized as deferred tax assets in the consolidated balance sheet

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Loss carryforwards		
Expiring in 2023	\$ 1,722	\$ 1,722
Expiring in 2024	3,037	3,037
Expiring in 2026	3,958	3,958
Expiring in 2027	1,185	1,185
Expiring in 2028	4,561	4,561
Expiring in 2030	178	-
	<u>\$ 14,641</u>	<u>\$ 14,463</u>
Deductible temporary differences		
Unrealized investment loss	<u>\$ 27,653</u>	<u>\$ 27,653</u>

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2020 comprised:

<u>Unused Amount</u>	<u>Expiry Year</u>
\$ 1,722	2023
3,037	2024
3,958	2026
1,185	2027
4,561	2028
89,023	2030
<u>\$ 103,486</u>	

- g. Income Tax Approval Status

The tax returned filed by the Company and the subsidiary Nien Hsing International Investment Co., Ltd. have been approved by the competent authority through 2018.

25. LOSS PER SHARE

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

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

Net loss attributable to Owners of the Company

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

Unit: thousand shares

	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>198,000</u>	<u>198,000</u>

If the Company offered to settle the compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of potential shares of common stock is still included in the calculation of diluted earnings per share before the stockholders' meeting in the following year resolves the number of shares to be distributed to employees. Whereas anti-dilution effect has occurred due to the net loss in 2020 and 2019, divided loss per share was not included in the calculation as a result.

26. GOVERNMENT GRANTS

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

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On September 30, 2019, the Group acquired 0.2% of shares of C&Y Garments from non-controlling interest, raising the shareholding ratio from 99.8% to 100%.

The above-mentioned transactions did not change the control over such subsidiaries, and the Group considers them to be equity transactions.

	<u>C & Y Garments</u>
Cash consideration paid	\$ -
Carrying amount of the subsidiary's net assets to be transferred out of non-controlling interest based on changes in equity	(<u>26</u>)
Difference in equity transactions	(<u>\$ 26</u>)
<u>Adjusted through:</u>	
Unappropriated Earnings	(<u>\$ 26</u>)

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 Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or capital reduced, and/or the amount of new debt issued or existing debt redeemed.

29. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
- Mutual funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,720</u>	<u>\$ 98,720</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 268,162	\$ -	\$ -	\$ 268,162
Domestic emerging shares	-	358,933	-	358,933
Domestic and foreign unlisted securities	-	-	455,625	455,625
-Foreign listed securities	<u>95,604</u>	<u>-</u>	<u>-</u>	<u>95,604</u>
Total	<u>\$ 363,766</u>	<u>\$ 358,933</u>	<u>\$ 455,625</u>	<u>\$1,178,324</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ -	\$ -	\$ 100,558	\$ 100,558
Derivatives - dual currency	-	494,583	-	494,583
Total	\$ -	\$ 494,583	\$ 100,558	\$ 595,141
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Domestic listed shares	\$ 222,050	\$ -	\$ -	\$ 222,050
Domestic emerging shares	-	245,643	-	245,643
Domestic and foreign unlisted securities	-	-	272,356	272,356
Foreign listed securities	-	96,443	-	96,443
Total	\$ 222,050	\$ 342,086	\$ 272,356	\$ 836,492

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

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

2020

Financial assets	Financial assets	Financial assets
	classified as at FVTPL	measured at fair value
	Mutual Funds	Investments in equity instruments
Balance at January 1	\$ 100,558	\$ 272,356
Recognized in profit or loss	4,407	-
Disposal	-	(2,428)
Return of share due to capital reduction	-	(303)
Acquisition of residual allocation of financial assets at FVTOCI	-	(217)
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTPL)	-	186,218
Recognized in other comprehensive income - Exchange differences on translating the financial statements of foreign operations	(6,245)	-
Balance at December 31	\$ 98,720	\$ 455,626

2019

Financial assets	Financial assets	Financial assets
	classified as at FVTPL	measured at fair value
	Mutual Funds	Investments in equity instruments
Balance at January 1	\$ 337,325	\$ 299,943
Purchase	31,275	-
Recognized in profit or loss	(17,976)	-
Disposal	(249,007)	(4,127)
Acquisition of residual allocation of financial assets at FVTOCI	-	(129)
Transfer out of Level 3	-	(135,200)
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTPL)	-	111,869
Recognized in other comprehensive income - Exchange differences on translating the financial statements of foreign operations	(1,059)	-
Balance at December 31	\$ 100,558	\$ 272,356

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

Financial Instruments	Valuation Technique and Inputs
Derivatives-dual currency	Valuation Model: Contracted exchange rate, expiry date, market volatility, interest rate, and exchange rate as the evaluation reference numbers, and then use appropriate models for evaluation.
Emerging stocks in non-active markets	Observe the market quotation at the end of the period and consider the liquidity risk discount.
Restricted 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 applied for Level 3 fair value measurements

