

Stock No.: 1451

NIEN HSING

2023 ANNUAL REPORT



Publication Date: May 10, 2024

Website to Inquire the Annual Report:

1. MOPS: mops.twse.com.tw

2. The Company's website: <https://www.nhjeans.com/>

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Name of any overseas securities exchange and method for inquiring information of such overseas securities: none.

The Company's Website: <https://www.nhjeans.com/>

Contents

Letter to Shareholders.....	01
1. 2023 business report.....	02
2. Summary of the 2024 business plan.....	03
3. Future development strategy.....	04
4. Effect of external competition, the regulatory environment, and the overall business environment.....	04
Company Profile.....	06
Corporate Governance Report.....	08
1. Organization.....	08
2. Information regarding Directors and executives.....	09
3. Remuneration paid to Directors (Including Independent Directors), President and Vice President in the recent year.....	17
4. Implementation of corporate governance.....	20
5. Information on the Company's audit fees.....	59
6. Information of changing CPA.....	60
7. Where the Chairman, President, or executives in charge of finance and accounting operations have been employed by the accounting firm or its affiliates in the recent year.....	61
8. Shareholding transferred or pledged by Directors, executives, and major Shareholders who holds 10% of the Company shares or more in the recent year.....	62
9. Information of top ten Shareholders being the related party, spouse or a relative within the second degree of kinship.....	63
10. Ratio of total shareholdings.....	64
Capital Raising.....	65
1. Capital and shares.....	65
2. Issuance of corporate bonds.....	68
3. Issuance of preferred shares.....	68
4. Status of oversea depository receipts.....	68
5. Status of employee stock warrants.....	68
6. Status of employee restricted stock awards.....	69
7. Status of new shares Issuance in connection with mergers and acquisitions.....	72
8. Funding plans and implementation.....	72
Overview of Operations.....	73
1. Business activities.....	73
2. Overview of the market, production and sales.....	78
3. Information of employees hired for the recent two years.....	86
4. Environmental protection expenditures.....	87
5. Labor relationship.....	87
6. Information security management.....	89
7. Material contracts.....	93
Overview of Financial Status.....	94
1. Condensed balance sheets and statements of comprehensive income for the recent 5 years.....	94
2. Financial analysis for the recent five years.....	96
3. Audit Committee's Review Report.....	99
4. 2023 Consolidated financial statements.....	100
5. 2023 Standalone financial statements.....	183
6. Effect of the Company financial status if the Company or its affiliates have experienced financial difficulties.....	267
Review, Analysis and Risks of Financial Status and Performance.....	267
1. Review and analysis of financial Status.....	267
2. Review and analysis of financial performance.....	268
3. Review and analysis of cash flow.....	269
4. Influence of major capital expenditures on financial business.....	269
5. Investment policy, the main reasons for profit or loss, improvement plan, and investment plan for the coming year.....	270
6. Assessment of risks.....	271
7. Other material matters.....	273

Contents

Special items to be included.....	274
1. Information of affiliates.....	274
2. Private placement of securities.....	283
3. Holding or disposal of the Company's shares by subsidiaries.....	283
4. Other necessary supplements.....	283
Other material matters during the current year up to the date of publication of the annual report.....	283

Letter to Shareholders

Looking back to 2023, due to the accumulative effect of significant increase of interest rates in major countries, the global economic demand was weak. The industry actively implemented destocking, and investment demand had declined significantly. In addition, China's post-pandemic economic performance was worse than expected, which has weakened global demand for end products and slowing down global manufacturing activities. Furthermore, under the impact of the restraining order on chip imposed by the U.S. and China, the on-going Russo-Ukrainian War and Israel-Palestine Conflict, the global geopolitics have become group conflict, such that the global economic development and social stability are affected. In Taiwan, although the domestic demand for service industry indicated an increasing trend during the post-pandemic era, the slowdown in global trade growth has impacted Taiwan's export order performance. Accordingly, for the first three quarters of 2023, both the import and export orders in Taiwan indicated a two-digit decline. Facing unpredictable economic changes, the Company continues to strengthen our core competitiveness. By introducing sustainable dyeing and washing process, along with the implementation of real-time information management system, the Company is able to increase the production efficiency and product quality, thereby accelerating the global planning and increasing the customer group, region and product profile. Moreover, the Company actively establishes the goal of net zero emissions, continuously promotes green energy production, and work with customers to jointly develop fashionable, chic and eco-friendly denim apparel, for the purpose of contribution our efforts to combat global climate change and enhance human well-being.

Looking to 2024, the global economy still faces numerous challenges. During the second quarter of 2023, the credit card outstanding payment balance of the general public in the U.S. exceeded US\$1 trillion, setting an all-time high. As the Federal Funds Rate increased, the credit card interest rate reached 24.5%, the highest level since the pandemic. If the consumption momentum in the U.S. slows down, the export performance of Asian countries may also be affected. In recent years, international raw material prices have fluctuated greatly due to the factors of climate, pandemic and wars. Furthermore, the impact of uncertainty factors of economic outlook in China and monetary policies adopted by central banks of various countries also need to be considered. To face the unpredictable business environment, the Company is committed to cultivate the core business, focusing on the development and production of denim and jeans, and continues to develop brand customers. With professional production experience and understanding of the market trends of fashion, the Company develops denim apparel meeting the market trends. In addition, through overseas production site planning and global logistics management capability, the Company is able to improve the timeliness of product sales. Additionally, the Company is dedicated to developing the sales of denim apparel-related items, providing highly customized services and increasing the proportion of high-end jeans. All in all, in this year, the Company will spare no effort to create profits for shareholders, and implement the concept of corporate sustainable development.

Finally, I would like to express my heartfelt gratitude to the board members for their professional governance and the dedication and hard work of all employees. I sincerely hope that all shareholders will continue to encourage and support Nien Hsing by insisting on the spirit of caring for the Company as usual.

Wish you good health and all the best

Chairman

1. 2023 business report

(1) Consolidated financial status:

Unit: NT\$ Thousand

Item	2023	2022	% of change
Operating revenue	6,358,816	8,695,169	-26.87
Gross profit	-11,227	807,049	-101.39
Operating profit	-449,924	310,402	-244.95
Profit before tax	-405,580	526,924	-176.97
Net profit	-362,912	426,456	-185.10

Standalone financial status:

Unit: NT\$ Thousand

Item	2023	2022	% of change
Operating revenue	6,344,308	8,679,966	-26.91
Gross profit	-63,821	732,824	-108.71
Operating profit	-425,865	314,860	-235.26
Profit before tax	-411,233	520,795	-178.96
Net profit	-362,912	426,456	-185.10

(2) Consolidated profitability analysis:

Unit: NT\$ Thousand

Item	2023	2022	% of change
Average total assets	8,600,992	9,107,917	-5.57
Average total shareholders' equity	7,256,852	7,514,332	-3.43
Comparison of profitability			
1. Return on total assets	-4.16	4.79	-186.85
2. Return on shareholders' equity	-5.00	5.68	-188.03
3. Profit margin	-5.75	4.92	-216.87
4. Basic earnings per share (NT\$)	-1.83	2.15	-185.12

Standalone profitability analysis:

Unit: NT\$ Thousand

Item	2023	2022	% of change
Average total assets	8,499,448	8,951,481	-5.05
Average total shareholders' equity	7,256,852	7,514,332	-3.43
Comparison of profitability			
1. Return on total assets	-4.23	4.86	-187.04
2. Return on shareholders' equity	-5.00	5.68	-188.03
3. Profit margin	-5.75	4.92	-216.87
4. Basic earnings per share (NT\$)	-1.83	2.15	-185.12

(3) Implementation of consolidated budget:

Unit: NT\$ Thousand

Item	Actual amount	Expected amount	Achievement rate %
Operating revenue	6,358,816	8,428,498	75.44
Operating cost	6,370,043	7,609,916	83.71
Gross profit	-11,227	818,582	-1.37
Operating expenses	438,697	486,237	90.22
Operating profit	-449,924	332,345	-135.38
Non-operating income and expense, net	44,344	21,220	208.97
Profit before tax	-405,580	353,565	-114.71

Implementation of standalone budget:

Unit: NT\$ Thousand

Item	Actual amount	Expected amount	Achievement rate %
Operating revenue	6,344,308	8,428,498	75.27
Operating cost	6,408,129	7,609,916	84.21
Gross profit	-63,821	818,582	-7.80
Operating expenses	362,044	486,237	74.46
Operating profit	-425,865	332,345	-128.14
Non-operating income and expense, net	14,632	21,220	68.95
Profit before tax	-411,233	353,565	-116.31

(4) Research and development status: please refer to Page 76.

2. Summary of the 2024 business plan:

(1) Business guidelines and important production and sales policies

Promoting the order accepting pattern of integrating upstream and downstream of textile and garments, to exert the competitive advantages of combining textiles, garments, and washing in one-stop and quickly respond to market trends, such as the functionalization of jeans apparel. The key plans are as follows:

1. Enhance added value of products

Depending on the market demand, the Company increases the fabric mixes sold in North America. That is because Mexico is close to North America and has the advantage of short delivery time. While the labor cost of production in Asia is rising, Mexico's textile supply chain is thus relatively more competitive. Moreover, the Company will continue to actively research and develop new types of fabrics to increase product diversity, while enhancing product added value and expanding the customer base.

2. Continuously cultivate the production areas with advantages

The rising labor costs in Asia and the tax incentives from the African Growth and Opportunity Act have resulted in a certain competitiveness of the Company in the African production area. The Company will take orders from brands depending on the advantages of the production area, and upgrade capital equipment when appropriate. Meanwhile, the Company will actively invest in sustainable development, improve employees' welfare, and strengthen environmental protection for the continuous enhancement of the Company's competitive edges.

3. Increase service value via the information technology

Actively improving and integrating the Company's information platform, promoting the streamlined production system, and implementing the framework and operating procedures of value-added services, to achieve the strategic goals of accurate quotations, full-process services, and increased values of products.

4. Continuously promote the talent cultivation and succession

Responding to the external business environment and customers' needs, the Company continuously adjusts the organizational structure, and expands the foundation for talent cultivation to implement talent succession and experience inheritance.

5. Implement the business philosophy of sustainable development

The Company has successively introduced environmentally friendly and energy-saving processes to further increase the added value of products and implement the business philosophy of environmental protection and sustainable development with brand customers jointly, such as using laser machines and ozone processors to reduce water consumption during the processes; using LED lights to reduce energy consumption; construction the dehydration installation of sludge and reduction of waste discharge.

(2) Business goals

Due to inflation, the Fed in U.S. has raised interest rates by 21 points in a row since it started raising interest rates in March 2022, which has seriously affected the consumer market. As for cotton prices, they are still affected by US-China trade issues, China's cotton policy, and US cotton output. After considering uncertain factors such as the hysteresis of monetary policy and geopolitical risks, overall, the Company maintains a relatively conservative attitude towards the operating outlook for 2024.

(3) Production and sales plan

Production and sales volume of each product: including the production and sales volume of subsidiaries.

Major product	Production volume	Sales volume
Denim (Note 1)	33,148 thousand yards	22,872 thousand yards
Ring-spun yarn	4,850 thousand kgs	4,850 thousand kgs
Jeans garment	1,005 thousand dozens	1,005 thousand dozens

Note 1: The 10,276 thousand yards of denim produced were for in-house usage.

3. Future development strategy

(1) Quick response to market demands

Responding to the emergence of functional apparel, the Company will actively develop various functional denim which combines innovative washing technologies to quickly provide the consumer market with jeans apparel, both functional and fashionable, to become the most professional and innovative supply chain partner for global brand customers.

(2) Improvement of process efficiency

The Company will gradually increase investment in capital equipment with an information management approach of KPI to improve the production efficiency, strengthen product quality supervision. Apart from the above, the Company will accelerate carbon inventory operations and seek for more energy-saving and carbon-reducing production methods to enhance our competitive advantages.

(3) Transformation of operation model

Based on the existing fabric development and efficient production, the Company strives to strengthen the core washing technologies and integrate the management capabilities of textile production and garment supply chain to promote a precise and efficient production system with rapid response and provide customers with complete services cross- production areas.

(4) Implement the corporate social responsibility

Actively enhance the working conditions in each production area, expand the participation in environmental protection issues and give back to the local communities, to fulfill the corporate social responsibility and to meet the expectations of the public and customers for the Company's sustainable development. Meanwhile, the Company is dedicated to the improvement of production processes and setting up energy-saving and carbon reduction goals with full implementation.

4. Effect of external competition, the regulatory environment, and the overall business environment

As inflation shows some sign of declining, the U.S. Fed has released the message for the first time that there is a possibility for interest rate cuts in 2024. If there is a chance of the U.S. economy's soft landing, the impact on the global economic market may be reduced significantly. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) led by Japan is expected to accelerate economic and trade cooperation in the Pan-Pacific region. However, in China, due to the slowing economic growth rate, the escalated government supervision and the US-China Technology War, it seems

that China may have weaker influence over the East Asia. The impact of external competition and changes in regulations and the overall business environment of the textile and garment industries on the Company are described as below:

(1) The impact of the external competitive environment

1. In China, the largest garment production area, the competitiveness has been declined due to the increase in labor cost of production. Under the circumstances, the garment production orders will be shifted out of China, which, in turn, will bring the opportunities to the textile and garment supply chain in the Company's production areas in Southeast Asia, Africa and the Americas.
2. The textile and garment manufacturers in Bangladesh and other emerging markets take advantage of their cost advantages to continuously expand capacities and invest in new equipment, which making price competition fierce. In addition, the rising awareness of labor welfare, occupational safety and human rights are not favorable for Bangladeshi garment factories to maintain profitability.

(2) The impact of the legal environment

1. The ASEAN+6 agreement enables the Company's garments produced in Vietnam Production area to have tariff advantages when exporting to China, Japan, Korea, New Zealand, Australia and India markets.
2. Under the active leadership of Japan, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into effect on December 30, 2018, conducive to drive new momentum for economic growth in the Asian region.
3. Under the strong leadership of President Trump, the negotiation of the United States-Mexico-Canada Agreement (USMCA) was completed successfully and the agreement was signed in November 2018. With the approval of the legislatures in each country, it has officially replaced the North American Free Trade Agreement (NAFTA) signed in 1994, which bring the new chapter of the history for the trading relationships among the United States, Canada and Mexico. However, the new agreement mainly affects the automobile, dairy and biopharmaceutical industries and has limited impact on the textile and garment industries.
4. The African Growth Opportunity Act (AGOA) and the Third-Country Fabric Provision adopted in the Act were passed by the U.S. Congress in 2015 for a ten-year extension. Upon the passage of the extension, garment factories in countries where AGOA applies in Africa are able to continuously use fabrics produced in third countries to make garments that can be sold duty-free in the U.S. market.

(3) The impact of the overall business environment

1. Global cotton supply and demand

The cotton prices are mainly affected by global cotton supply and demand movement. Therefore, it is required to continuously monitor whether the output is reduced due to the climate and whether the demand is reduced due to the recession. In addition, whether China continues to increase cotton imports is also an important indicator.

2. The rising production costs in China and Southeast Asia

The trend of rising production costs in China and Southeast Asia will make the Company's African production area more competitive in cost.

3. The weak South African Rand helps enhance the competitiveness of the country's textile and garment industries

The relative weakness of the South African Rand against the U.S. dollar has increased the competitiveness of textile and garment industries in the country for exporting to the U.S. Meanwhile, the bargaining power of the Company's factories in Lesotho is enhanced.

By summarizing the above-mentioned changes in the external competitive, regulations and the overall business environment, the impacts on the Company in 2024 would be the co-existence of opportunities and threats. Looking forward to the future, the Company will restructure the organization, expand production capacities and add value in advantageous production areas to respond to the changes in the external environment, seeking to establish a sustainable competitive advantage.