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

	December 31, 2020	December 31, 2019
Discount of liquidity	25%	25%

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

	December 31, 2020	December 31, 2019
Discount of liquidity		
Increase by 1%	(\$ 5,580)	(\$ 3,240)
Decrease by 1%	\$ 5,580	\$ 3,240

b. Categories of financial instruments

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

	December 31, 2020		December 31, 2019	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Financial assets at amortized costs				
Cash and cash equivalent	\$ 1,134,391	\$ 1,134,391	\$ 694,697	\$ 694,697
Notes Receivables and Trade Receivables	1,880,759	1,880,759	1,569,308	1,569,308
Other receivables	31,197	31,197	106,848	106,848
Refundable deposits	14,259	14,259	14,397	14,397
Other financial assets—current	1,990	1,990	50	50
Financial assets at FVTOCI - current and non-current				
Financial assets mandatorily classified as at FVTPL - current	-	-	494,583	494,583
Financial assets mandatorily classified as at FVTPL - non-current	98,720	98,720	100,558	100,558
Financial assets at FVTOCI - non-current	1,178,324	1,178,324	836,492	836,492

(Continued)

(Continued)

	December 31, 2020		December 31, 2019	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial liabilities</u>				
Financial liabilities at amortized costs				
Short-term borrowings	226,190	226,190	616,679	616,679
Long-term borrowings	100,000	100,000	-	-
Notes payable and trade payables	363,123	363,123	326,427	326,427
Other payables	567,971	567,971	578,345	578,345
Provision for onerous contracts	2,734	2,734	380	380
Guarantee deposits received	1,555	1,555	1,482	1,482

c. 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 Consolidated Financial Statements 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 (1) and the changes in interest rates (see (2) below).

a) 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 34 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 New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD		PESO		ZAR	
	2020	2019	2020	2019	2020	2019
Profit (loss)	\$ 80,230	\$ 56,406	(\$ 6,494)	(\$ 2,150)	\$ 5,829	\$ 4,213

b) Interest rate risk

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
- Financial assets	\$ 330,977	\$ 545,845
- Financial liabilities:	359,679	635,661
Cash flow interest rate risk		
- Financial assets	755,895	582,653

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 \$1,890 thousand and \$1,457 thousand, respectively for 2020 and 2019.

c) Other price risk

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

Sensitivity Analysis

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

If equity prices had been 1% higher/lower, pre-tax profit or loss for the years ended December 31, 2020 and 2019 would increase/decrease by \$987 thousand and \$1,006 thousand due to increase/decrease in the fair value of financial assets at FVTOCI. The pre-tax other comprehensive income for 2020 and 2019 increases or decreases by \$11,783 thousand and \$8,365 thousand due to the increase or decrease of the fair value of financial assets measured 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 trade receivables, 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.

<u>December 31, 2020</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Long-term bank borrowings	<u>\$ -</u>	<u>\$100,000</u>	<u>\$ -</u>	<u>\$100,000</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 Note 13 and Note 16, the details of transactions between the Group and other related parties are disclosed below.

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Hung Yuan Investment Co., Ltd	Substantive related party
Guozhong Investment Co., Ltd.	Substantive related party
Li Feng Investment Co., Ltd.	Substantive related party
Nuevo Investment Development Co., Ltd.	Substantive related party
Ying Jeh Co. Ltd.	Substantive related party
Yien Yuan Co. Ltd.	Substantive related party
Fu Yuan Investment Co., Ltd.	Substantive related party

b. Service Revenue

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

c. Rental income

Related Party Category	2020	2019
Substantive related party	<u>\$ 128</u>	<u>\$ 120</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.

d. Remuneration to key management

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

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

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

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

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$217,041 thousand and \$596,444 thousand, respectively.

As of December 31, 2020 and 2019, the non-cancellable cotton purchase contracts for which the Group has entered into but where the goods have not yet been received are in the amounts of 12,011 thousand pounds and 23,198 thousand pounds, respectively.

33. Other Matters

Due to the COVID-19 pandemic, management of the Group has been observing the impact of COVID-19 on operations, timely adjusted the business policy, and applied to the government for salary subsidy and working capital subsidy, etc.. As of December 31, 2020, the Group has been awarded \$34,968 thousand of government grants; refer to Note 26 for details. In addition, except as stated in Notes 13 and 14, the Group hasn't found any event or circumstances that would cast significant doubt on its ability to continue as a going concern, its asset impairment and financing risk assessment.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020

	Foreign Currency	Exchange rate		Carrying Amount
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 593	14.63	(USD:ZAR)	\$ 16,664
USD	79,397	28.10	(USD: NTD)	2,231,063
USD	2,449	23,131	(USD: VND)	68,824
NTD	61,210	0.036	(NTD: USD)	61,210
ZAR	60,692	1.921	(ZAR: NTD)	116,589
				\$ 2,494,350