Company Profile

1. Date of incorporation: October 13, 1986

2. Company history

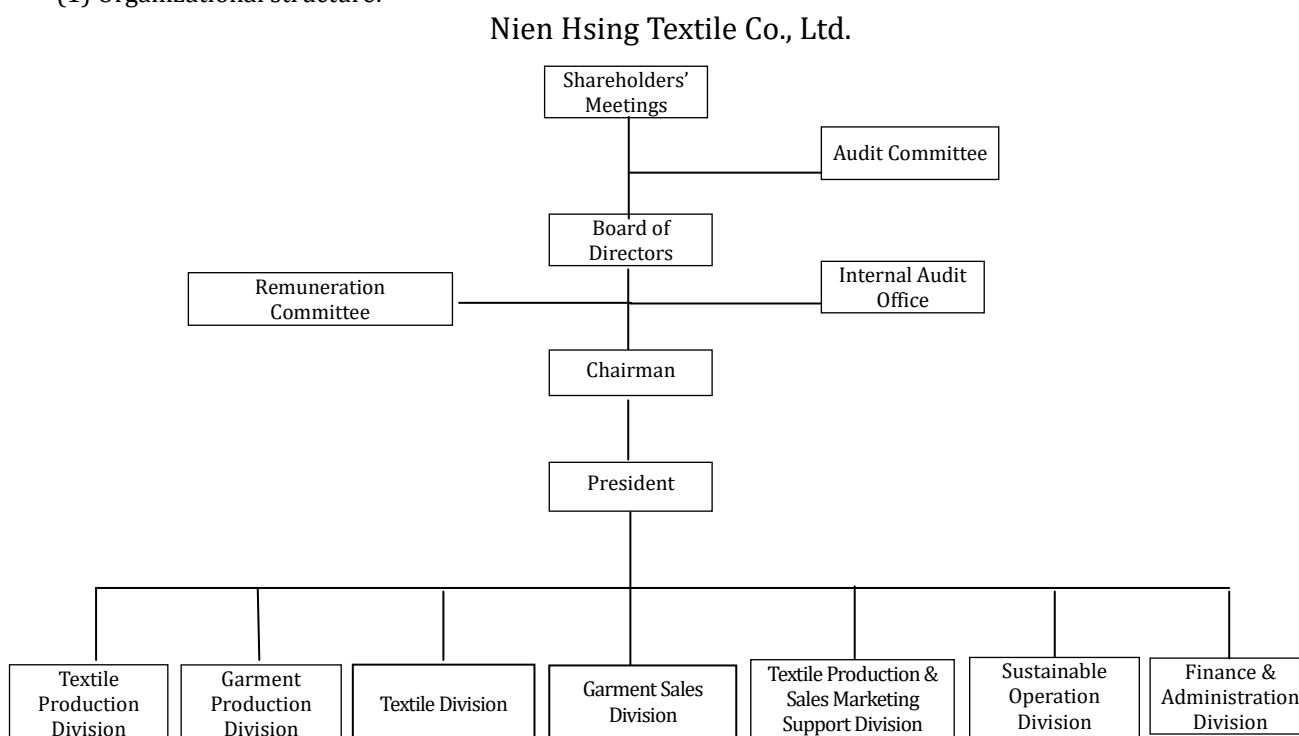
March 1988	Completed the construction of the factory and the test of the machinery equipment. Started the production officially in April of the same year.
August 1990	Approved by the Securities Management Council, MOF for the late public offering.
October 1992	Approved by the Securities Management Council, MOF for the listing of the Company's shares; registered capital of NT\$ 401,322,000.
March 1996	Completed the expansion of production capacity and added equipments such as air spinning, sizing and dyeing, and looms. The monthly production capacity of finished fabrics was increased to 2.65 million yards.
March 1997	Approved by the Investment Commission for the Company's plan to set up a one-stop denim factory in Mexico. The factory was invested NT\$675 million for 75% of the stake in the first phase and was expected to produce 1.1 million yards of denim per month.
September 1998	Incorporated Nien Hsing International (Victoria) Co., Ltd. and the first phase of investment of the textile factory in Mexico commenced the mass production officially, with a monthly production capacity of 1.1 million yards of denim.
November 1998	The Board of Directors resolved to acquire 25% of the stake of Nien Hsing International (Bermuda) Ltd.
October 1999	The second phase of investment in Mexico expanded the production capacity of the textile factory and set up the denim garment factory. The monthly production capacity of finished fabrics was increased to 2.2 million yards.
July 2000	Successfully merged with Chih Hsing Textile Co., Ltd.
July 2001	Set up a dyeing and finishing factory for leisure fabrics in Nicaragua.
July 2002	Set up a denim garment factory in Lesotho with a monthly production capacity of 40,000 dozens.
July 2003	Set up a denim factory and the knitting yarn factory in Lesotho, with a monthly production capacity of 1.1 million yards of denim.
September 2004	The textile factory in Lesotho commenced the mass production officially, with a monthly production capacity of 1.1 million yards of denim and 300,000 kilograms of ring-spun yarns.
January 2006	Invested in Chu Hsing Garment Co., Ltd.
March 2006	The textile factory in Lesotho expanded its production capacity to 1.6 million yards of denim and 780,000 kilograms of ring-spun yarns per month.
March 2007	Invested in Tỉnh Thái Bình, Vietnam, and incorporated Nien Hsing Garment (Vietnam) Co., Ltd. to produce jeans garment.
December 2007	Completed the construction of the first factory and started to expand the second factory of Nien Hsing Garment (Vietnam) Co., Ltd. Meanwhile, invested in Tỉnh Ninh Bình, Vietnam, and incorporated Nien Hsing Garment (Ninh Binh) Co., Ltd. to produce jeans garment.
March 2008	The first factory of Nien Hsing Garment (Vietnam) Co., Ltd. commenced the mass production officially, with a monthly production capacity of 40,000 dozens of jeans garment.
September 2008	The second factory of Nien Hsing Garment (Vietnam) Co., Ltd. commenced

	the mass production officially, with a monthly production capacity of 40,000 dozens of jeans garment.
March 2010	The first factory of Nien Hsing Garment (Ninh Binh) Co., Ltd. commenced the mass production officially, with a monthly production capacity of 50,000 dozens of jeans garment.
September 2010	Incorporated C Square Garment Finishing Co., Ltd. in Cambodia, engaged in the washing and processing of jeans garment.
August 2011	Cooperated with the Cambodia production areas to improve the production lines, and incorporated Chih Hsing Garment (Cambodia) Co., Ltd.
March 2017	The Board of Directors resolved to dispose of 100% of the stake in Nien Hsing Garment (Vietnam) Co., Ltd., Chu Hsing Garment (Cambodia) Co., Ltd., Alpha Textil de Nicaragua, S.A., C Squae Investment Co., Ltd. and Foster Capital Management Inc., as well as the related net assets and businesses.
March 2018	Incorporated Glory International (Pty) Ltd. in Lesotho to produce the knitted garment.
November 2021	The Chairman, Chao-Kuo Chen, disposed of 4,398,000 shares of the Company in the manner of continuous trading with huge amount, and his shareholding decreased from 4.44% to 2.22%. The major Shareholder of the Company, Ron Yuan Enterprise Inc. added the joint acquirer, Panda Investment Co., Ltd. and Panda Investment Co., Ltd. bought 3,898,000 shares of the Company in the manner of continuous trading with a huge amount, in addition to the acquisition of 20,595,129 shares of the Company to increase its shareholding from 0% to 12.37%.
June 2022	Panda Investment Co., Ltd. purchased the Company's share for 4,399,017 shares in the manner of block matching trade; its shareholding increased from 11.83% to 13.96%

Corporate Governance Report

1. Organization

(1) Organizational structure:



(2) Main business of each department:

Name of department		Duties
Internal Audit Office		Internal control and internal audit
Textile Production Division	Research and Development Department	Research and development
	Houlong Textile Factory	Spinning, dyeing and weaving, dyeing and finish, and engineering
	Mexico Textile Factory	Spinning, dyeing and weaving, dyeing and finish, and engineering
	Lesotho Textile Factory	Spinning, dyeing and weaving, dyeing and finish, and engineering
Garment Production Division	Lesotho District	Garment production
	Vietnam District	Garment production
Textile Division	Textile Department	Sales and marketing of denim and ring-spun yarn
Garment Sales Division	Lesotho District	Sales and marketing of denim garment; production management
	Vietnam District	Sales and marketing of jeans garment; production management
	Purchasing Department	Garment procurement
Textile Production & Sales Marketing Support Division	Purchasing Section	Textile procurement
Sustainable Operation Division	Sustainable Environment Team	Chemical management, energy management, discharge of waste, and eco-friendly manufacturing process; human rights and occupational safety
Finance & Administration Division	Finance Department	Finance, accounting, shareholder service, investment and development
	Management Department	Administration, general affairs, human resource, shipping, information technologies

2. Information regarding Directors and executives

(1) Directors

1. Information regarding Directors

April 20, 2024

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholdings when elected		Current Shareholdings		Spouse and Minor shareholdings		Shareholdings by nominee arrangements		Major education and experience	Current positions at the company and other companies	Executives or Directors who are spouses or within two degrees of kinship			Remarks (Note 12)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C	Panda Investment Co., Ltd.	-	June 13, 2023 (June 13, 2023)	3 years	June 23, 2022 (Note 1)	28,892,146	13.99%	28,892,146	14.01%	Not applicable.	Not applicable.	0	0%	Not applicable.	Not applicable.	Not applicable.			None
	R.O.C	Representative: Wei-Han Chen	Male 25	June 13, 2023 (June 13, 2023)	3 years	June 23, 2022 (Note 1)	0	0%	0	0%	0	0%	0	0%	Department of Business Administration and Sport Management, Southern Methodist University	Note 2	None			None
Director	R.O.C	Shu-Hsuan Tsai	Male 57	June 13, 2023 (June 13, 2023)	3 years	May 13, 2003	24,150	0.01%	24,150	0.01%	698,000	0.34%	0	0%	Senior Auditor, Deloitte & Touche Finance Manager, Chih Hsing Textile Co., Ltd. Department of Accounting, Soochow University	Note 3	None			None
Director	R.O.C	Chu Chen Investment Co., Ltd.	-	June 13, 2023 (June 13, 2023)	3 years	June 14, 2006 (Note 4)	9,253,292	4.67%	9,253,292	4.49%	Not applicable.	Not applicable.	0	0%	Not applicable.	Not applicable.	Not applicable.			None
	R.O.C	Representative: Jen-Chou Chen	Male 47	June 13, 2023 (June 13, 2023)	3 years	May 13, 2003 (Note 5)	127,827	0.06%	127,827	0.06%	669	0%	0	0%	Researcher, Barits Securities Corporation Department of Business Administration, University of Southern California	Note 5	None			None
Director	R.O.C	Tai-Yuan Chou	Male 52	June 13, 2023 (June 13, 2023)	3 years	June 15, 2015	0	0%	0	0%	0	0%	0	0%	Semi-Senior Auditor, Deloitte & Touche Department of Accounting, Tamkang University	Note 6	None			None
Director	R.O.C	Jih-Chao Li	Male 66	June 13, 2023 (June 13, 2023)	3 years	June 13, 2023 (Note 7)	0	0%	0	0%	0	0%	0	0%	Associate Vice President of Textile Production Division, Nien Hsing Textile Co., Ltd.; Administrator, Tai Yuen Textile Co., Ltd.; Chien Hsin Industrial College		None			None

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(Continued from previous page)

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term of office	Date first elected	Shareholdings when elected		Current Shareholdings		Spouse and Minor shareholdings		Shareholdings by nominee arrangements		Major Education and Experience	Current Positions at the Company and Other Companies	Executives or Directors who are spouses or within two degrees of kinship			Remarks (Note 12)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	R.O.C	Rong-Hwa Fang	Male 65	June 13, 2023 (June 13, 2023)	3 years	June 16, 2020	0	0%	0	0%	0	0%	0	0%	Associate Vice President in American and African District, Nien Hsing Textile Co. Ltd Command and General Staff College, Republic of Guatemala	Note 8	None			None
Independent Director	R.O.C	Chu-Feng Yang	Male 62	June 13, 2023 (June 13, 2023)	3 years	June 16, 2020	0	0%	0	0%	0	0%	0	0%	CPA, ACCPRO&Co., CPAs Department of Business Administration, National Cheng Kung University	Note 9	None			None
Independent Director	R.O.C	Chia-Hong Hung	Male 64	June 13, 2023 (June 13, 2023)	3 years	March 13, 2000	395	0%	0	0%	0	0%	0	0%	Lawyer, Honga Law Firm The 23rd Term of the Academy for the Judiciary	Note 10	None			None
Independent Director	R.O.C	Wen-Hsiung Chan	Male 53	June 13, 2023 (June 13, 2023)	3 years	June 16, 2020	0	0%	0	0%	0	0%	0	0%	Chairman and President, iCatch Technology Inc. Chairman, eChem Solutions Corp. International Business Management, National Taiwan University	Note 11	None			None

- Note: 1. Panda Investment Co., Ltd. was elected as a Director in the re-election on June 23, 2022, and elected by the Board of Directors as the Chairman; Wei-Han Chen is appointed as the representative; On June 13, 2023, during the re-election, the legal representative of Panda Investment Co., Ltd. was elected as a Director.
2. Chairman of Nien Hsing International Investment Co., Ltd, Nien Hsing International (B.V.I.) Ltd., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., Phoenix Development & Marketing Co., Ltd., Nien Hsing Garment (Ninh Binh) Co., Ltd., Formosa Textile Company (Proprietary) Limited, Nien Hsing International Lesotho (Proprietary) Limited, and Glory International (Pty) Ltd.
3. President of Nien Hsing Textile Co., Ltd.; Director of Nien Hsing International Investment Co., Ltd, Nien Hsing International (B.V.I.) Ltd., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., Phoenix Development & Marketing Co., Ltd., Formosa Textile Company (Proprietary) Limited, C&Y Garment Company (Pty) Ltd., Nien Hsing International Lesotho (Proprietary) Limited, Global Garments Company (Proprietary) Limited, and Glory International (Pty) Ltd.
4. Chu Chen Investment Co., Ltd. was elected as a Supervisor on June 14, 2006, until it was elected as a Director in the re-election on June 16, 2020.
5. Jen-Chou Chen was elected as a Director on May 13, 2003 until the re-election on June 16, 2020; he was then appointed as a Director as the representative of Chu Chen Investment Co., Ltd.; Associate Vice President, Textile Division of Nien Hsing Textile Co., Ltd.; Director of Nien Hsing International Investment Co., Ltd, Sheng Zhou Investment Co., Ltd.; Supervisor of Jing-Hsia Investment Co., Ltd.
6. Vice President, Textile Production & Sales Marketing Support Division of Nien Hsing Textile Co. Ltd.; Director of Nien Hsing International (B.V.I.) Ltd., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., and Phoenix Development & Marketing Co., Ltd.; Supervisor of Nien Hsing International Investment Co., Ltd.
7. Jih-Chao Li was elected as a Director on June 13, 2023.
8. Associate Vice President, Textile Production Division of Nien Hsing Textile Co. Ltd.
9. CPA at ACCPRO Accounting Firm; Supervisor of Star Era International Co., Ltd.
10. Lawyer and Head of Honga Law Firm; Chairman of Justice and Human Rights Foundation; Director of Maria Social Welfare Foundation. Chia-Hong Hung was elected as a Supervisor on March 13, 2000, and elected as a Director in the re-election on June 14, 2006 and discharged upon the end of his term of office on June 15, 2012; he was elected as an Independent Director in the re-election on June 16, 2020.
11. Independent Director of Biostar Microtech International Corp., Champion Microelectronic Corp., and Elitigroup Computer Systems Co., Ltd.; Director of iCatch Technology, Inc., Sunplus Technology Co., Ltd., eChem Solutions Corp., Yen Wen Asset Management Consulting Co., Ltd.; Representative of Corporate Director of eChem Solutions Corp., Ability Enterprise Co., Ltd., Oleader Technologies Co., Ltd., Hiyes International Co., Ltd., and Ssu Wei Synthetic Biotech Co., Ltd.
12. When the Company's Chairman and the President or an officer of equivalent position (the most senior manager) are the same person, spouses, or within the first degree of kinship, the reason, rationality, necessity and countermeasure shall be disclosed (e.g., increasing the number of Independent Directors and ensuring that a majority of directors do not concurrently serve as an employee or executive).