<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	7,861	14.63	(USD:ZAR)	\$ 220,906
USD	14,243	28.10	(USD: NTD)	400,220
USD	1,054	23,131	(USD: VND)	29,610
PESO	88,879	1.410	(PESO: NTD)	125,281
PESO	3,261	0.05	(PESO:USD)	4,597
				\$ 780,614

December 31, 2019

	Foreign Currency	Exchange rate		Carrying Amount
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 427	14.09	(USD:ZAR)	\$ 12,800
USD	78,992	29.99	(USD: NTD)	2,368,975
USD	2,579	23,155	(USD: VND)	77,329
ZAR	38,999	2.128	(ZAR: NTD)	82,990
ZAR	595	0.07	(ZAR: USD)	1,267
				\$ 2,543,361

<u>Non-monetary items</u>				
<u>Derivative Financial Instruments</u>				
USD	\$ 9,074	29.99	(USD: NTD)	\$ 272,132

<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	19,250	14.09	(USD:ZAR)	\$ 577,309
USD	24,639	29.99	(USD: NTD)	738,920
USD	492	23,155	(USD: VND)	14,750
PESO	22,805	1.59	(PESO: NTD)	36,239
PESO	4,266	0.053	(PESO:USD)	6,779
				\$ 1,373,997

For the years ended December 31, 2020 and 2019, (realized and unrealized) net foreign exchange losses were \$204,120 thousand and \$27,161 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.

35. ADDITIONAL DISCLOSURES

a. Information on significant transactions, and b. information on investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly-controlled entities). (Table 2)
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital. None.
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 9) Trading in derivative instruments. (Note 7)
- 10) Others: Intercompany Relationships and Significant Intercompany Transactions (Table 5).
- 11) Information on investees. (Table 6)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (None)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

d. Information on major stockholders (names of stockholders with a holding ratio of 5% or more and the amount and proportion of shares held): (Table 7)

36. SEGMENT INFORMATION

Information provided for the chief business decision maker to allocate resources and evaluate the performance of segments focuses on the category of products or service delivered or provided. The Group's reportable segments are as follows:

- Textile
- Garment

The amounts are disclosed below by type of product by the chief decision makers:

a. Segment revenue and results

The revenue and results of the Group is analyzed as follows (by reportable segments):

	Segment Revenue		Segments income	
	2020	2019	2020	2019
Textile segment			\$ 96,590	\$ 241,004
Revenue from external customers	\$ 2,925,458	\$ 4,282,514		
Revenue from other segments	763,522	636,545		
Garment segment			(262,725)	(254,433)
Revenue from external customers	4,093,915	4,284,998		
Elimination	(763,522)	(636,545)	-	-
Total	<u>\$ 7,019,373</u>	<u>\$ 8,567,512</u>	(166,135)	(13,429)
Unallocated amount				
Administrative costs			(103,616)	(131,337)
Other shared income (expense)			(30,166)	39,086
Operating Profit			(299,917)	(105,680)
Other income			112,978	99,080
Other gains and losses			(331,607)	(49,064)
Finance costs			(6,049)	(4,937)
Share of the profit or loss of associates accounted for using the equity method			(23,467)	(9,801)
Income before income tax			<u>(\$ 548,062)</u>	<u>(\$ 70,402)</u>

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

b. Segment assets and liabilities

	December 31, 2020	December 31, 2019
<u>Segment assets</u>		
<u>Continued operations</u>		
Textile segment	\$ 3,455,174	\$ 3,607,113
Garment segment	2,654,958	2,992,357
Finance Department	2,935,444	2,746,531
Consolidated total assets	<u>\$ 9,045,576</u>	<u>\$ 9,346,001</u>

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

c. Other segment information

	2020	2019
<u>Depreciation and amortization</u>		
Textile segment	\$ 113,264	\$ 129,914
Garment segment	152,540	176,170
Other segments	6,382	6,647
	<u>\$ 272,186</u>	<u>\$ 312,731</u>

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

d. Revenue from major products and services

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

	<u>2020</u>	<u>2019</u>
Textile	\$ 2,905,574	\$ 4,246,631
Garment	4,085,291	4,282,451
Others	<u>28,508</u>	<u>38,430</u>
	<u>\$ 7,019,373</u>	<u>\$ 8,567,512</u>

e. Geographical information

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

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

	<u>Revenue from external customers</u>		<u>NON-CURRENT ASSETS</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Taiwan	\$ 6,501,938	\$ 7,963,794	\$ 772,378	\$ 946,270
America	-	-	253,157	300,216
Africa	494,223	564,053	672,343	803,092
Asia and other area	<u>23,212</u>	<u>39,665</u>	<u>167,722</u>	<u>163,696</u>
	<u>\$ 7,019,373</u>	<u>\$ 8,567,512</u>	<u>\$ 1,865,600</u>	<u>\$ 2,213,274</u>