2. Major shareholders of corporate shareholders

April 20, 2024

Name of corporate shareholders	Major shareholders of corporate shareholders	
Panda Investment Co., Ltd.	Ron Yuan Enterprise Inc.	100%
Chu Chen Investment Co., Ltd.	Sheng Zhou Investment Co., Ltd.	7.142857%
	Jing Hsia Investment Co., Ltd.	7.142857%
	Jing-Hsia Chen	66.66667%
	Jen-Chou Chen	9.52381%
	Taipei City Chiu Yu Education Foundation	9.52381%

3. Major shareholders of the major shareholders that are juridical persons

April 20, 2024

Name of juristic persons	Major shareholders of juristic persons	
Ron Yuan Enterprise Inc.	Jia Tian Xia Investment Co., Ltd.	19.988%
	Fu Yuan Investment Co., Ltd.	19.988%
	Li Feng Investment Co., Ltd.	19.988%
	Kuo Chung Investment Co., Ltd.	19.988%
	Hong Yuan Investment Co., Ltd.	19.988%
	Zhui Gen Investment Co., Ltd.	0.06%
Sheng Zhou Investment Co., Ltd.	Jen-Chou Chen	98.66344%
	Yu-Rui Chen	0.64341%
	Yu-Sheng Chen	0.64341%
	Jing-Hsia Chen	0.04974%
Jing Hsia Investment Co., Ltd.	Jen-Chou Chen	99.75%
	Yu-Rui Chen	0.09933%
	Yu-Sheng Chen	0.09933%
	Jing-Hsia Chen	0.05134%

4. Disclosure of the professional qualifications of Directors and the independence of Independent Directors

Criteria Name	Professional qualifications and experience	Independence	Number of serve as Independent Director at other public companies
Chairman Wei-Han Chen	Obtained a degree in wealth management with rich experience in the operation and management of the textile and garment industry; Former Executive Assistant to the President of Nien Hsing Textile Co., Ltd. Do not violate any clause under Article 30 of Company Act.	Not applicable.	0
Director Shu-Hsuan Tsai	Obtained a degree in accounting and passed the Senior Examination of CPA with certificate of qualification; with rich experience in financial administration and management; Former Senior Auditor of Deloitte & Touche; Former Financial Manager of Chih Hsing Textile Co., Ltd.; President and CFO of Nien Hsing Textile Co., Ltd. Do not violate any clause under Article 30 of Company Act.	Not applicable.	0
Director Jen-Chou Chen	Obtained a degree in business administration with rich experience in sales management of the textile business; Former Researcher of Barits Securities Corporation; Associate Vice President of Textile Division of Nien Hsing Textile Co., Ltd. Do not violate any clause under Article 30 of Company Act.	Not applicable.	0
Director Tai-Yuan Chou	Obtained a degree in accounting, with rich experience in accounting practice, financial planning and bargaining negotiation for procurement; Former Semi-Senior Auditor of Deloitte & Touche; Former Financial Manager of Nien Hsing Textile Co., Ltd.; Vice President, Textile Production & Sales Marketing Support Division of Nien Hsing Textile Co., Ltd. Do not violate any clause under Article 30 of Company Act.	Not applicable.	0
Director Jih-Chao Li	Obtained a degree in mechanical engineering; Former Administrator of Tai Yuen Textile Co., Ltd.; Former Associate Vice President, Textile Production Division of Nien Hsing Textile Co., Ltd. Do not violate any clause under Article 30 of Company Act.	Not applicable.	0
Director Rong-Hwa Fang	Obtained a degree from Command and General Staff College, Republic of Guatemala, with rich experience in foreign languages and overseas production management practice; Associate Vice President, Textile Production Division of Nien Hsing Textile Co., Ltd. Do not violate any clause under Article 30 of Company Act.	Not applicable.	0

Criteria Name	Professional qualifications and experience	Independence	Number of serve as Independent Director at other public companies
Independent Director Chia-Hong Hung	Obtained the lawyer license and qualification of judges and prosecutors, with rich legal experience; Former Supervisor of Nien Hsing Textile Co., Ltd.; Head of Honga Law Firm; Chairman of Justice and Human Rights Foundation; Director of Maria Social Welfare Foundation. Do not violate any clause under Article 30 of Company Act.	None of the Independent Director, his spouse or relatives within the second degree of kinship are hired by the Company and its affiliates as a Director, a Supervisor or an employee. The shareholdings and ratio of shares of the Company hold by the Independent Director, his spouse or relatives within the second degree of kinship (or under others' names) are zero. The Independent Director has not hired by any company having a specified relationship with the Company as a Director, a Supervisor or an employee. The Independent Director has not provided any commercial, legal, financial, or accounting services to the Company or its affiliates in recent two years.	0
Independent Director Chu-Feng Yang	Obtained a degree in business administration and the license of CPA; with rich experience in financial report, tax return attesting, and administrative relief for tax; Former Senior Auditor of Deloitte & Touche; CPA at ACCPRO Accounting Firm; Supervisor of Star Era International Co., Ltd. Do not violate any clause under Article 30 of Company Act.	None of the Independent Director, his spouse or relatives within the second degree of kinship are hired by the Company and its affiliates as a Director, a Supervisor or an employee. The shareholdings and ratio of shares of the Company hold by the Independent Director, his spouse or relatives within the second degree of kinship (or under others' names) are zero. The Independent Director has not hired by any company having a specified relationship with the Company as a Director, a Supervisor or an employee. The Independent Director has provided commercial, legal, financial, and accounting services to the Company or its affiliates in recent two years for NT\$ 35,000.	0
Independent Director Wen-Hsiung Chan	Obtained a degree in international business management, with rich experience in financial planning, analysis of investment strategies, and operation and management practice; Independent Director of Biostar Microtech International Corp., Champion Microelectronic Corp., and Elitegroup Computer Systems Co., Ltd.; Director of iCatch Technology, Inc., Sunplus Technology Co., Ltd., eChem Solutions Corp., Yen Wen Asset Management Consulting Co., Ltd.; Representative of Corporate Director of eChem Solutions Corp., Ability Enterprise Co., Ltd., Oleader Technologies Co., Ltd., Hiyes International Co., Ltd., and Ssu Wei Synthetic Biotech Co., Ltd. Do not violate any clause under Article 30 of Company Act.	None of the Independent Director, his spouse or relatives within the second degree of kinship are hired by the Company and its affiliates as a Director, a Supervisor or an employee. The shareholdings and ratio of shares of the Company hold by the Independent Director, his spouse or relatives within the second degree of kinship (or under others' names) are zero. The Independent Director has not hired by any company having a specified relationship with the Company as a Director, a Supervisor or an employee. The Independent Director has not provided any commercial, legal, financial, or accounting services to the Company or its affiliates in recent two years.	3

5. The diversity and independence of the Board of Directors:

① The diversity of the Board of Directors

Pursuant to the Company's "Corporate Governance Principles," Article 20, all members of the Board of Directors shall have the knowledge, skills and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- a. Ability to make operational judgments.
- b. Ability to perform accounting and financial analysis.
- c. Ability to conduct management administration.
- d. Ability to conduct crisis management.
- e. Knowledge of the industry.
- f. An international market perspective.
- g. Ability to lead.
- h. Ability to make policy decisions.
- i. Knowledge and ability of risk management.

The Company's diversity policy has set the specific targets that at least one Director has the practical experience and expertise in law, and three Directors have the practical experience and expertise in finance and accounting. The targets are met currently, and the implementation status is as below:

The Company's Board of Directors is composed of members from diverse backgrounds. In addition to evaluating their academic and career experience, the Company complies the "Rules for Election of Directors" and "Corporate Governance Principles" to ensure Directors' diversity and independence. The 14th Board of Directors is composed of nine Directors and three of them are Independent Directors. All members have well-experienced in operational management, leadership and decision-making and related industrial know-how, such as backgrounds in procurement, textile production, finance, accounting, law, and marketing, etc. Each Director is good at leading, operating decisions, operation management, crisis handling and perspectives of international market. Among them, Wei-Han Chen, Shu-Hsuan Tsai, Tai-Yuan Chou, Jih-Chao Li, Rong-Hwa Fang and Jen-Chou Chen have multi-year experience in the textile and garment industry; Wei-Han Chen, Jen-Chou Chen and Wen-Hsiung Chan have the expertise of marketing; Tai-Yuan Chou has the professional experience in textile procurement; Shu-Hsuan Tsai, Tai-Yuan Chou and Chu-Feng Yang have the professional knowledge and skills in finance and accounting; and Chia-Hong Hung has extensive practical experience in law. The backgrounds of the Board of Directors are as follows: 55% of the Company's Directors concurrently serve as employees; 33% are Independent Directors; 2 are under 50 years old; 3 are 51-60 years old, and 4 are 61-70 years old. All of three Independent Directors have served for 4-6 years.

Implementation of the Board of Directors diversity

Core items of diversity Name of Director	Basic composition							Experience of the industry					Professional ability						
	Nationality	Gender	Positions held concurrently in the company	Age					Term of office and years serving as an Independent Director	Procurement	Textile production	Finance and accounting	Marketing	Legal practices	Accounting	Law	Risk management	Business administration	Textile and garment
				21-40	41-50	51-60	61-70	71-75											
Wei-Han Chen	R.O.C	Male	✓	✓								✓					✓	✓	
Jen-Chou Chen	R.O.C	Male	✓		✓					✓		✓					✓	✓	
Shu-Hsuan Tsai	R.O.C	Male	✓			✓				✓	✓			✓		✓	✓		
Tai-Yuan Chou	R.O.C	Male	✓			✓			✓	✓	✓			✓		✓			
Jih-Chao Li	R.O.C	Male					✓			✓								✓	
Rong-Hwa Fang	R.O.C	Male	✓				✓			✓								✓	
Chia-Hong Hung	R.O.C	Male					✓	✓					✓		✓	✓			
Wen-Hsiung Chan	R.O.C	Male				✓		✓				✓				✓	✓		
Chu-Feng Yang	R.O.C	Male					✓	✓			✓			✓			✓		

② Independence of the Board:

The 14th Board of Directors is composed of nine Directors and three of them are Independent Directors. The proportion of Independent Directors is 33.33%. The Board of Directors complies with paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act, that none of them are spouses or relatives within the second degree of kinship; all Directors are able to maintain the independence and continue to make decisions for the Company's operation and management and furnish the favorable recommendations.

(2) Information on the President, Vice President, Associate Vice Presidents, and Officers of departments and branches:

April 20, 2024

Job title	Nationality	Name	Gender	Date elected	Shareholdings		Shareholdings of spouse & minor children		Shareholdings by nominee arrangement		Major education and experience	Current positions at other companies	Executives who are spouses or relatives within the second degree of kinship			Remarks (Note 5)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	R.O.C	Shu-Hsuan Tsai	Male	April 1, 2015	24,150	0.01%	698,000	0.34%	0	0%	Senior Auditor, Deloitte & Touche Finance Manager, Chih Hsing Textile Co., Ltd. Department of Accounting, Soochow University	Note 1	None			None
Textile Production & Sales Marketing Support Division Vice President	R.O.C	Tai-Yuan Chou	Male	November 8, 2018	0	0%	0	0%	0	0%	Semi-Senior Auditor, Deloitte & Touche Department of Accounting, Tamkang University	Note 2	None			None
Textile Division Associate Vice President	R.O.C	Jen-Chou Chen	Male	July 1, 2020	127,827	0.06%	669	0%	0	0%	Researcher, Barits Securities Corporation Department of Business Administration, University of Southern California	Note 3	None			None
Textile Division Associate Vice President	U.S.	Shu-Hua Hsu	Male	July 1, 2020	0	0%	0	0%	0	0%	Sales, Formosa Blue Way Jean Co., Ltd. Department of Mechanical Engineering, Rutgers, the State University of New Jersey	None	None			None
Textile Production Division Associate Vice President	R.O.C	Rong-Hwa Fang	Male	November 8, 2018	0	0%	0	0%	0	0%	Class 1994, Command and General Staff College, Republic of Guatemala Class 1981, R.O.C. Military Academy	None	None			None
Finance & Administration Division Manager (Accounting Officer, Finance Officer, Corporate Governance Officer)	R.O.C	En-Tzu Liu	Female	March 15, 2019	0	0%	0	0%	0	0%	Assistant Manager, Deloitte & Touche Master, Department of Accounting, National Taiwan University	Note 4	None			None

Note 1: President of Nien Hsing Textile Co., Ltd.; Director of Nien Hsing International Investment Co., Ltd, Nien Hsing International (B.V.I.) Ltd., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., Phoenix Development & Marketing Co., Ltd., Formosa Textile Company (Proprietary) Limited, C&Y Garment Company (Pty) Ltd., Nien Hsing International Lesotho (Proprietary) Limited, Global Garments Company (Proprietary) Limited, Glory International (Pty) Ltd.

Note 2: Vice President, Textile Production & Sales Marketing Support Division of Nien Hsing Textile Co., Ltd.; Director of Nien Hsing International (B.V.I.) Ltd., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., Phoenix Development & Marketing Co., Ltd.; Supervisor of Nien Hsing International Investment Co., Ltd.

Note 3: Associate Vice President, Textile Division of Nien Hsing Textile Co., Ltd.; Director of Nien Hsing International Investment Co., Ltd, Sheng Zhou Investment Co., Ltd, and Chu Chen Investment Co., Ltd.; Supervisor of Jing-Hsia Investment Co., Ltd.

Note 4: Representative of corporate Directors of Mycenax Biotech Inc.

Note 5: When the Company's Chairman and the President or an officer of equivalent position (the most senior manager) are the same person, spouses, or within the first degree of kinship, the reason, rationality, necessity and countermeasure shall be disclosed (e.g., increasing the number of Independent Directors and ensuring that a majority of directors do not concurrently serve as an employee or executive).

3. Remuneration paid to Directors (including Independent Directors), President and Vice President in the recent year

(1) Remuneration paid to Directors and Independent Directors

December 31, 2023, Unit: NT\$ thousand

Title	Name	Remuneration to directors								Sum of A, B, C, and D as a % of the net profit		Remuneration received for serving as an employee concurrently								Sum of A, B, C, D, E, F, and G as a % of the net profit	Remuneration from investees other than subsidiaries or from the parent company					
		Remuneration (A)		Severance and pension (B)		Remuneration to directors (C)		Business execution expenses (D)				Salary, bonus, and allowance (E)		Severance and pension (F)		Employees' compensation (G)										
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	Cash	Stock	Cash	Stock			The Company	All consolidated entities			
Director	Panda Investment Co., Ltd. (Representative: Wei-Han Chen)	1,000	1,000	0	0	0	0	0	0	1,000	1,000	0	0	0	0	0	0	0	0	0	0	1,000	1,000	-0.28%	-0.28%	0
	Wei-Han Chen	0	0	0	0	0	0	50	50	50	50	3,500	3,500	56	56	0	0	0	0	0	0	3,606	3,606	-0.99%	-0.99%	0
	Shu-Hsuan Tsai	1,000	1,000	0	0	0	0	50	50	1,050	1,050	4,102	4,102	123	123	0	0	0	0	0	0	5,275	5,275	-1.45%	-1.45%	0
	Chu Chen Investment Co., Ltd. (Representative: Jen-Chou Chen)	1,000	1,000	0	0	0	0	0	0	1,000	1,000	0	0	0	0	0	0	0	0	0	0	1,000	1,000	-0.28%	-0.28%	0
	Jen-Chou Chen	0	0	0	0	0	0	40	40	40	40	1,461	1,461	115	115	0	0	0	0	0	0	1,616	1,616	-0.45%	-0.45%	0
	Tai-Yuan Chou	1,000	1,000	0	0	0	0	45	45	1,045	1,045	2,541	2,541	113	113	0	0	0	0	0	0	3,699	3,699	-1.02%	-1.02%	0
	Rong-Hwa Fang	1,000	1,000	0	0	0	0	50	50	1,050	1,050	2,239	2,239	109	109	0	0	0	0	0	0	3,398	3,398	-0.94%	-0.94%	0
	Jih-Chao Li	500	500	0	0	0	0	25	25	525	525	0	0	0	0	0	0	0	0	0	0	525	525	-0.14%	-0.14%	0
	Shih-Kuen Hwang	500	500	0	0	0	0	25	25	525	525	0	0	0	0	0	0	0	0	0	0	525	525	-0.14%	-0.14%	0
Independent Director	Chu-Feng Yang	1,000	1,000	0	0	0	0	50	50	1,050	1,050	0	0	0	0	0	0	0	0	0	0	1,050	1,050	-0.29%	-0.29%	0
	Wen-Hsiung Chan	1,000	1,000	0	0	0	0	45	45	1,045	1,045	0	0	0	0	0	0	0	0	0	0	1,045	1,045	-0.29%	-0.29%	0
	Chia-Hong Hung	1,000	1,000	0	0	0	0	45	45	1,045	1,045	0	0	0	0	0	0	0	0	0	0	1,045	1,045	-0.29%	-0.29%	0

1. Please describe the policy, system, standards and structure in place for paying remuneration to Directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the Directors to the amount of remuneration paid: the remuneration of the Independent Directors are identical to the ordinary directors, for NT\$1 million; and the transportation subsidies is NT\$5,000 per meeting.
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the recent year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): none.