Non-current assets do not include financial instruments, investments accounted for using the equity method, deferred tax assets and refundable deposits.

f. Major Customers

Revenue from a single customer that constitutes 10% or more of the Group's total revenue for 2020 and 2019 is disclosed as follows:

	<u>2020</u>	<u>2019</u>
Customer A	\$ 1,072,066	\$ 993,703
Customer B	1,470,861	2,076,553
Customer C	<u>896,947</u>	<u>750,664</u>
	<u>\$ 3,439,874</u>	<u>\$ 3,820,920</u>

Customer A and Customer C are the major customer of the garment segment; and Customer B is the major customer of the textile segment.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEARS ENDED DECEMBER 31, 2020
In Thousands of New Taiwan Dollars

No.	Endorsement / Guarantee Provider	Counterparty		Limits on Endorsement / Guarantee for A Single Entity (Note 2)	Maximum Balance for the Period	Ending Balance	Actual Amount Borrowed	Endorsements / guarantees Secured with Collateral	Ratio of Accumulated Endorsement / Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement / Guarantee Limit (Note 2)	Endorsements / guarantees Provided by Parent for Subsidiary	Endorsements / guarantees Provided by Subsidiary for Parent	Endorsements / guarantees for Entities in China	Note
		Name	Relationship (Note 1)											
0	Nien Hsing Textile Co., Ltd. (the "Company")	Phoenix Development & Marketing Co., Ltd.	2	\$ 2,180,853	\$ 302,200	\$ 140,500	\$ -	\$ -	1.93	\$ 3,634,755	Y	N	N	
0	Nien Hsing Textile Co., Ltd. (the "Company")	Nien Hsing International Investment Co., Ltd.	2	2,180,853	500,000	500,000	75,000	-	6.88	3,634,755	Y	N	N	

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

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

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

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR THE YEARS ENDED DECEMBER 31, 2020
In Thousands of New Taiwan Dollars

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Ending Balance				Note
				Number of Shares/Units	Carrying Value	Percentage of Ownership(%)	Fair Value	
Nien Hsing Textile Co., Ltd. (the "Company")	<u>Share</u>							
	Mycenax Biotech Inc.	—	Financial assets at FVTOCI - non-current	7,433,000	\$ 239,343	5.81	\$ 239,343	
	BioGenD Therapeutics Co., Ltd.	—	Financial assets at FVTOCI - non-current	806,662	23,143	0.88	23,143	
	Leadray Energy Co., Ltd.	—	Financial assets at FVTOCI - non-current	2,532,619	14,747	6.34	14,747	
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	Financial assets at FVTOCI - non-current	70,798	750	2.22	750	
	Wu Hsing International Co., Ltd.	—	Financial assets at FVTOCI - non-current	450,000	-	30.00	-	Note 2
Nien Hsing International (B.V.I.) Co., Ltd.	<u>Share</u>							
	Tot Biopharm Co., Ltd.	—	Financial assets at FVTOCI - non-current	5,982,000	95,604	1.05	95,604	
Phoenix Development & Marketing Co., Ltd.	<u>Funds</u>							
	Prodigy Strategic Investment Fund XXI Segregated Portfolio	—	Financial assets at fair value through profit or loss (FVTPL) - non-current	2,469	70,491	-	70,491	
	Fasanra Digital Lending Fund	—	Financial assets at fair value through profit or loss (FVTPL) - non-current	986	28,229	-	28,229	
	<u>Share</u>							
	Gongwin BioPharm Holdings, Co., Ltd.	—	Financial assets at FVTOCI - non-current	1,267,000	229,637	1.23	229,637	
	DigiMedia Technologies Co., Ltd.	—	Financial assets at FVTOCI - non-current	368,532	-	0.54	-	
	Thousand Luck Limited	—	Financial assets at FVTOCI - non-current	200,000	-	1.33	-	
	Top Fashion Industrial Co., Ltd	—	Financial assets at FVTOCI - non-current	450,000	-	30.00	-	Note 2

(Continued)

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Ending Balance				Note
				Number of Shares/Units	Carrying Value	Percentage of Ownership(%)	Fair Value	
Nien Hsing International Investment Co., Ltd.	<u>Share</u>							
	Mycenax Biotech Inc.	—	Financial assets at FVTOCI - non-current	895,000	\$ 28,819	0.70	\$ 28,819	
	Leadray Energy Co., Ltd.	—	Financial assets at FVTOCI - non-current	2,910,578	16,948	7.29	16,948	
	BIOENGINE CAPITAL INC.	—	Financial assets at FVTOCI - non-current	18,000,000	423,180	5.26	423,180	
	BioGend Therapeutics Co., Ltd.	—	Financial assets at FVTOCI - non-current	3,700,000	106,153	4.02	106,153	

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

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

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 YEARS ENDED DECEMBER 31, 2020