Note 1: The Company provided a company car to the Chairman; the depreciation for NT\$813 thousand and gasoline expense for NT\$37 thousand in 2023. The compensation to his driver was NT\$708 thousand.

Note 2: The Company provided a company car to the President, Shu-Hsuan Tsai; the depreciation for NT\$0 thousand and the gasoline expense for NT\$26 thousand in 2023.

Note 3: Shih-Kuen Hwang was dismissed as a Director during the re-election on June 13, 2023, with Jih-Chao Li was elected as the new Director.

(2) Compensation paid to President and Vice President

December 31, 2023, Unit: NT\$ thousand

Title	Name	Salary (A)		Severance and pension (B)		Rewards, and allowance (C)		Employees' compensation (D)				Sum of A+B+C+D and ratio to net profit (%)		Remuneration from investees other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Cash	Stock	Cash	Stock			
President	Shu-Hsuan Tsai	3,010	3,010	123	123	1,092	1,092	0	0	0	0	4,225 -1.16%	4,225 -1.16%	0
Vice President	Tai-Yuan Chou	1,877	1,877	113	113	664	664	0	0	0	0	2,654 -0.73%	2,654 -0.73%	0

Note 1: The Company provides a company car to the President; the depreciation for NT\$0 thousand and the gasoline expense for NT\$26 thousand in 2023.

Note 2: Tai-Yuan Chou, Associate Vice President was promoted to Vice President on July 20, 2023.

(3) Top five executive compensations

December 31, 2023, Unit: NT\$ thousand

Title	Name	Salary (A)		Severance and pension (B)		Rewards, and allowance (C)		Employees' compensation (D)				Sum of A+B+C+D and ratio to net profit (%)		Remuneration from investees other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Cash	Stock	Cash	Stock			
President	Shu-Hsuan Tsai	3,010	3,010	123	123	1,092	1,092	0	0	0	0	4,225 -1.16%	4,225 -1.16%	0
Chairman	Wei-Han Chen	2,100	2,100	56	56	1,400	1,400	0	0	0	0	3,556 -0.98%	3,556 -0.98%	0
Vice President	Tai-Yuan Chou	1,877	1,877	113	113	664	664	0	0	0	0	2,654 -0.73%	2,654 -0.73%	0
Associate Vice President	Rong-Hwa Fang	1,776	1,776	109	109	463	463	0	0	0	0	2,348 -0.65%	2,348 -0.65%	0
Associate Vice President	Shu-Hua Hsu	1,278	1,278	77	77	270	270	0	0	0	0	1,625 -0.45%	1,625 -0.45%	0

Note 1: The Company provides a company car to the President; the depreciation for NT\$0 thousand and the gasoline expense for NT\$26 thousand in 2023.

Note 2: Tai-Yuan Chou, Associate Vice President was promoted to Vice President on July 20, 2023.

(4) Employees' compensation paid to executives: none.

(5) The ratio of the total remuneration paid by the Company and by all consolidated entities for the recent two years to Directors, President, and Vice President in the Standalone Financial Statements of the Company net profit, and the directions of remuneration policies, standards, packages and the procedures for determining remuneration with the correlation between operating performance and future risk:

1. The ratio of the total remuneration paid by the Company and by all consolidated entities for the recent two years to Directors, President, and Vice President in the Standalone Financial Statements of the Company net profit:

Unit: NT\$ Thousand

Status \ Year	2023		2022	
	Total remuneration	Ratio of total amount to the net profit (%)	Total remuneration	Ratio of total amount to the net profit (%)
Directors	9,425	-2.6	9,485	2.22
President and Vice President	6,879	-1.90	13,435	3.15

Proportion analysis: There was a net loss in 2023. Therefore, the total remuneration of Directors, President and Vice President of the Company in 2023 accounted for a decrease in the proportion of net profit in Standalone Financial Statements compared with 2022.

2. The remuneration policies, standards, packages and the procedures for determining remuneration with the correlation between operating performance and future risk:

① Remuneration to Directors:

Pursuant to Article 20 of the Company's Articles of Incorporation, regardless the profit or loss, the remunerations of the Directors are based on their degree of participation and contribution to the Company's operations, while referring to peers' standards. In addition, the Remuneration Committee of the Company presents its recommendations and authorizes to the Board of Directors for determining the remuneration.

a. Transportation subsidies: NT\$5,000 for each meeting.

b. Remuneration: a fixed remuneration of NT\$1,000,000 for each Director per year.

c. Directors' remuneration: None of Director receives director's remuneration.

d. Other compensation: one company car is assigned to the Chairman.

② Compensation to executives:

a. Salary and bonus: the salary is paid pursuant to the Company's salary approval procedures and bonuses are paid by referring to the operating performance (net profit) of each division and future risks (material defects in compliance with laws and regulations and operating risks of the departments they belong to) at the same time. The annual profit target and production output indicator are established for when the additional profit indicator bonus of the targets are achieved.

b. Employees' compensation: None of executives receives employees' compensation.

c. Other compensation: one company car is assigned to each person with position of Vice President and above.

4. Implementation of corporate governance

(1) Operations of the Board of Directors

Total 10 meetings (A) were convened by the Board of Directors in 2023. Attendance of each Director is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance (%)【B/A】	Remarks
Chairman	Panda Investment Co., Ltd. Representative: Wei-Han Chen	10	0	100	Re-elected on June 13, 2023
Director	Shu-Hsuan Tsai	10	0	100	Re-elected on June 13, 2023
	Chu Chen Investment Co., Ltd. Representative: Jen-Chou Chen	8	2	80	Re-elected on June 13, 2023
	Tai-Yuan Chou	9	1	90	Re-elected on June 13, 2023
	Jih-Chao Li	6	0	100	New elected on June 13, 2023
	Rong-Hwa Fang	10	0	100	Re-elected on June 13, 2023
Independent Director	Chia-Hong Hung	9	1	90	Re-elected on June 13, 2023
	Wen-Hsiung Chan	9	1	90	Re-elected on June 13, 2023
	Chu-Feng Yang	10	0	100	Re-elected on June 13, 2023
Director	Shih-Kuen Hwang	4	0	100	Dismissed on June 13, 2023

Other required disclosure:

- If the operation of the Board of Directors is under any of the circumstances below, the dates and sessions, the content of the proposal, all Independent Directors' opinions and the Company's response to said opinions of the Board of Directors Meeting shall be specified:
 - Any circumstance described in Article 14-3 of the Securities and Exchange Act: Please refer to Pages 56-57 (11) "Major resolutions of Board of Directors Meetings".
 - Any resolution on which an Independent Director had a dissenting or qualified opinion occurred in Board of Directors Meeting: none.
- Implementation of any Director neither joining discussion nor exercising the voting rights in a Board of Directors Meeting for the resolution which he/she has personal interests, the name of such director, the contents of the said resolution, the reasons such Director has personal interests, and the voting results shall be specified:

The proposals of Board of Directors Meetings involved the avoidance of Directors' interests in the recent year are as below:

Name of Director	Description of proposal	Reason of recusal	Voting participation
Wei-Han Chen, Shu-Hsuan Tsai, Jen-Chou Chen, Tai-Yuan Chou, Rong-Hwa Fang	Proposal of 2022 year-end performance bonus to executives	The proposal involved in personal interest of a director.	Recused from the discussion and vote.
Wei-Han Chen	Proposal to determine the remuneration of the Chairman, Wei-Han Chen.	The proposal involved in personal interest of a director.	Recused from the discussion and vote.
Tai-Yuan Chou	Proposal to determine the remuneration of Associate Vice President, Tai-Yuan Chou, for his promotion to Vice President.	The proposal involved in personal interest of a director.	Recused from the discussion and vote.
Jen-Chou Chen	Proposal to determine the remuneration of the Associate Vice President, Shu-Hua Hsu, and Associate Vice President, Jen-Chou Chen.	The proposal involved in personal interest of a director.	Recused from the discussion and vote.
Tai-Yuan Chou	Proposal for the procurement of a company car for the Vice President.	The proposal involved in personal interest of a director.	Recused from the discussion and vote.

3. Information of the Board of Directors assessments:

Frequency	Period	Scope	Method	Contents
Annually	January 1, 2023– December 31, 2023	Board of Directors	Self-evaluation of the Board “Self-evaluation questionnaire of the Board’s performance appraisal”	<ol style="list-style-type: none"> 1. Participation in the Company’s operations 2. Improvement in the quality of the Board of Directors’ decision making 3. Composition and structure of the Board of Directors 4. Election and continuing education of the Directors 5. Internal control
		Individual Board member	Self-evaluation of Board member “Self-evaluation questionnaire for the Board member appraisal”	<ol style="list-style-type: none"> 1. Alignment of the goals and mission of the Company 2. Awareness of the duties of a Director 3. Participation in the Company’s operations 4. Management of internal relationship and communication 5. The Director’s professionalism and continuing education 6. Internal control
		Audit Committee	Self-evaluation of the Audit Committee “Self-evaluation questionnaire of the Audit Committee’s performance”	<ol style="list-style-type: none"> 1. Participation in the Company’s operations 2. The recognition of the duties of the Audit Committee 3. Improvement in the quality of decision making by the Audit Committee 4. The composition of the Audit Committee, and election and appointment of committee members 5. Internal control
		Remuneration Committee	Self-evaluation of the Remuneration Committee “Self-evaluation questionnaire of the Remuneration Committee’s performance”	<ol style="list-style-type: none"> 1. Participation in the Company’s operations 2. The recognition of the duties of the Remuneration Committee 3. Improvement in the quality of decision making by the Remuneration Committee 4. The composition of the Remuneration Committee, and election and appointment of committee members

4. Targets and measures of this and previous years established to improve the functionality of the Board of Directors and their execution results (for instance, the establishment of the Audit Committee, the improvement of information disclosure, and so forth):

- ①The establishment of the Audit Committee: the Company re-elected the Board of Directors at the 2020 Annual General Shareholders’ Meeting; three Independent Directors were elected and the Audit Committee was established.
- ②Improve information transparency: the Company continues to implement the announcements of routine reports of revenue, financial information and material resolutions of the Board of Directors to improve information transparency.
- ③The Board of Directors has established the “Corporate Governance Principles,” “Principles of Ethical Corporate Management,” “Code of Ethics for Board of Directors and Executives” and “Board of Directors and Functional Committee Performance Evaluation” to construct the correct corporate value, ethical culture and moral discretion in conduct with the implementable code of conduct.
- ④Actively set up a corporate governance officer: to implement corporate governance and improve

the effectiveness of the Board of Directors, the Board resolved on August 7, 2019 to appoint a corporate governance officer, concurrently served by the head of the Finance Department, to provide support to Directors to exercise their duties and improve the effectiveness of the Board.

(2) Operations of the Audit Committee

Total 6 meetings (A) were convened by the Audit Committee in 2023. Attendance of each Independent Director is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance (%)【B/A】	Remarks
Independent Director	Chu-Feng Yang	6	0	100	Re-elected on June 13, 2023
	Chia-Hong Hung	6	0	100	Re-elected on June 13, 2023
	Wen-Hsiung Chan	5	1	83	Re-elected on June 13, 2023

The Company's Audit Committee consists of three Independent Directors, and holds regular meetings at least once a quarter. The Audit Committee aims to assist the Board of Directors to fulfill the supervision over quality and reliability of the Company's execution regarding accounting, auditing, financial reporting processes, and financial control. Please refer to Pages 12-13 for the professional qualifications and experience of the members.

Items to be deliberated mainly include:

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment pursuant to Article 36-1 of the Securities and Exchange Act of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, lending funds to other parties, and endorsements or guarantees for others.
4. Matters involving the personal interest of a Director.
5. A transaction involving material asset or derivatives trading.
6. A material monetary loan, endorsement, or guarantee for others.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring, dismissal or remuneration of an attesting certified public accountant.
9. Appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual and semi-annual financial statements
11. Any other material matter determined by the Company or the competent authority.

◎ Review financial reports

The Board of Directors has prepared the 2023 Business Report, 2023 Financial Statements, and the proposal for distribution of 2023 profits. In particular, the Financial Statements were audited by Chih-Ming Shao and Kuo-Ning Huang, CPAs from Deloitte & Touche and Independent Auditors' Reports have been issued. Based on the Audit Committee's review, it found no existing inconsistencies.

◎ Engage attesting CPAs.

The independence and competence of the CPAs have been evaluated by the Audit Committee and the Board of Directors on March 10, 2023. The CPAs have no relationship with the Company in terms of interest or relatives, and maintains a fair and objective attitude when providing the professional services; additionally, the statement of independence was obtained from the attesting accounting firm and the report on the Audit Quality Indicators, and the requirements of independence and competence are met.

Other required disclosure:

1. If the operations of the Audit Committee fall under any of the circumstances below, the date of the Audit Committee meeting, the session, the content of the proposal, any objection, reservation, or major suggestion made by Independent Directors, the results of resolutions by the Audit Committee, and the Company's response to the committee's opinions shall be specified:

(1) Any matter under Article 14-5 of the Securities and Exchange Act:

Meeting date (Session)	Description of proposal	Matters under Article 14-5 of the Securities and Exchange Act	Objection, reservation, or major suggestion made by Independent Directors	The results of resolutions by the Audit Committee, and the Company's response to the committee's opinions
January 17, 2023 15 th meeting, 1 st Term	1. Proposal to engage in forward foreign exchange transactions for hedging purpose.	✓		Approved by all attending committee members, then submitted for the resolution of the Board. Approved by all attending Directors.
	2. Proposal to invest in BioGenD Therapeutics Co., Ltd.			
	3. Proposal to amend the "Management Procedures for Internal Material Information Processing and Insider Trading Prevention."	✓		
March 10, 2023 16 th meeting, 1 st Term	1. Proposal of 2022 Business Report and Financial Statements.	✓		
	2. Proposal to evaluate the independence and competence of the CPA.	✓		
	3. Proposal to formulate the "Pre-approval Policy for Attesting CPA to Provide Non-Assurance Services."			
May 5, 2023 17 th meeting, 1 st Term	4. Proposal of 2022 Statement of Internal Control System.	✓		
	1. Proposal of 2023 Q1 Financial Statements.			
August 4, 2023 1 st meeting, 2 nd Term	1. Proposal of 2023 Q2 Financial Statements.	✓		
	2. Proposal to formulate the "Procedures for the Preparation and Certification of Sustainability Reports."	✓		
November 3, 2023 2 nd meeting, 2 nd Term	1. Proposal of 2023 Q3 Financial Statements.			
	2. Proposal of 2024 audit plans.	✓		
	3. Proposal for the Company to apply for an endorsement/guarantee for the subsidiary.	✓		
November 21, 2023 3 rd meeting, 2 nd Term	1. Proposal to engage in forward foreign exchange transactions for hedging purpose.	✓		

(2) Except for the above matters, any matter that was not approved by the Audit Committee but was approved by more than two-thirds of all Directors: none.

2. Implementation of Independent Directors' recusal due to personal interests, the Independent Director's name, the contents of the proposals, the reasons for recusal, and the voting results shall be specified: none.
3. Communication between Independent Directors, Internal Auditing Officer and CPA (including communications regarding financial and business conditions, methods and results):

(1) Communication between Independent Directors and Internal Auditing Officer:

The Company's Internal Auditing Officer submits audit implementation and internal audit reports to Independent Directors every month, fully communicates and makes records on the Company's main internal audit opinions and other issues, and then reports the records to the Board of Directors. The Company's Audit Committee consists of all Independent Directors. The Internal Auditing Officer shall report the internal audit individually to the Audit Committee at least once a quarter. The reports shall include the implementation of internal audit, significant internal control matters, major audit opinions of internal and external auditors, and the Improvement of existing conditions. The Internal Auditing Officer presents at the Audit Committee Meetings to report the implementation of internal audit and significant internal control matters, and completes the execution, reporting and tracking of the instructions of the Independent Directors. The Company's Independent Directors and Internal Auditing Officer have channels of direct contact, such as communicating directly by e-mail, phone calls or face-to-face, if necessary.