In Thousands of New Taiwan Dollars

Buyer	Counterparty	Nature of Relationship	Transaction Details				Unusual Transaction Terms and Reasons		Notes and Trades Receivable (Payable)		Note
			Purchase/Sale	Amount (Note 4)	% to Total (Note 3)	Payment Terms	Unit Price	Payment Terms	Balance (Note 4)	% to Total	
Nien Hsing Textile Co., Ltd. (the "Company")	Formosa Textile Co., Ltd.	Sub-subsidiary	Sale	(\$ 458,187)	(6.54%)	(Note 2)	—	(Note 2)	\$ 180,676	9.25%	
	Nien Hsing International (Victoria) Co., Ltd.	Sub-subsidiary	Processing expense	436,216	12.78%	(Note 1)	(Note 1)	(Note 1)	(125,281)	(20.91%)	
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary	Processing expense	742,759	21.76%	(Note 1)	(Note 1)	(Note 1)	(59,324)	9.9%	
	C & Y Garments	Sub-subsidiary	Processing expense	133,084	8.24%	(Note 1)	(Note 1)	(Note 1)	-	-	
	Nien Hsing International (Lesotho) Co., Ltd.	Sub-subsidiary	Processing expense	682,916	20.01%	(Note 1)	(Note 1)	(Note 1)	-	-	
	Global Garment Co., Ltd.	Sub-subsidiary	Processing expense	143,916	8.91%	(Note 1)	(Note 1)	(Note 1)	-	-	
	Formosa Textile Co., Ltd.	Sub-subsidiary	Processing expense	341,277	10%	(Note 1)	(Note 1)	(Note 1)	-	-	
Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	Parent company	Purchases	458,187	100%	(Note 2)	—	(Note 2)	(180,676)	(100%)	
	Nien Hsing Textile Co., Ltd. (the "Company")	Parent company	Revenue from processing	(341,277)	(100%)	(Note 1)	(Note 1)	(Note 1)	-	-	
Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	Parent company	Revenue from processing	(742,759)	(100%)	(Note 1)	(Note 1)	(Note 1)	59,324	100%	
Nien Hsing International (Victoria) Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	Parent company	Revenue from processing	(436,216)	(100%)	(Note 1)	(Note 1)	(Note 1)	125,281	100%	
Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	Parent company	Revenue from processing	(682,916)	(99.51%)	(Note 1)	(Note 1)	(Note 1)	-	-	
Global Garment Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	Parent company	Revenue from processing	(143,916)	(99.43%)	(Note 1)	(Note 1)	(Note 1)	-	-	
C & Y Garments	Nien Hsing Textile Co., Ltd. (the "Company")	Parent company	Revenue from processing	(133,084)	(97.67%)	(Note 1)	(Note 1)	(Note 1)	-	-	

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

Note 2: Payments were made in cash upon demand.

Note 3: Processing 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.

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
FOR THE YEARS ENDED DECEMBER 31, 2020
In Thousands of New Taiwan Dollars

Company Name	Counterparty	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Nien Hsing Textile Co., Ltd. (the "Company")	Formosa Textile Co., Ltd.	Sub-subsidiary	\$ 180,676	(Note 1)	\$ -	—	\$ 66,364	\$ -
Nien Hsing International (Victoria) Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	Sub-subsidiary	125,281	(Note 1)			92,605	

Note 1: Payments requests were made based on operating fund needs.

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

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2020
Thousands of New Taiwan Dollars

No.	Company name	Counterparty	Relationship (Note 1)	Transaction Details			
				Accounts	Amount (Note 5)	Payment Terms	Percentage (%) to consolidated net revenue or total assets
0	Nien Hsing Textile Co., Ltd. (the "Company")	Formosa Textile Co., Ltd.	1	Sales	\$ 458,187	Note 2	7%
		Formosa Textile Co., Ltd.	1	Receivable from related parties	180,676	Note 2	2%
		Phoenix Development & Marketing Co., Ltd.	1	Sales	23,212	Note 2	-
		Phoenix Development & Marketing Co., Ltd.	1	Receivable from related parties	7,320	Note 2	-
		Nien Hsing International Investment Co., Ltd.	1	Rent income	25	Note 4	-
		Nien Hsing International Investment Co., Ltd.	1	Receivable from related parties	53	Note 2	-
		Nien Hsing International (Lesotho) Co., Ltd.	1	Sales	23,721	Note 2	-
		Nien Hsing International (Lesotho) Co., Ltd.	1	Receivable from related parties	31,013	Note 2	-
		Glory International Co., Ltd.	1	Receivable from related parties	6,150	Note 2	-
1	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	2	Revenue from processing	742,759	Note 3	11%
		Nien Hsing Textile Co., Ltd. (the "Company")	2	Receivable from related parties	59,324	Note 2	1%
2	Nien Hsing International (Victoria) Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	2	Revenue from processing	436,216	Note 3	6%
		Nien Hsing Textile Co., Ltd. (the "Company")	2	Receivable from related parties	125,281	Note 2	1%
		Phoenix Development & Marketing Co., Ltd.	3	Receivable from related parties	4,597	Note 2	-
		Nien Hsing Garment Co, Ltd	3	Receivable from related parties	9,333	Note 2	-
3	C & Y Garments	Nien Hsing Textile Co., Ltd. (the "Company")	2	Revenue from processing	133,084	Note 3	2%
		Global Garment Co., Ltd.	3	Revenue from processing	2,199	Note 3	-

(Continued)

(Continued)

No.	Company name	Counterparty	Relationship (Note 1)	Transaction Details			
				Accounts	Amount (Note 5)	Payment Terms	Percentage (%) to consolidated net revenue or total assets
4	Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing International (Lesotho) Co., Ltd.	3	Revenue from processing	\$ 950	Note 3	-
		Nien Hsing International (Lesotho) Co., Ltd.	3	Revenue from inter-segment transfer	144,449	Note 4	2%
		Nien Hsing International (Lesotho) Co., Ltd.	3	Trade receivables from related companies - inter-segment transfer	161,989	Note 2	2%
		Nien Hsing Textile Co., Ltd. (the "Company")	2	Revenue from processing	682,916	Note 3	10%
		C & Y Garments	3	Revenue from processing	567	Note 3	-
		Glory International Co., Ltd.	3	Receivable from related parties	1,892	Note 2	-
		Global Garment Co., Ltd.	3	Revenue from processing	2,766	Note 3	-
5	Global Garment Co., Ltd.	Formosa Textile Co., Ltd.	3	Receivable from related parties	2,083	Note 2	-
		Nien Hsing Textile Co., Ltd. (the "Company")	2	Revenue from processing	143,916	Note 3	2%
		Nien Hsing International (Lesotho) Co., Ltd.	3	Revenue from processing	873	Note 3	-
		Nien Hsing International (Lesotho) Co., Ltd.	3	Revenue from inter-segment transfer	70,363	Note 4	1%
		Nien Hsing International (Lesotho) Co., Ltd.	3	Trade receivables from related companies - inter-segment transfer	78,906	Note 2	1%
6	Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	2	Revenue from processing	341,277	Note 3	5%
		Glory International Co., Ltd.	3	Receivable from related parties	8,991	Note 2	-
7	Chih Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	2	Receivable from related parties	70,713	Note 2	1%
8	Glory International Co., Ltd.	Nien Hsing Textile Co., Ltd. (the "Company")	2	Revenue from processing	65,473	Note 3	1%

Note 1: Flow of transaction:

1. From parent company to subsidiary
2. From subsidiary to parent company
3. Between subsidiaries

Note 2: Collection of receivables is based on the related parties' cash requirements.

Note 3: Processing incomes charged by subsidiaries were based on operating costs; subsidiaries made payments depending on their financial condition.

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

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

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

FOR THE YEARS ENDED DECEMBER 31, 2020

In Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				End of the Current Period	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Value			
Nien Hsing Textile Co., Ltd. (the "Company")	Nien Hsing International (B.V.I.) Co., Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	Investment holding company	\$ 586,915	\$ 586,915	28,409	100.00	\$ 1,897,744	(\$ 241,884)	(\$ 241,884)	Subsidiary
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Plot C4, Khanh Ph Industrial zone, Khanh Ph Commune, Yen Khanh district, Ninh Binh province, Vietnam	Manufacturing of jeans	714,092	714,092	-	100.00	184,588	3,014	3,014	Subsidiary
	Chih Hsing Garment (Cambodia) Co., Ltd.	ROAD 6 ,PHUM KHTOR,SANGKAT PREK LEAP,CHROY CHANGVAR DISTRICT,PHNOM PENH,KINGDOM OF CAMBODIA	Manufacturing of jeans	133,641	133,641	4,500	100.00	71,980	2	2	Subsidiary
	Nien Hsing International Investment Co., Ltd.	12F-2, No. 308, Neihu Rd., Sec. 1, Neihu Dist., Taipei City, Taiwan 114, R.O.C.	Investment business	20,000	20,000	9,722,833	100.00	500,665	(1,095)	(1,095)	Subsidiary
	China International Investment Co., Ltd.	25F, No. 97 Dunhua S. Rd., Sec. 2, DA-an Taipei, Taiwan 106, R.O.C.	Investment business	-	819	-	-	-	(17,891)	(4,012)	Equity-method investee. Note 3
Nien Hsing International (B.V.I.) Co., Ltd.	Nien Hsing International (Bermuda) Co., Ltd.	Victoria Place, 5th Floor, 31 Victoria Street Hamilton HM 10, Bermuda	Investment holding company	384,660	384,660	19,446	100.00	334,116	26,242	26,242	Sub-subsubsidiary
	Nien Hsing International (Samoa) Co., Ltd.	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	Investment holding company	1,131,866	893,117	35,277,000	100.00	417,826	(91,096)	(91,096)	Sub-subsubsidiary