Meeting date	Communication with Internal Auditing Officer	Communication status and results	The Company's execution results of Independent Directors' opinions
March 10, 2023 16 th meeting, 1 st Term	<ul style="list-style-type: none"> ● Internal audit reports for Oct-Dec, 2022 ● Proposal of 2022 Statement of Internal Control System. 	After discussion and communication, Independent Directors had no dissent; the reports were submitted to the Board after the deliberation.	Independent Directors had no opinion
May 5, 2023 17 th meeting, 1 st Term	<ul style="list-style-type: none"> ● Internal audit reports for Jan-Mar, 2023 	After discussion and communication, Independent Directors had no dissent; the reports were submitted to the Board after the deliberation.	Independent Directors had no opinion
August 4, 2023 1 st meeting, 2 nd Term	<ul style="list-style-type: none"> ● Internal audit reports for Apr-Jun, 2023 	After discussion and communication, Independent Directors had no dissent; the reports were submitted to the Board after the deliberation.	Independent Directors had no opinion
November 3, 2023 2 nd meeting, 2 nd Term	<ul style="list-style-type: none"> ● Internal audit reports for Jul-Sep, 2023 ● Proposal of 2024 audit plans. 	After discussion and communication, Independent Directors had no dissent; the reports were submitted to the Board after the deliberation.	Independent Directors had no opinion

(2) The Company's attesting CPA communicates with each Independent Director individually at least twice a year on the financial audit (review) reports and other matters required by relevant laws and regulations to the Audit Committee. The Company's Independent Directors and attesting CPA have channels of direct contact, such as communicating directly by e-mail, phone calls or face-to-face at any time, if necessary.

Meeting date	Communication with attesting CPA	Communication status and results	The Company's execution results of Independent Directors' opinions
March 10, 2023 16 th meeting, 1 st Term	● Proposal of 2022 Financial Statements.	After discussion and communication, Independent Directors had no dissent; the report was submitted to the Board after the deliberation.	Independent Directors had no opinion
August 4, 2023 1 st meeting, 2 nd Term	● Proposal of 2023 Q2 Financial Statements.	After discussion and communication, Independent Directors had no dissent; the report was submitted to the Board after the deliberation.	Independent Directors had no opinion

(3) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons:

Item	Operations			Deviation from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
1. Has the Company formulated and disclosed the Corporate Governance Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formulated "Corporate Governance Principles" in place to enhance the corporate governance system and structure, and discloses such on the official website and the MOPS.	No significant deviation
2. The Company's shareholding structure and shareholders' equity				
(1) Has the Company formulated and complied with the internal operating procedures for handling shareholders' suggestions, doubts, disputes or litigation?		✓	(1) The Company's Finance Department has dedicated personnel to handle shareholders' suggestions, doubts or disputes. If legal matters are involved, they will be referred to the Company's legal counsel for handling.	No significant deviation
(2) Does the Company have a list of the major shareholders with ultimate control over the Company and a list of the ultimate controllers of the major shareholders?	✓		(2) The Company grasps the list of the major shareholders who actually control the Company and the ultimate controllers of the major shareholders, and reports the change in shareholding pursuant to the provisions of the Rules Governing Information Reporting by TWSE Listed Companies.	No significant deviation
(3) Has the Company established and implemented a risk control and a firewall mechanism between itself and affiliates?	✓		(3) The Company's internal control system regulates the supervision of subsidiaries and the management of related party transactions in detail, and the Company has formulated the "Procedures for Endorsement and Guarantee," "Procedure for Lending Funds to Other Parties," and "Procedures for Acquisition or Disposal of Assets." Among them, the risk control and firewalls mechanism for affiliates are properly established.	No significant deviation
(4) Has the Company formulated internal regulations to prohibit insiders from using information undisclosed in the market to trade negotiable securities?	✓		(4) The Company has formulated the "Management Procedures for Internal Material Information Processing and Insider Trading Prevention," "Code of Ethics for Board of Directors and Executives" and "Principles of Ethical Corporate Management." Additionally, the Company holds promotional seminars of the "Management Procedures for Internal Material Information Processing and Insider Trading Prevention" and related laws and regulations to the insiders and employees at least once a year. All of the matters above strictly prohibit the Company insiders and	No significant deviation

Item	Operations			Deviation from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			employees from using undisclosed information in the market to trade negotiable securities.	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Has the Board of Directors established and fully implemented the diversity policy and specific management objectives?</p>	✓		<p>(1) Pursuant to Article 20 of the "Corporate Governance Principles", the Board members shall possess the following abilities: the ability to make operational judgments, to perform accounting and financial analysis, to conduct management administration, to conduct crisis management, knowledge of the industry, an international market perspective, ability to lead, to make policy decisions, knowledge and ability of risk management. The Company's diversity policy has set the specific targets that at least one Director has the practical experience and expertise in law, and three Directors have the practical experience and expertise in finance and accounting. The targets are met currently, and the implementation status is as below: The Company's Board of Directors is composed of members from diverse backgrounds. In addition to evaluating their academic and career experience, the Company complies the "Rules for Election of Directors" and "Corporate Governance Principles" to ensure Directors' diversity and independence. The 14th Board of Directors is composed of nine Directors and three of them are Independent Directors. All members have well-experienced in operational management, leadership and decision-making and related industrial know-how, such as backgrounds in procurement, textile production, finance, accounting, law, and marketing, etc. Each Director is good at leading, operating decisions, operation management, crisis handling and perspectives of international market. Among them, Wei-Han Chen, Shu-Hsuan Tsai, Tai-Yuan Chou, Jih-Chao Li, Rong-Hwa Fang and Jen-Chou Chen have multi-year experience in the textile and garment industry; Wei-Han Chen, Jen-Chou Chen and Wen-Hsiung Chan have the expertise of marketing; Tai-Yuan</p>	No significant deviation

Item	Operations			Deviation from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
(2) Has the Company voluntarily established other functional committees in addition to the Remuneration Committee and Audit Committee established in accordance with the law?		✓	(2) The Company has established the Remuneration Committee and the Audit Committee pursuant to the "Remuneration Committee Charter" and the "Audit Committee Charter," both of which are in good condition. However, the Company has not established other functional committee.	No significant deviation
(3) Has the Company formulated Board of Directors performance evaluation regulations and evaluation methods, conducted performance evaluations annually and regularly, reported the results of performance evaluations to the Board of Directors, and adopted such results as a reference for deciding on the remuneration of and nominating candidates for individual directors?	✓		(3) The Company has established and approved the "Rules for Board of Directors Performance Evaluation" by the Board on March 18, 2020; the performance evaluation is conducted every year regularly. The results of the 2023 performance evaluation of Board of Directors were reported to the Board on January 12, 2024. The performance evaluation of the Board of Directors, Board members, the Audit Committee and the Remuneration Committee, please refer to Page 21. The Company uses the performance evaluation results of the Board of Directors and functional committees as a reference for selecting and nominating the next term of Directors. All Directors of the Company receive fixed remuneration, and do not receive director's remuneration from distribution of earnings, please refer to Page 19.	No significant deviation
(4) Does the Company regularly assess the independence of the CPA?	✓		(4) The Company regularly assesses the independence and competence of attesting CPA every year, and obtains the "Statement of Independence" and the latest "Audit Quality Indicator Report" issued by the attesting accountant firm. By	No significant deviation

Item	Operations			Deviation from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			referring to 13 AQI indicators, the evaluation is conducted. It is confirmed that the CPA and the firm are superior to the average level of auditing experience and training quality among the peers. In addition, in the past three years, they have continued to introduce audit innovative tools to improve audit quality. It is confirmed that the CPAs have no interest or family relationship with the Company, and maintain a fair and objective attitude when providing professional services. The evaluation criteria also include whether the independence is affected by conflicts of interest, self-evaluation, defense, familiarity and coercion. After evaluation, the independence and competence of the Company's CPAs complies with relevant regulations, and the rotation of CPAs also complies with relevant regulations. The evaluation results of the most recent year were discussed and approved by the Audit Committee on March 8, 2024, and submitted to the Board for approval on March 8, 2024.	
4. Has the Company appointed competent and appropriate number of corporate governance personnel and designated a Corporate Governance Officer in charge of corporate governance affairs (including but not limited to providing Directors and Supervisors with the materials required for performance of their duties, assisting Directors and Supervisors to comply with laws and regulations, handling matters related to Board of Directors Meetings and the Shareholders' Meetings, and preparing minutes of Board of Directors Meetings and Shareholders' Meetings)?	✓		The Company has set up the corporate governance unit to protect the rights and interests of Shareholders and strengthen the functions of the Board of Directors. The corporate governance personnel have more than 3 years of experience in finance and shareholder services in public company. To improve the corporate governance, on August 7, 2019, the Board of Directors had approved to set up the Corporate Governance Officer, who concurrently serves by the Finance Manager. In 2023, the Corporate Governance Officer had completed a total of 24 hours of continuing education. The main authorities of the Corporate Governance Officer include handling matters related to Board of Directors Meetings and the Shareholders' Meetings, preparing minutes of Board of Directors Meetings and the Shareholders' Meetings, assisting Directors to take office and continuing education, providing Directors with the materials required for performance of their duties, and assisting them to comply with laws and regulations. The implementation status in 2023 is as below: 1. Provided handbooks related to the Company's business field and	No significant deviation

Item	Operations			Deviation from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			<p>corporate governance when the Directors took office, and regularly updated the handbooks in accordance with the latest laws and regulations.</p> <p>2. Assisted Independent Directors and ordinary Directors in formulating annual continuing education plans and arranging courses based on the Company's industrial characteristics and the academic and career backgrounds of Directors.</p> <p>3. Assisted and reminded Directors to comply with laws and regulations when executing their duties or making resolutions of the Board of Directors. Reviewed the release of material information on major resolutions of the Board of Directors, and ensured the legality and correctness of the content to ensure the equivalence of investor transaction information.</p> <p>4. Prepared the agenda of the Board of Directors Meetings and notified the Directors 7 days before the meeting. Convened meetings and provided meeting materials, and reminded Directors in advance if there is an agenda that Directors shall recuse. Provided the meeting minutes to the Directors after the meeting.</p> <p>5. Pre-registered the Shareholders' Meeting date pursuant to laws and regulations and prepared the meeting notification, handbook for Shareholders' Meetings, and meeting minutes within the statutory time limit. Handled the registration of change when the "Articles of Incorporation" was amended or the Directors were re-elected.</p> <p>6. The Company reminds Directors annually not to trade their shares during the close period of 30 days prior to the announcement of the annual financial report, or 15 days prior to the announcement of the quarterly financial report in the lectures of the prohibition of insider trading. The Company has notified Directors of the dates of the 2023 Board Meetings on October 11, 2023, and notified Directors of the closed period before the announcement of each quarterly financial report on October 23, 2023, to prevent Directors from erroneously violating the regulations.</p>	
5. Has the Company established communication	✓		The Company's website has a stakeholder column, listing main	No significant deviation

Item	Operations			Deviation from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
channels with stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and set up a stakeholder column on the Company's website to properly respond to stakeholders' major CSR issues of concern?			concerns of stakeholders, the communication channels, methods and frequency with the related units, to quickly responds to stakeholders' questions and suggestions. Actual cases of communication with stakeholders in 2023 have been recorded on the Company's website.	
6. Does the Company appoint a professional stock affairs agency to handle the affairs related to Shareholders' Meetings?	✓		The Company commissions the Shareholder Service Agency Department of Capital Securities to handle the Shareholders' Meetings.	No significant deviation
7. Information disclosures				
(1) Has the Company set up a website to disclose information on financial and corporate governance?	✓		(1) The column of "Investor Relations" has been set up on the Company's website to disclose information related to financial and corporate governance in a timely manner.	No significant deviation
(2) Does the Company adopt other methods to disclose information (such as setting up an English website, designating personnel to collect and disclose company information, implementing a spokesperson system, or placing the proceeding of investor conferences on the Company website)?	✓		(2) The Company has set up spokesperson and deputy spokesperson to implement the information disclosure; regularly holds the Investor Conference every year and discloses the proceeding on the Company website. Furthermore, the Company has a Chinese and English website and has dedicated personnel responsible for collecting Company's information, and discloses relevant information on the MOPS and the Company's website in accordance with the provisions regularly or irregularly.	No significant deviation
(3) Does the Company announce and submit an annual financial report to the competent authority within two months after the end of each fiscal year and announce and submit the financial reports for the first, second, and third quarters and the operations of each month to the competent authority before a specified deadline?	✓		(3) The Company announces and declares quarterly financial reports and monthly operating conditions in advance before the required deadlines.	No significant deviation
8. Does the Company have other important information that facilitates the understanding of the operations of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, Directors' and Supervisors' continuing	✓		(1) Employee rights: the Company has always treated employees with integrity and protected their legitimate rights and interests pursuant to the Labor Standards Act. (2) Employee care: the Company has established a good relationship of mutual trust and reliance with employees through enriching and stabilizing their lives and a good education and training	No significant deviation No significant deviation

Item	Operations			Deviation from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
education, the implementation of risk management policies and risk measurement standards, the implementation of client policies, and the Company's purchase of Directors' and Supervisors' liability insurance)?			<p>system, such as: health check subsidies, providing dormitories, parking lots, and meals for overseas employees. Through the Employee Welfare Committee, the employees' needs for weddings, funerals, and medical care are taken care of, with subsidies provided, for the most substantial help to employees.</p> <p>(3) Investor relations: the Company has set up the spokesperson and deputy spokesperson to handle the shareholders' suggestions.</p> <p>(4) Supplier relationship: the Company maintains good relationships with suppliers, and gradually establishes a supplier inspection mechanism.</p> <p>(5) Stakeholders' rights: the stakeholders can communicate with the Company and provide suggestions to safeguard their legitimate rights and interests at any time.</p> <p>(6) Directors' continuing education: the Company's Directors all have industrial professional backgrounds and practical experience in operation and management. Their continuing education have been disclosed in the "Corporate Governance column of the MOPS."</p> <p>(7) Implementation of risk management policies and risk measurement standards: the Company has formulated the various internal management regulations which complied with laws and regulations to conduct the risk management and assessment.</p> <p>(8) Implementation of customer policies: the Company maintains a stable and good relationship with customers, and creates operating profits under the premise of implementing sustainable development.</p> <p>(9) Liability insurance for Directors: the Company purchased the liability insurance for all Directors and executives, with the coverage of US\$1 million, to reduce and diversify the risk of significant damage to the Company and Shareholders due to the mistakes or negligence of Directors and executives. (Had reported to the Board of Directors Meetings on May 5, 2023 and May 6,</p>	<p>No significant deviation</p> <p>No significant deviation</p> <p>No significant deviation</p> <p>No significant deviation</p> <p>No significant deviation</p> <p>No significant deviation</p> <p>No significant deviation</p>

Item	Operations			Deviation from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			2024.)	
<p>9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the recent year by the Corporate Governance Center of Taiwan Stock Exchange and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. The implementation of sustainable development will be enhanced continuously, and a Sustainability Report has been released on June 30, 2023.</p>				

(4) The composition and operation of Remuneration Committee:

1. Composition: Information of 6th Remuneration Committee members is as follows:

May 10, 2024

Title (Note 1)	Criteria		Independence	Number of serve as Remuneration Committee member at other public companies
	Name	Professional qualifications and experience		
Independent Director (Convener)	Wen-Hsiung Chan	Obtained a degree in international business management, with rich experience in financial planning, analysis of investment strategies, and operation and management practice; Independent Director of Biostar Microtech International Corp., Champion Microelectronic Corp., and Elitegroup Computer Systems Co., Ltd.; Director of iCatch Technology, Inc., Sunplus Technology Co., Ltd., eChem Solutions Corp., and Yen Wen Asset Management Consulting Co., Ltd.; Representative of Corporate Director of eChem Solutions Corp., Ability Enterprise Co., Ltd., Oleader Technologies Co., Ltd., Hiyes International Co., Ltd., and Ssu Wei Synthetic Biotech Co., Ltd. Do not violate any clause under Article 30 of Company Act.	None of the Remuneration Committee member, his spouse or relatives within the second degree of kinship are hired by the Company and its affiliates as a Director, a Supervisor or an employee. The shareholdings and ratio of shares of the Company hold by the Remuneration Committee member, his spouse or relatives within the second degree of kinship (or under others' names) are zero. The Remuneration Committee member has not hired by any company having a specified relationship with the Company as a Director, a Supervisor or an employee. The Remuneration Committee member has not provided any commercial, legal, financial, or accounting services to the Company or its affiliates in recent two years.	3
Independent Director	Chu-Feng Yang	Obtained a degree in business administration and the license of CPA; with rich experience in financial report, tax return attesting, and administrative relief for tax; Former Senior Auditor of Deloitte & Touche; CPA at ACCPRO Accounting Firm; Supervisor of Star Era International Co., Ltd. Do not violate any clause under Article 30 of Company Act.	None of the Remuneration Committee member, his spouse or relatives within the second degree of kinship are hired by the Company and its affiliates as a Director, a Supervisor or an employee. The shareholdings and ratio of shares of the Company hold by the Remuneration Committee member, his spouse or relatives within the second degree of kinship (or under others' names) are zero. The Remuneration Committee member has not hired by any company having a specified relationship with the Company as a Director, a Supervisor or an employee. The Remuneration Committee member has provided commercial, legal, financial, and accounting services to the Company or its affiliates in recent two years for NT\$ 35,000.	
Others	Kao-Chung Tsai	Obtained a master degree in economics, with rich experience in financial investments, capital market, and operation and management; Chairman of Yiyou Management Consulting Co., Ltd.; Vice Chairman of Champion Microelectronic Corp.; Director of GlycoNex Incorporation; Independent Director and Remuneration Committee member of Sonix Technology Co., Ltd., Microbio Co., Ltd., Holy Stone Healthcare Co. Ltd., Double Bond Chemical Ind. Co., Ltd., and Remuneration Committee member of Polaris Group. Do not violate any clause under Article 30 of Company Act.	None of the Remuneration Committee member, his spouse or relatives within the second degree of kinship are hired by the Company and its affiliates as a Director, a Supervisor or an employee. The shareholdings and ratio of shares of the Company hold by the Remuneration Committee member, his spouse or relatives within the second degree of kinship (or under others' names) are zero. The Remuneration Committee member has not hired by any company having a specified relationship with the Company as a Director, a Supervisor or an employee. The Remuneration Committee member has not provided any commercial, legal, financial, or accounting services to the Company or its affiliates in recent two years.	5

2. Duties: The Remuneration Committee shall exercise the care of a good administrator in faithfully performing its responsibilities and shall submit its recommendations for deliberation by the Board of Directors.