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				End of the Current Period	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Value			
	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	\$ 1,004,679	(\$ 151,730)	(\$ 151,730)	Sub-subsidiary
Nien Hsing International (Bermuda) Co., Ltd.	Nien Hsing International (Victoria) Co., Ltd.	Libramiento Naciones Unidas Km. 20, Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. C. P. 87130	Manufacturing of denim fabric	482,460	482,460	22,410	99.99	341,297	27,001	27,001	Sub-subsidiary
	Nien Hsing Confeccion Co, Ltd.	Libramiento Naciones Unidas Km. 20, Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. C. P. 87130	Manufacturing of jeans	30,021	30,021	26	99.99	(8,515)	2	2	Sub-subsidiary
Nien Hsing International (Samoa) Co., Ltd.	C & Y Garments	Site No.7D Thetsane Industrial Area Maseru 100. Lesotho	Manufacturing of jeans	-	105,226	-	-	-	-	-	Sub-subsidiary, Note 2
	Nien Hsing International (Lesotho) Co., Ltd.	Site No.009 Thetsane Industrial Area Maseru 100. Lesotho	Manufacturing of jeans	333,848	10,562	566,000	100.00	323,707	(76,405)	(76,405)	Sub-subsidiary, Note 2
	Global Garment Co., Ltd.	Site No.12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	Manufacturing of jeans	-	150,535	-	-	-	-	-	Sub-subsidiary, Note 2
	Formosa Textile Co., Ltd.	827 Thetsane Industrial Area, Maseru 100. Lesotho	Manufacturing of denim fabric	280,856	280,856	100,000	100.00	93,254	(14,554)	(14,554)	Sub-subsidiary
Nien Hsing International (Lesotho) Co., Ltd.	C & Y Garments	Site No.7D Thetsane Industrial Area Maseru 100. Lesotho	Manufacturing of jeans	165,994	-	204,000	100.00	147,933	(28,451)	(28,451)	Sub-subsidiary, Note 2
	Global Garment Co., Ltd.	Site No.12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	Manufacturing of jeans	101,359	-	124,000	100.00	78,906	(18,359)	(18,359)	Sub-subsidiary, Note 2

(Continued)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				End of the Current Period	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Value			
Phoenix Development & Marketing Co., Ltd.	C&D Capital Corp.	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	Investment business	\$ 5,272	\$ 16,473	162,440	22.42	\$ 3,651	\$ 1,328	\$ 298	Equity-method investee
	C&D Capital II Corp.	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.	Investment business	115,438	115,438	3,604,500	28.74	60,853	(68,731)	(19,753)	Equity-method investee
	Glory International Co., Ltd.	827 Thetsane Industrial, Ha Thetsane, Maseru, Lesotho	Manufacturing of knitted garments	387,002	291,554	13,000,000	100.00	153,096	(107,551)	(107,551)	Sub-subsiidiary

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.

Note 2: The Group adjusted organizational structure from January 1, 2020. Nien Hsing International (Samoa) Co., Ltd. sold all shares of its subsidiaries C&Y Garments and Global Garment Co., Ltd. at the carrying amount to Nien Hsing International (Lesotho) Co., Ltd., in exchange for new shares issued by Nien Hsing International (Lesotho) Co., Ltd.

Note 3: The Group disposed of all the shares of China International Investment Co., Ltd. in November 2020 for \$20 thousand and recognized a gain/loss on disposal of \$2 thousand under Other gains and losses. Please refer to Note 23 (3) for Other gains and losses.

Table 7**NIEN HSING TEXTILE CO., LTD.
INFORMATION ON MAJOR SHAREHOLDERS
FOR THE YEARS ENDED DECEMBER 31, 2020**

Name	Shares	
	Number of Shares Held	Shareholding Percentage
Ron Yuan Investment Co., Ltd.	47,524,506	24.00%
Y-Feng, Chen	11,743,549	5.93%
Taiwan Life Insurance Co., Ltd.	11,644,311	5.88%

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

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Table 8. In Thousands of New Taiwan Dollars

	Land	Land improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Construction in progress	Total
Cost									
BALANCE AT JANUARY 1, 2019	\$ 246,173	\$ 1,516	\$ 2,003,062	\$ 4,888,687	\$ 49,723	\$ 56,597	\$ 1,130,365	\$ 204,005	\$ 8,580,128
Addition	-	-	5,591	93,406	2,111	2,928	13,010	31,370	148,416
Disposal	-	-	-	(50,228)	(1,392)	-	(70)	-	(51,690)
Fire loss (Note)	-	-	(1,665)	-	-	-	-	-	(1,665)
Reclassifications	-	-	183,532	246,671	352	2,375	38,422	(194,053)	277,299
Net exchange difference	261	-	(5,112)	(9,602)	68	(217)	(2,509)	1,100	(16,011)
BALANCE AT DECEMBER 31, 2019	<u>\$ 246,434</u>	<u>\$ 1,516</u>	<u>\$ 2,185,408</u>	<u>\$ 5,168,934</u>	<u>\$ 50,862</u>	<u>\$ 61,683</u>	<u>\$ 1,179,218</u>	<u>\$ 42,422</u>	<u>\$ 8,936,477</u>
Accumulated depreciation									
BALANCE AT JANUARY 1, 2019	\$ -	\$ 1,516	\$ 1,289,955	\$ 4,310,204	\$ 38,768	\$ 49,173	\$ 971,519	\$ -	\$ 6,661,135
Disposal	-	-	-	(45,267)	(1,389)	-	(60)	-	(46,716)
Fire loss (Note)	-	-	(1,119)	-	-	-	-	-	(1,119)
Depreciation expenses	-	-	102,783	139,378	3,731	3,872	60,713	-	310,477
Net exchange difference	-	-	(5,053)	(5,456)	(204)	(229)	(1,738)	-	(12,680)
BALANCE AT DECEMBER 31, 2019	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 1,386,566</u>	<u>\$ 4,398,859</u>	<u>\$ 40,906</u>	<u>\$ 52,816</u>	<u>\$ 1,030,434</u>	<u>\$ -</u>	<u>\$ 6,911,097</u>
Carrying amounts at January 1, 2019	<u>\$ 246,173</u>	<u>\$ -</u>	<u>\$ 713,107</u>	<u>\$ 578,483</u>	<u>\$ 10,955</u>	<u>\$ 7,424</u>	<u>\$ 158,846</u>	<u>\$ 204,005</u>	<u>\$ 1,918,993</u>
Carrying amounts at December 31, 2019	<u>\$ 246,434</u>	<u>\$ -</u>	<u>\$ 798,842</u>	<u>\$ 770,075</u>	<u>\$ 9,956</u>	<u>\$ 8,867</u>	<u>\$ 148,784</u>	<u>\$ 42,422</u>	<u>\$ 2,025,380</u>
Cost									
BALANCE AT JANUARY 1, 2020	\$ 246,434	\$ 1,516	\$ 2,185,408	\$ 5,168,934	\$ 50,862	\$ 61,683	\$ 1,179,218	\$ 42,422	\$ 8,936,477
Addition	-	-	4,235	37,055	2,696	3,381	10,571	11,666	69,604
Disposal	-	-	-	(54,785)	(4,882)	(632)	(29,263)	(26)	(89,588)
Reclassifications	-	-	38,041	37,349	-	758	11,618	(41,364)	46,402
Net exchange difference	(1,854)	-	(137,013)	(88,593)	(4,110)	(2,453)	(14,991)	(6,462)	(255,476)
BALANCE AT DECEMBER 31, 2020	<u>\$ 244,580</u>	<u>\$ 1,516</u>	<u>\$ 2,090,671</u>	<u>\$ 5,099,960</u>	<u>\$ 44,566</u>	<u>\$ 62,737</u>	<u>\$ 1,157,153</u>	<u>\$ 6,236</u>	<u>\$ 8,707,419</u>
Accumulated Depreciation and Impairment									
BALANCE AT JANUARY 1, 2020	\$ -	\$ 1,516	\$ 1,386,566	\$ 4,398,859	\$ 40,906	\$ 52,816	\$ 1,030,434	\$ -	\$ 6,911,097
Disposal	-	-	-	(52,878)	(3,078)	(610)	(29,246)	-	(85,812)
Depreciation expenses	-	-	86,057	126,337	2,934	4,004	50,545	-	269,877
Impairment loss	-	-	42,721	19,237	752	541	2,846	-	66,097
Net exchange difference	-	-	(91,347)	(37,867)	(3,417)	(1,862)	(10,636)	-	(145,129)
BALANCE AT DECEMBER 31, 2020	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 1,423,997</u>	<u>\$ 4,453,688</u>	<u>\$ 38,097</u>	<u>\$ 54,889</u>	<u>\$ 1,043,943</u>	<u>\$ -</u>	<u>\$ 7,016,130</u>
Carrying amounts at January 1, 2020	<u>\$ 246,434</u>	<u>\$ -</u>	<u>\$ 798,842</u>	<u>\$ 770,075</u>	<u>\$ 9,956</u>	<u>\$ 8,867</u>	<u>\$ 148,784</u>	<u>\$ 42,422</u>	<u>\$ 2,025,380</u>
Carrying amounts at December 31, 2020	<u>\$ 244,580</u>	<u>\$ -</u>	<u>\$ 666,674</u>	<u>\$ 646,272</u>	<u>\$ 6,469</u>	<u>\$ 7,848</u>	<u>\$ 113,210</u>	<u>\$ 6,236</u>	<u>\$ 1,691,289</u>

Note: It was presented under Other gains and losses, referring to Note 23 (c) Other gains and losses.