- ① Periodically examine the Remuneration Committee Charter and furnish advice.
- ② Prescribe and periodically review the performance evaluation and remuneration policy,

system, standards, and structure for Directors and executives.

- ③ Periodically evaluate the achievement of Directors' and executives' performance and determine the contents and amounts of individual remunerations.

3. Operations:

- ① The Remuneration Committee has three members, including two Independent Directors, Wen-Hsiung Chan and Chu-Feng Yang.
- ② The term of the 5th members was from June 16, 2020 to June 15, 2023. On June 13, 2023, the Company held a re-election of the Remuneration Committee.
The term of the 6th members is from June 13, 2023, to June 12, 2026.
Total 3 meetings (A) were held in 2023. Attendance of each member is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance (%)【B/A】	Remarks
6 th Term Convener	Wen-Hsiung Chan	3	0	100	Re-elected on June 13, 2023
6 th Term Committee member	Chu-Feng Yang	3	0	100	Re-elected on June 13, 2023
6 th Term Committee member	Kao-Chung Tsai	3	0	100	Re-elected on June 13, 2023

- ③ During 2023, the discussions and resolution results of the Remuneration Committee, and the measures taken by the Company with respect to the members' opinion.

Meeting date	Description of proposal	Resolution results	The Company's responses to Remuneration Committee's opinions.
January 17, 2023 8 th meeting 5 th Term	<ul style="list-style-type: none"> Proposal of 2022 year-end performance bonus to executives. 	Approved by all attending members of the committee.	Implemented as the resolution adopted by the Remuneration Committee
July 20, 2023 1 st meeting 6 th term	<ul style="list-style-type: none"> Proposal to determine the remuneration of the Chairman, Wei-Han Chen. Proposal to determine the remuneration of Associate Vice President, Tai-Yuan Chou, for his promotion to Vice President. Proposal to determine the remuneration of the Associate Vice President, Shu-Hua Hsu, and Associate Vice President, Jen-Chou Chen. 	Approved by all attending members of the committee.	Implemented as the resolution adopted by the Remuneration Committee
October 19, 2023 2 nd meeting 6 th term	<ul style="list-style-type: none"> Proposal for the procurement of a company car for the Vice President. Proposal for organizational personnel changes in the Textile Division. 	Approved by all attending members of the committee.	Implemented as the resolution adopted by the Remuneration Committee

Other required disclosure:

- If the Board of Directors did not adopt or amend the Remuneration Committee's suggestions, the date and session of the Board of Directors Meeting, the content of the proposal, the results of the resolutions by the Board of Directors, and the Company's response to the opinions shall be specified (if the remuneration approved by the Board of Directors is better than the Remuneration Committee's suggestions, the difference and the reasons therefore shall be specified): none.
- If any Committee member has expressed opposition or reservations to the resolution, which have been recorded or put in writing, the date and session of the Remuneration Committee Meeting, the content of the proposal, the opinion of each member and the responses to the opinion shall be specified: none.

(5) Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons:

Item	Operations			Deviation from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
1. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development with authorization from the Board of Directors for senior management, and how is the supervision of the Board of Directors?	✓		1. On September 16, 2021, the Company formally established the Sustainable Operation Division upon the resolution of the Board of Directors. The current head of the division is Vice President, Tai-Yuan Chou. The division quarterly reports the implementation of sustainable development to the Board of Directors, aiming to respond to the 17 SDGs of the United Nations, promoting the Company to move forward to the sustainable development in the three major aspects: economic growth, social progress, and environmental protection, and integrating the sustainable development into the Company's operations. The responsibilities of the division are to formulate and implement policies, strategies and related systems, and lead the teams in each production area to implement various plans, for leading the teams to achieve the goal of sustainable development in the systematic and organized manner. The Board of Directors also tracks the implementation progress quarterly and makes the timely recommendations. The “Sustainable Operation Division” serves as the cross-function platform which integrates vertically and horizontally. Through quarterly meetings and task groups formed based on issues, the committee identifies sustainable issues related to the Company's operations and stakeholders' concerns, formulates corresponding strategies and work guidelines, prepares budgets related to each organization and sustainable development, and plans and implements the annual programs. Meanwhile, the committee tracks the implementation results to ensure that the sustainable development strategy is fully implemented in the Company's daily operations. The head of Sustainable Operation Division quarterly reports the implementation results and future work programs to the Board of Directors. In 2023, total of four reports were made, and the contents of the proposals included: the installation of renewable energy generation equipment, greenhouse gas inventories and verification, plans to reduce water usage in production, post-implementation management and practice of the ISO 14001 Environmental Management System, introduction of natural gas pipelines into the factory, discussion of GBVH cases, scheduling and planning reports for greenhouse gas inventory in sustainable development, and revisions to targets and policies related to sustainability issues. In 2023, the Corporate Governance Officer reported once at a Board of Directors Meeting, and the contents of the proposals included: the 2023 actual cases of communications with stakeholders and the implementation status of the Company's Principles of Ethical Corporate Management in the most recent year. The Company's Board of Directors listens to the management's reports ever quarter, carefully assesses the possibility of success and progress of strategies based on the sustainable development policy goals proposed by the management, and supervises the management to make strategic adjustments when necessary.	No significant deviation

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2. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		<p>2. In accordance with the materiality principle for sustainable development, the Company has conducted relevant risk assessments on major issues, the relevant risk management policies or strategies based on the assessed risks are as below: (coverage: Parent company and subsidiaries)</p> <table border="1"> <thead> <tr> <th>Major issues</th> <th>Item of risk assessment</th> <th>Risk management policies or strategies</th> </tr> </thead> <tbody> <tr> <td>Environmental protection</td> <td>Environmental impacts and management</td> <td> <p>1. The Company has formulated the environmental protection management plans to implement the process management and equipment improvement for environmental protection issues, for reducing pollution discharge, energy utilization and enhancement of water resources management, while effectively reducing the impact on the environment.</p> <p>2. In 2022, Ninh Binh District in Vietnam has formally introduced the ISO 14001 Environmental Management System and successfully obtained third-party certification. By establishing SOPs to strengthen factory environmental management, formulating procedures for individual environmental issues, clearly defining the responsibilities of each department and dedicated personnel (including department heads and relevant executives), and implementing periodic internal education and auditing, the Company continuously reviews the overall execution of environmental protection within the factories, reaffirming the commitment to environmental responsibility.</p> <p>3. The Lesotho District regularly accepts third-party environmental assessments (Hygiene Survey) to track and improve factory environmental safety.</p> <p>4. The Company's production areas adopt the sustainable measurement tool (Higg Index) launched by the Sustainable Apparel Coalition to evaluate water resource utilization and quality, management of energy, greenhouse gases and waste ,and implementation of chemicals and toxic substances, in order to reduce environmental impacts of factory processes and enhance the emphasis on and implementation of</p> </td> </tr> </tbody> </table>	Major issues	Item of risk assessment	Risk management policies or strategies	Environmental protection	Environmental impacts and management	<p>1. The Company has formulated the environmental protection management plans to implement the process management and equipment improvement for environmental protection issues, for reducing pollution discharge, energy utilization and enhancement of water resources management, while effectively reducing the impact on the environment.</p> <p>2. In 2022, Ninh Binh District in Vietnam has formally introduced the ISO 14001 Environmental Management System and successfully obtained third-party certification. By establishing SOPs to strengthen factory environmental management, formulating procedures for individual environmental issues, clearly defining the responsibilities of each department and dedicated personnel (including department heads and relevant executives), and implementing periodic internal education and auditing, the Company continuously reviews the overall execution of environmental protection within the factories, reaffirming the commitment to environmental responsibility.</p> <p>3. The Lesotho District regularly accepts third-party environmental assessments (Hygiene Survey) to track and improve factory environmental safety.</p> <p>4. The Company's production areas adopt the sustainable measurement tool (Higg Index) launched by the Sustainable Apparel Coalition to evaluate water resource utilization and quality, management of energy, greenhouse gases and waste ,and implementation of chemicals and toxic substances, in order to reduce environmental impacts of factory processes and enhance the emphasis on and implementation of</p>	No significant deviation
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3. Environmental issues												
(1) Has the Company set an environmental management system designed to industry characteristics?	✓		(1) Based on the industry's characteristics, the Company's production areas adopt sustainability measurement tool (Higg Index) launched by the Sustainable Apparel Coalition for environmental evaluation. For 2023, all production areas have been verified by third parties. At the Ninh Binh Factory in Vietnam, the introduction of the ISO 14001 Environmental Management System has led to the formulation of 19 types of management procedures related to environmental issues such as the environmental management manual. The formulation of the procedures not only allow all employees of the factory to understand the Company's environmental policies, but also allow dedicated personnel (including department heads and relevant executives) to have the compliance foundation when implementing internal audits, so as to strengthen the attentions of the Company's employees to environmental issues, and implement the environmental protection, energy-saving and waste reduction policies. For 2022, the Ninh Binh Factory has been verified by a third party. According to the requirements of the Environmental Protection Administration of the Executive Yuan, the Parent Company follows the ISO14064-1 and the Guidelines for Greenhouse Gas Emission Inventory, to conduct annual greenhouse gas inventory since 2021, and the regular third-party verification since 2022, to examine our greenhouse gas emissions, track major emission sources in the factory and formulate carbon reduction strategies For 2022, the Parent Company has been verified by a third party.	No significant deviation								
(2) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?	✓		(2) The Company continuously promotes energy-saving improvement measures such as energy consumption reduction during processes, energy reuse, waste heat recovery and reuse, use of biomass fuel, equipment efficiency improvement, and energy management. To counter the global climate change and reduce depletion of resources, the Company continues to expand energy-saving equipment every year, establishes the iEN cloud-based energy management system platform and installs digital electricity meters, to monitor electricity consumption information in real time and exert the effect of instant control.	No significant deviation								
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(3) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	✓		(3) The Company always pays attention to the impact of operating activities on climate change and is committed to reducing greenhouse gas emissions. The Company also monitors the use of energy resources and makes continuous improvements. Furthermore, the Company complies with the TCFD framework to assess the Company’ current and future risks, opportunities and countermeasures of climate change.	No significant deviation																				
(4) Has the Company counted the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and formulated policies on greenhouse gas reduction, water consumption reduction, or other waste management?	✓		<p>(4) The Company’s production areas adopt the sustainable measurement tool (Higg Index) launched by the Sustainable Apparel Coalition to evaluate water resource utilization and quality, management of energy, greenhouse gases and waste, and implementation of chemicals and toxic substances, in order to reduce environmental impacts of factory processes and enhance the emphasis on and implementation of corporate social responsibility in various production areas around the world. The Ninh Binh District in Vietnam has introduced the ISO 14001 Environmental Management System and implemented internal education for dedicated personnel. In order to implement the Company’s compliance with environmental protection laws and regulations and supports to the concept of sustainable operation, the Company has completed related procedures regarding the Company’s textile manufacturing process and its impacts on the surrounding environment individually, such as identification of environmental protection laws, organizational analysis, environmental considerations assessment and management, air pollution management, water pollution management, waste management, chemical management, evaluation of monitoring and measurement and internal auditing.</p> <p>The main emission sources of the Parent Company’s greenhouse gas inventory are purchased electricity, bituminous coal burned by boilers and fuel oil. Purchased electricity accounts for more than 75% of total emissions, and the rest are stationary emission sources (such as bituminous coal burned by boilers, fuel oil and liquefied petroleum gas), mobile emission sources (gasoline and diesel of official vehicles and fork-lifts), process emission sources (acetylene) and fugitive emission sources (such as refrigerants, septic tanks and fire extinguishers). The greenhouse gas inventory for 2022 was verified by a third party in July 2023, and a Verification Opinion was obtained. The verification authority was Bureau Veritas Certification (Taiwan) Co., Ltd., and the verification scope included the Houlong Textile Factory in Taiwan and the Taipei Office.</p> <p>Greenhouse gas emissions in the last three years (coverage: Parent Company)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1 (tonCO₂e)</th> <th>Scope 2 (tonCO₂e)</th> <th>Total emissions (tonCO₂e)</th> <th>emissions product per unit (tonCO₂e/square yard)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>14,000.6174</td> <td>23,290.3922</td> <td>37,291.0096</td> <td>0.0011</td> </tr> <tr> <td>2022</td> <td>15,166.9434</td> <td>19,221.8104</td> <td>34,388.7538</td> <td>0.0012</td> </tr> <tr> <td>2023</td> <td>5,117.8198</td> <td>15,642.0275</td> <td>20,759.8473</td> <td>0.0009</td> </tr> </tbody> </table>	Year	Scope 1 (tonCO ₂ e)	Scope 2 (tonCO ₂ e)	Total emissions (tonCO ₂ e)	emissions product per unit (tonCO ₂ e/square yard)	2021	14,000.6174	23,290.3922	37,291.0096	0.0011	2022	15,166.9434	19,221.8104	34,388.7538	0.0012	2023	5,117.8198	15,642.0275	20,759.8473	0.0009	No significant deviation
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			<p>The Company pays attention to issues regarding water resources, energy-saving and environmental protection. In terms of manufacturing process, through new technology research and development, improvement of water washing formula, introduction of eco-friendly ozone treatment machine and upgrading of dyeing machine, the water consumption of the factory is effectively reduced, while being committed to recycle the waste water to increase the reuse rate of recycled water.</p> <p>Water consumption over the last three years (coverage: Parent Company and subsidiaries, the data has not been verified).</p> <p>Textile Production Division</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total water consumption (liter)</th> <th>Water consumption of product per unit (liter/ sq yard)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>3,207,922,900.00</td> <td>35.46</td> </tr> <tr> <td>2022</td> <td>1,886,987,000.00</td> <td>22.54</td> </tr> <tr> <td>2023</td> <td>1,300,863,000.00</td> <td>23.02</td> </tr> </tbody> </table> <p>Garment Production Division</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total water consumption (liter)</th> <th>Water consumption of product per unit (liter/ item)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>883,904,000.00</td> <td>83.01</td> </tr> <tr> <td>2022</td> <td>548,912,000.00</td> <td>51.10</td> </tr> <tr> <td>2023</td> <td>603,817,000.00</td> <td>62.58</td> </tr> </tbody> </table> <p>The Company implements the garbage classification system and the recycling management of available resources to reduce the amount of waste output in the factory year by year and improve the recycling rate of discarded usable consumable resources. Moreover, the Company purchased new sludge dehydration equipment to treat wet sludge, which effectively saved transportation costs by saving water consumption and reducing sludge weight.</p> <p>Waste output over the last three years (coverage: Parent Company and subsidiaries, the data has not been verified)</p> <p>Textile Production Division</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Hazardous waste (ton)</th> <th>Non-hazardous waste (ton)</th> <th>waste of product per unit (kg/square yard)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>3,103.5</td> <td>4,801.79</td> <td>0.09</td> </tr> <tr> <td>2022</td> <td>3,267.11</td> <td>5,083.74</td> <td>0.10</td> </tr> <tr> <td>2023</td> <td>3,413.01</td> <td>4,092.45</td> <td>0.13</td> </tr> </tbody> </table>	Year	Total water consumption (liter)	Water consumption of product per unit (liter/ sq yard)	2021	3,207,922,900.00	35.46	2022	1,886,987,000.00	22.54	2023	1,300,863,000.00	23.02	Year	Total water consumption (liter)	Water consumption of product per unit (liter/ item)	2021	883,904,000.00	83.01	2022	548,912,000.00	51.10	2023	603,817,000.00	62.58	Year	Hazardous waste (ton)	Non-hazardous waste (ton)	waste of product per unit (kg/square yard)	2021	3,103.5	4,801.79	0.09	2022	3,267.11	5,083.74	0.10	2023	3,413.01	4,092.45	0.13	
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			<p>Garment Production Division</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Hazardous waste (ton)</th> <th>Non-hazardous waste (ton)</th> <th>waste of product per unit (kg/ item)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>1,829.38</td> <td>2,537.87</td> <td>0.41</td> </tr> <tr> <td>2022</td> <td>3,783.71</td> <td>2,166.13</td> <td>0.55</td> </tr> <tr> <td>2023</td> <td>2,499.46</td> <td>2,455.38</td> <td>0.51</td> </tr> </tbody> </table> <p>The Company has formulated environmental protection management plans with relevant policies and goals for environmental protection issues, energy utilization, water resources and waste management, which will help the Company to continuously improve the environmental protection performance and achieve the goal of sustainable operation.</p> <p>Strategic targets (Houlong Textile Factory, Taiwan)</p> <table border="1"> <thead> <tr> <th rowspan="2">Strategic targets</th> <th colspan="2">Target formulation</th> </tr> <tr> <th>Base year</th> <th>Target value</th> </tr> </thead> <tbody> <tr> <td>Reduction of GHG</td> <td>Taking 2016 as the base year, the greenhouse gas emissions were 24,651,708.69 kgCO₂e, and the emissions per square yard were 1.27 kgCO₂e</td> <td>50% reduction in greenhouse gas emissions per square yard by 2025</td> </tr> <tr> <td>Water resource utilization</td> <td>Taking 2016 as the base year, the water consumption of the whole factory was 598,896,000 L, and the power consumption per square yard was 30.88 L</td> <td>1. 20% reduction in water use per square yard by 2023 2. 40% reduction in water use per square yard by 2025</td> </tr> <tr> <td>Waste management</td> <td></td> <td>1. Recyclable waste (category R) accounts for more than 50% of general industrial waste (category D + category R) 2. 70% reduction in moisture content of wet sludge</td> </tr> </tbody> </table>	Year	Hazardous waste (ton)	Non-hazardous waste (ton)	waste of product per unit (kg/ item)	2021	1,829.38	2,537.87	0.41	2022	3,783.71	2,166.13	0.55	2023	2,499.46	2,455.38	0.51	Strategic targets	Target formulation		Base year	Target value	Reduction of GHG	Taking 2016 as the base year, the greenhouse gas emissions were 24,651,708.69 kgCO ₂ e, and the emissions per square yard were 1.27 kgCO ₂ e	50% reduction in greenhouse gas emissions per square yard by 2025	Water resource utilization	Taking 2016 as the base year, the water consumption of the whole factory was 598,896,000 L, and the power consumption per square yard was 30.88 L	1. 20% reduction in water use per square yard by 2023 2. 40% reduction in water use per square yard by 2025	Waste management		1. Recyclable waste (category R) accounts for more than 50% of general industrial waste (category D + category R) 2. 70% reduction in moisture content of wet sludge	
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4. Social issues				
(1) Has the Company formulated any management policies and procedures in accordance with relevant laws, regulations and the International Bill of Human Rights?	✓		<p>(1) The Company has formulated human rights policies in accordance with "International Human Rights Law," and strengthens the provisions on gender equality and safety in the workplace by referring to "Convention on the Elimination of all Forms of Discrimination Against Women" and "Convention on the Rights of the Child" in the International Bill of Human Rights. Moreover, the Company has set up an identification mechanism when hiring employees to prevent child labor. According to "Seven Core Conventions on Labor Standards Protection" and "Ten Principles of the United Nations Global Compact" announced by the International Labor Organization (ILO), the Company has formulated human rights protection policies that strictly abides by the local labor laws and regulations of the Company's global production areas.</p> <p>In November 2021, the Company has revised the Work Rules and added the procedures for the protection of female employees and the prevention, appeal and punishment of sexual harassment in the workplace. This revision has been approved by the competent authority in January 2022, giving the Company an additional substantive guarantee in terms of gender equality, sexual harassment and gender discrimination prevention.</p> <p>In addition, the Company holds labor-management meetings quarterly to provide a comprehensive labor-management communication platform. In terms of human rights protection, the Company has formulated corresponding policies and procedures on various human rights issues to comply with relevant laws and regulations. By Adopting the action policy consistent with Responsible Business Alliance (RBA), the Company is committed to ensuring that each employee is treated fairly and respected in the workplace of the Company. In order to allow employees to fully understand the Company's relevant information, the Company uses local languages to communicate with employees in factories around the world.</p>	No significant deviation
(2) Has the Company formulated and implemented reasonable employee benefit measures (including compensation, leave, and other benefits) and reflected business performance or achievements in employee compensation appropriately?	✓		<p>(2) The Company has formulated relevant compensation and personnel management regulations. The salary, working hours, overtime, leaves, labor and health insurance, and labor pension of employees comply with the provisions of the Labor Standards Act. The table of salary range by job level and position is established to prevent the occurrence of unequal pay for equal work. Moreover, the Company has set up the Employee Welfare Committee to handle various benefit matters, including birthday cash gift, festival gift vouchers, wedding cash gift, funeral condolence money, hospitalization condolence money, education subsidies for employees' children, and travel subsidies, among many other benefits. The Company's incentive system is based on the Company's profit and linked to the performance of departments and individuals, so that employees with high contributions receive rewards positively related to the operation performance. In 2023, the Company's average salary increase for the managers and non-manager employees in Taiwan was 1.3%. The related incentive system, please refer to Pages 87-89. In addition to achieving equal pay for equal work and equal reward systems in the workplace, the Company also ensures the employment and work rights of female employees. In 2023, women comprised 57% of our</p>	No significant deviation

Item	Operations			Deviation from “ Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(3) Does the Company provide employees with a safe and healthy work environment and offer safety and health education to employees regularly?	✓		<p>workforce, with 37% of senior management positions held by women.</p> <p>(3) The Company’s core philosophy emphasizes that healthy and happy employees can increase productivity and reduce costs. Regular safety and health lectures and health consultations are held, and fire emergency evacuation drills are held twice a year in each workplace. In order to ensure the safety of employees and prevent accidents in the workplace, the Company hires fire service instructors twice a year to conduct on-site education and training on fire reporting, fire extinguishing, evacuation guidance, safety protection, and first-aid. Moreover, based on the production process, the Company standardizes SOPs for each process, such as spinning, dyeing and sizing, weaving, handling, and warehouse management, so that employees in relevant positions can safely complete tasks in accordance with SOPs. When new employees join the Company, the occupational safety-related education and training are conducted in the orientation, to enable all employees to work safely based on SOPs, and ensure the safety and health of all employees of the Company in the workplace. The Company irregularly accepts third-party corporate social responsibility audits from customers each year to continuously optimize and align relevant regulations with international standards. The Houlong Textile Factory in Taiwan and Ninh Binh District in Vietnam conduct annual assessments of the Factory Social and Labor Module (Higg FSLM). For 2023, third-party verification was completed for these evaluations. Additionally, the Company conducts regular health checks for employees in every December, holds monthly safety and health lectures, hires specialist doctors to conduct personal health consultations for employees once a month, and conducts follow-up visits and follow-up management for employees with abnormal inspection results. The health consultation provided by the Company includes medication safety, stress management, and correct diet in daily life, to comprehensively protect the physical, mental and spiritual health of employees. In addition, to improve and create a friendly workplace environment and workplace childcare environment (e.g. breastfeeding room), the Company has engaged a registered childcare service agency to handle the childcare service, for employees to work without concern.</p> <p>The Company holds the on-site operating environment measurement twice a year, and strengthens the planning and implementation of the improvement for the working environment (e.g. the temperature monitoring system of spinning factory and weaving factory) based on the measurement results. The relevant regulations on wearing protective equipment for employees in the workplace are described as below:</p> <ol style="list-style-type: none"> 1. Monthly distribution of dust masks to employees in the factory. 2. Quarterly distribution of hearing protectors to employees in spinning factory and weaving factory. 3. Regularly replace the goggles, protective clothing, protective gloves and safety shoes of dyeing, sizing, and security personnel. However, if any damage occurs, it will be replaced immediately to maintain the health of employees. 	No significant deviation

Item	Operations			Deviation from “ Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(4) Has the Company established an effective career development training program for employees?	✓		<p>In 2023, there were a total of 529 occupational accidents involving 529 employees, which represented 6.2% of the total number of employees at the end of the year. The Company holds regular monthly occupational safety and health management meetings to review any occupational accidents that occurred during the month. Additionally, by establishing improvement strategies and objectives through hazard identification and risk assessment, we strictly monitor the implementation of control measures. Through safety and health education and training, we enhance employees' understanding of the Occupational Safety and Health Act and the Company's safety and health management systems to ensure their safety during work hours and reduce the occurrence of hazards.</p> <p>(4) The Company conducts the orientation for new employees on the day of taking office, enabling the employees to understand the Company's philosophy, vision, organizational structure and related benefits in the first time, in addition, the Company also arranges a factory clerkship courses to help employees to understand the cross-function works and improve the effectiveness of cross-function communication. Moreover, there is a learning plan for new employees to develop their career step by step. The domestic and overseas education and training for employees are conducted irregularly, with the arrangement of a coaching mechanism, each employee is entitled to a complete learning program during the training period, seeking to establish effective career development for employees.</p> <p>In addition, through the external training application system for employees, employees can apply for courses related to their own functions, to have differentiated learning channels and environments based on individual needs. Through the integration of learning resources, the company is committed to enabling employees to expand their knowledge fields and develop professional skills, and apply what they have learned to practical work, and thus improve work ability and efficiency, strengthen communication skills, and problem-solving abilities.</p>	No significant deviation
(5) Does the Company comply with relevant laws, regulations and international standards regarding issues of products and services, such as customer health and safety, customer privacy, marketing and labeling? Has the Company formulated relevant policies and complaint procedures to protect consumers' or customers' rights and interest?	✓		<p>(5) The Company's products strictly comply with the requirements of relevant international laws and regulations, to clearly label the product ingredients and origin. The Company has formulated standard operating procedures for handling customer complaints and established a customer-oriented quality system. Under this standard, by using objective methods to comprehensively assess customer satisfaction with the Company's products or services, the Company can find out the gap between customer needs and expectations, and takes the assessment results as the basis for improving the quality system, to achieve the goal of sustainable operation, and establish smooth communication channels with customers to facilitate customers to raise problems timely for protecting their rights and interests.</p>	No significant deviation
(6) Has the Company formulated a supplier management policy, required suppliers to follow relevant regulations on issues, such as environmental protection, occupational safety and health, and labor rights? The implementation thereof?	✓		<p>(6) The Company has always prioritized green enterprises as partners, and evaluates whether suppliers have poor records in terms of the environment or society in the past before conducting transactions, hoping to work together with suppliers to improve corporate social responsibility. Currently, the Company has required chemical material suppliers to provide product ingredient labels and completed the relevant procurement and management procedures to ensure compliance with the regulations of Zero Discharge of Hazardous Chemicals (ZDHC). The Company has established the Chemical Management Committee to</p>	No significant deviation

Item	Operations			Deviation from " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			continuously pay attention to the regulations of ZDHC and take charge of the discussions and progress control of related matters, to achieve the goal of improving efficiency and quality, reducing energy and resource waste, and "energy-saving and waste reduction" with eco-friendly, in order to reduce the impacts on the environment. The Company has no long-term contracts with major suppliers; therefore, when a supplier violates its corporate social responsibility policy and has a significant impact on the environment and society, the Company may terminate the transaction at any time.	
5. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as a Sustainability Report that discloses the Company's non-financial information? Has a third-party verification entity provided assurance or assurance opinion for said report?		✓	5. The Company currently follows the GRI standards and references SASB and TCFD guidelines. The 2022 Sustainability Report was released in June 2023, and 2023 Sustainability Report is expected to be released in August 2024.	No significant deviation
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Company has not yet established our own Sustainable Development Best Practice Principles, but still continuously implements the related goals of sustainable development pursuant to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.				
7. Other important information that facilitates the understanding of the promotion of sustainable development: The Company attaches importance to labor-management relationship. As the issues of human rights, environmental protection, and counter-terrorism received more and more attention in recent years, customers will check the implementation of relevant issues in the factory before placing orders; therefore, fulfilling social responsibility is no longer a cost of the Company, but an important investment to create performance and profit. The relevant operations are as below: (1) In terms of sustainable development, the Company insists the spirit of taking from the society and giving back to the society, paying attention to maintaining a good relationship with the community and neighbors. The Company's Houlong Textile Factory has sponsored to local volunteer firefighters, volunteer policemen, and community development associations for many years, contributing to the environmental safety of local residents. In addition to benefiting the livelihood and safety of local residents, it also improves the safety of the surrounding environment of the factory and provides a safe and friendly workplace for employees. Furthermore, we also respond to the "Straw Decomposing Bacteria Promotion Subsidy Program" of the Environmental Protection Administration, to reduce the air pollution caused by burning straw, and guide farmers' concept on the disposal of remaining materials in a step-by-step and friendly manner. (2) In addition to focusing on good relations with the community and neighbors, as well as the environmental improvement, for the enthusiasm of public welfare, we also cooperate with blood donation centers to encourage the employees to roll up their sleeves and donate the blood on a regular basis, so our love can help more people in society. (3) Since 2020, the Company has continued to carry out industry-academy collaboration and successfully worked with colleges including Takming University of Science and Technology (Department of Marketing Management) to cultivate talents. In 2022, the scope has expanded to all colleges and universities and institutes of textile in Taiwan, so that we can arrange internships through industry-academy collaboration, to help students to understand the industry, and provide students with employment opportunities to enrich the experience needed for future careers. (4) Implement the regulations and spirit of the International Labor Organization. Currently, the Company is promoting the activity "Better Work" in Vietnam, actively improving the working conditions in developing country. (5) The operations of factories around the world are equipped with qualified wastewater treatment equipment. The Company will continuously adopt and introduce more environmentally friendly methods for the global operations. In 2007, we have established a waste water recycling system in Lesotho, successfully reducing the use of water				

Item	Operations			Deviation from “ Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			resources by more than 50%. The improvement of Mexico’s wastewater system has successfully improved the quality of discharged water and reduced the use of chemicals by 70%. The improvement of Lesotho’s wastewater system has successfully improved the quality of discharged water, and reduced the use of chemicals by 70%; moreover, the adoption of environmentally friendly dyes effectively reduces the COD emissions in wastewater, the use of related chemicals by 11 tons/month, the sludge output by 66 tons/month, and water consumption by 180 tons/month.	
			(6) For better the organizational structure and management, in 2019, the Company engaged Deloitte & Touche to execute the project reforming the corporate culture and personnel structure. This project will establish the long term corporate culture and core values through the short- and mid-term organizational structure, performance appraisal, training, and improvement and integration of the personnel system.	
			(7) In order to improve the concept of anti-sexual harassment and gender equality among employees in the production areas, the Ninh Binh and Lesotho factories have conducted anti-sexual harassment education and trainings for all employees and officers. The Lesotho District cooperated with the local NGO, Help Lesotho, to have the trained youth group, GIRL4ce, visit to the factories to advocate and perform as a tour. Through dance, wonderful drama, inspiring speeches and interactions, the themes of anti-sexual harassment, HIV-AIDS, domestic violence, gender equality, and women’s empowerment are presented in an easy-to-understand and vivid manner, to promote gender equality culture in factories.	
			(8) Since 2009, the Company has successively invested and adopted new energy-saving lights to improve the efficiency of energy utilization. Houlong Textile Factory has implemented and completed the replacement in 2015, and continuously researches and updates the existing equipment in an effort to reduce power consumption, and has achieved remarkable effects so far. The construction project of temperature monitoring system for the air-conditioning water chiller planned in 2015 was completed in April 2016. Also, the construction project of sludge dehydration planned in January 2016 was completed in August 2016, and successfully reduced sludge weight by more than 73%. For the dehydrated sludge, the Company cooperates with high-quality reprocessing manufacturers that meet the regulations to strengthen the rational reuse of waste to reduce the impact on the environment. Furthermore, the construction project of improvement of the energy saving for air compressors and the installation project of digital electricity meters planned in September 2016 were completed in December 2016. These two projects have further improved the transparency of power consumption in each department, and saved 25% of power consumption of the air compressors.	
			(9) In April 2017, the Company planned and completed the construction project of infrared detection instrument, which can monitor the dye usage and operation status of the environmentally friendly dye storage equipment at all times, helping the Company to dynamically and flexibly control and grasp the changes in dye storage at any time, for the most efficient arrangement and control of the entire production cycle, to achieve the goal of improving efficiency and quality. Moreover, the full-time monitoring of important electrical equipment can ensure the normal operation of the equipment, to prevent power consumption and losses caused by overheating of or defective contacting points, also to maintain the safety of personnel, equipment, and the environment.	
			(10) Since 2014, the Company has conducted a comprehensive inspection and continuous improvement of chemical management in accordance with the goals set by ZDHC, and achieved the goal of zero-commission that is harmless to health and the environment in 2021. In June 2017, the Company planned the construction project of an ozone treatment machine in Houlong Textile Factory. Upon the completion of the construction, it would effectively improve the production quality and increase production efficiency. The ozone treatment machine can reduce energy consumption, water consumption during processes, the use of related chemicals, wastewater discharge during processes, and sludge output more effectively. To achieve high quality, high efficiency, low energy consumption, and low pollution, while helping the subsequent process to decrease the processing time and the use of chemicals, making whole supply chain reduce the impact on health and the environment, and the achieve goal of sustainable management.	
			(11) The Company’s domestic and overseas factories have been inspected and passed the TOE programs of well-known foreign customers, and have released relevant information on the sustainable development measurement tool (Higg Index) of the Sustainable Apparel Coalition (SAC) with tracking of the implementation progress. In the future, the Company will be continuously committed to fulfilling social responsibilities, caring for society, and aiming to achieve the goal of corporate sustainable operation and social harmony.	
			(12) The recycled cotton used by the Company and subsidiaries complies with the Recycled Claim Standard (RCS) and has been certified by a third-party certification agency, Control Union Taiwan, CU. Although using recycled cotton requires more manpower, technology and cost than newly grown conventional cotton, it brings a beautiful second life to waste yarn that should have been discarded and burned. Meanwhile, it can also reduce waste for the earth and achieve the corporate goals of sustainability, environmental protection and earth-friendly.	

Item	Operations			Deviation from “ Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons	
	Yes	No	Summary		
Date of the latest certification obtained by the Company and subsidiaries.					
Production Areas	Parent Company and Nien Hsing Garment (Ninh Binh) Co., Ltd.		Formosa Textile Company (Proprietary) Limited	Nien Hsing International Lesotho (Proprietary) Limited	Nien Hsing International (Victoria) Co., Ltd.
Dates of the certification obtained	2023/04/23		2022/10/13	2023/04/21	2022/12/17
(13) The organic cotton used by the Company and subsidiaries complies with the Organic Content Standard (OCS) and has been certified by a third-party certification agency, Control Union Taiwan, CU. In comparison to conventional cotton, the cultivation method of organic cotton involves avoiding fertilizers, pesticides, and other chemicals, thereby fostering ecological balance and reducing potential pollution and harm to farmland, farmers, and consumers.					
Date of the latest certification obtained by the Company and subsidiaries.					
Production Areas	Parent Company and Nien Hsing Garment (Ninh Binh) Co., Ltd.		Formosa Textile Company (Proprietary) Limited	Nien Hsing International Lesotho (Proprietary) Limited	
Dates of the certification obtained	2023/04/23		2022/10/13	2023/04/21	
(14) The Houlong Textile Factory in Taiwan and the Mexico Textile Factory respectively obtained the OEKO-TEX® Standard 100 certificate from the third-party certification agency, TESTEX, on January 3, 2023, and March 23, 2023. This certification aims to ensure that textiles and garments do not contain harmful substances that may affect human health, serving as a reference for consumers when purchasing environmentally friendly textile products. Meanwhile, it helps the Company achieve our corporate goals of sustainable environmental practices, caring for the earth, and sustainable business operations.					

(6) Ethical Corporate Management – Implementation Status and Deviations from the Principles of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons

Item	Operations			Deviation from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
1. Formulation of ethical management policies and plans				
(1) Has the Company formulated an ethical management policy approved by the Board of Directors and disclosed the policy and practice of ethical management in its regulations and public documents? Are the Board of Directors and the senior management committed to actively implementing the policy?	✓		(1) The Company has formulated the “Principles of Ethical Corporate Management” and the “Code of Ethics for Board of Directors and Executive.” The policies have been implemented after being approved by the Board of Directors on December 29, 2014 and promoted to all directors and employees, seeking that all directors and employees actively implement the operating philosophy of ethics and integrity into daily business execution.	No significant deviation
(2) Has the Company established measures for evaluating unethical conduct risks? Has the Company taken any precautionary measures regularly to prevent corruption or high-risk illegal business activities, at least covering the precautionary measures of Paragraph 2 in Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”?	✓		(2) To ensure the implementation of ethical management, the Company has established an effective internal control system, and internal auditors regularly audit the compliance to prevent the following unethical conduct: 1. Offering and acceptance of bribes. 2. Illegal political donations. 3. Improper charitable donations or sponsorship. 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. 5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights. 6. Engaging in unfair competitive practices. 7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.	No significant deviation
(3) Has the Company clearly specified operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the Company regularly review and revise aforesaid plan?	✓		(3) The relevant principles of preventing unethical conduct have been publicly disclosed on the Company’s website and the MOPS. In addition, the Company’s “Employee Reward and Punishment Procedures” clearly specify that employees must not engage in malpractice, fraud, concealment and deception to seek illegal benefits, and the importance of ethical conduct is promoted to all internal employees all the time. The internal audit unit also includes any unethical conduct occurring internally as part of the key points of the daily audits. When an employee has any unethical conduct, he/she will be warned or punished pursuant to the “Employee Reward and Punishment Procedures” depending on the violations and severity of the impacts.	No significant deviation

Item	Operations			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
2. Implementation of ethical management				
(1) Does the Company evaluate each counterparty's records for ethics? Has the Company specified the terms of ethical conduct in each contract signed with each counterparty?		✓	(1) The Company has always maintained good relationships with suppliers, and conducts business activities in a fair and transparent manner. Suppliers with any record of unethical conduct will be denied for dealings. The Company maintains stable and good relationships with customers. Some customers also require the Company to refrain from unethical conduct before dealing with them, so both parties may create a win-win business model based on ethics.	No significant deviation
(2) Has the Company established a dedicated unit under the Board of Directors to conduct ethical management, regularly (at least once a year) report to the Board of Directors on its ethical management policies and prevention plans for unethical conduct, and supervise the implementation?	✓		(2) The Company's Finance & Administration Division has formed the "Promotion of Ethical Management Group," convened by the Corporate Governance Officer, to assist the Board and management to formulate and supervise the implementation of ethical management policies and preventive programs based on the duties and scope of each unit, to ensure the implementation of the "Principles of Ethical Corporate Management." The dedicated unit has reported its implementation to the Board on November 3, 2023. The Board of Directors is fulfilling the duty of care, supervising the Company to prevent unethical conducts, to ensure the implementation of the ethical management policy. The establishment, amendments, or abolishment of the "Principles of Ethical Corporate Management" shall be approved by the Audit Committee and the Board of Directors for enactment, and report to the Shareholders' Meetings. The Company's implementation of ethical management policies in 2023 are as below: 1. Education and trainings The Company organizes internal and external education and trainings related to ethical management issues (including courses related to compliance with ethical management laws and insider trading): (1) In 2022, there were total of 20 attendees, totaling 60 hours; in 2023, there were total of 17 attendees, totaling 51 hours. (2) Since November 2022, in addition to sharing core values (including ethics and responsibility) in the new recruits' orientation, to improve the promotion of ethical conducts, the promotion of "Ethical Code of Conduct and Disciplinary Actions" is made to new recruits based on the Company's ethical service code and other regulations.	No significant deviation

Item	Operations			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(3) Has the Company formulated policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?	✓		<p>2. Ethical commitment</p> <p>(1) Since November 2022, employees are required to sign the "Promissory Note of Employee Service," including the ethical service code and other agreements.</p> <p>(2) In 2023, directors and executives (management regulated by laws and regulations) have signed the "Statement of Compliance with Ethical Management Policy," reminding directors and executives to adhere to ethics.</p> <p>(3) The Company's directors and employees had no conduct violating ethics in 2023.</p> <p>3. Whistleblowing system</p> <p>(1) In November 2020, the Board passed the "Procedures for Handling Cases Reporting Illegal, Immoral or Unethical Conduct," to provide a clear channel for reporting.</p> <p>(2) As of the end of December 2023, the Company has not received any whistleblowing.</p> <p>(3) For matters related to conflicts of interest, employees may report directly to their line managers of the department, or directly to the Chairman's Office.</p>	No significant deviation
(4) Has the Company established an effective accounting system and an internal control system for the implementation of ethical management and assigned the internal audit unit to formulate relevant audit plans based on the assessment results of the risk of unethical conduct and audit the compliance with the unethical conduct prevention plan accordingly or commissioned a CPA to perform such audits?	✓		(4) To ensure the implementation of ethical management, the Company has established an effective accounting system and internal control system, and internal auditors regularly audit compliance with the said ethical management policies.	No significant deviation
(5) Does the Company regularly hold internal and external education and training on ethical management?	✓		(5) The Company has formulated the "Management Procedures for Internal Material Information Processing and Insider Trading Prevention," "Code of Ethics for Board of Directors and Executives" and "Principles of Ethical Corporate Management." All of these prohibit the Company insiders from using undisclosed information to trade negotiable securities. The promotional seminars of the "Management Procedures for Internal Material Information Processing and Insider Trading Prevention" and related laws and regulations are promoted to the insiders and employees at least once a year, regarding the laws and regulations of insider trading that strictly prohibit the Company insiders from using undisclosed information to trade negotiable securities.	No significant deviation

Item	Operations			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
			<p>In recent years, two educational courses have been held, respectively, on August 4, 2023, "An Introduction to Insider Trading within the Company: Overview and Case Analysis" and on November 3, 2023, "The Impact and Response of the EU Carbon Border Adjustment Mechanism (Carbon Tariff) on Industry Supply Chains." These courses were conducted for a total of 6 hours of educational outreach to current directors, managers, and employees. The number of participants was 17 and 21 respectively. The course content includes the latest practical developments in insider trading and strategies for corporate prevention and response, preventing insider trading and fostering integrity in business operations, information disclosure, as well as ESG/CSR and sustainable governance. Additionally, the presentation files of the course were sent to all directors, managers, and employees for reference.</p> <p>Directors and executives shall comply with the laws, regulations, and ethic code of conducts applicable to the Company, including these related to the insider trading, and the related policies and procedures established by the Company for the compliance of the directors and executives. Any director or executives must not obtain improper benefits from anyone by manipulating, concealing, or abusing information obtained based on his/her position, making a false representation on material matters, or with other intentionally unfair trading influences. The directors and executives of the Company sign the "Statement of Compliance with Ethical Management Policy" before the end of each year and when they are newly appointed. In 2023, the signing rate of the directors and executives was 100%.</p>	
<p>3. Implementation of the Company's whistleblowing system</p> <p>(1) Has the Company formulated a specific whistleblowing and reward system, established a convenient whistleblowing method, and assigned appropriate personnel to deal with the reported?</p> <p>(2) Has the Company formulated standard operating procedures for investigation of reported cases, the follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism?</p> <p>(3) Does the Company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) On November 6, 2020, the Board has approved the "Procedures for Handling Cases Reporting Illegal, Immoral or Unethical conduct." For violations of ethical management regulations, employees may report directly to their line managers of the department, directly to relevant board members, or use the dedicated e-mail to report. If it is found the report is true, a warning or punishment may be given pursuant to the "Employee Reward and Punishment Procedures" depending on the violations and severity of the impacts.</p> <p>(2) Where the Company's employees find any violation of the ethical management regulations, they should take the initiative to report such violation to executives, Internal Auditing Officer, Human Resources Department, or other appropriate officers. The unit accepting the report shall implement the investigation for deeper understanding, and keep the content of the report confidential.</p> <p>(3) The Company's dedicated reporting e-mail address is managed by the Head of Human Resources Department, preventing the identity of the whistleblower from being exposed and kept the identity of the whistleblower absolutely confidential. Therefore, the complaint system protects the whistleblower from threats or retaliation for reporting illegal matters.</p>	<p>No significant deviation</p> <p>No significant deviation</p> <p>No significant deviation</p>

Item	Operations			Deviation from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
4. Enhanced information disclosure Has the Company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?	✓		The Company’s “Principles of Ethical Corporate Management” and the “Code of Ethics for Board of Directors and Executives” are disclosed on the Company’s website and the MOPS.	No significant deviation
5. If the Company has formulated its own Corporate Governance Best Practice Principles as the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operation and the principles: none.				
6. Other important information that facilitates the understanding of the Company’s ethical management (e.g., reviewing and amending the Company’s corporate governance best practice principles): The Company takes ethics as an important guideline for purchase and procurement process, to ensure that suppliers comply with environmental protection and safety regulations, and provides suppliers smooth appeal channels for any damage to their rights or interests during the procurement process. Regardless of the internal employees and external partners, they all insist on the highest standards of ethics. For any illegal conduct of offering bribery by suppliers and requesting bribery by employees, the Company will actively take legal action.				

(7) Methods to search the corporate governance best-practice principles or related bylaws:

The Company’s website (<https://www.nhjeans.com/investor-relations/>) and the MOPS (http://mops.twse.com.tw/mops/web/t100sb04_1)

(8) Other significant information that will provide a better understanding of the state of the Company’s implementation of corporate governance:

The Company’s Directors insist a high degree of self-discipline, and recuse themselves from discussion and voting on proposals in Board of Directors Meetings involving the interest of themselves or the corporate they represent. The Company’s internal auditors also regularly audit the compliance with the accounting system and internal control system, and prepare internal audit reports to be submitted to the Audit Committee and Board of Directors.

(9) Implementation of internal control system

1. Statement of Internal Control System

Nien Hsing Textile Co., Ltd.
Statement of Internal Control System

Date: March 8, 2024

The Company states the following with regard to its internal control system during 2023, based on the findings of a self-evaluation:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws, and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies promulgated by the Securities and Futures Commission, Ministry of Finance (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as at December 31, 2023 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws, and regulations, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 8, 2024 where none of the 9 attending Directors expressed dissenting opinions, all affirmed the content of this Statement.

Nien Hsing Textile Co., Ltd.

Chairman: Wei-Han Chen

President: Shu-Hsuan Tsai

2. The investigative report of CPA to examine the internal control system: not applicable.

(10) Any legal penalty against the Company or its internal personnel ,or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, when the resulting penalties could significantly impact shareholder equity or securities prices, the details of the penalties ,the main shortcomings, and condition of improvement: none.

(11) Major resolutions of Shareholders' Meetings and Board of Directors Meetings:

1. Resolutions and implementation status of Shareholders' Meetings

Meeting Year	Meeting Date	Major resolutions
2023	June 13, 2023	<ol style="list-style-type: none"> 1. Approval of 2022 Business Report and Financial Statements. 2. Approval of distribution of 2022 profits. Implementation status: July 9, 2023 was settled as the ex-dividend base date, and cash dividend was distributed on August 1, 2023. (Cash dividend of NT\$2 per share.) 3. Election of Directors, including Independent Directors. Implemented as the election results, and approved by Ministry of Economic Affairs for the amendment of registration by the decree of no.11230118040 on July 3, 2023. 4. Release new directors from non-competition restrictions. Implemented as the result.

2. Resolutions of Board of Directors Meetings:

Meeting Date	Major resolutions	Matters under Article 14-3 of the Securities and Exchange Act.	Independent Directors' opinions and the Company's response
January 17, 2023 32 th meeting, 13 th Term	1. Proposal of 2023 Business Plan.		Approved by all attending Independent Directors.
	2. Proposal to engage in forward foreign exchange transactions for hedging purpose.	✓	
	3. Proposal to invest in BioGenD Therapeutics Co., Ltd.		
	4. Proposal to amend the "Management Procedures for Internal Material Information Processing and Insider Trading Prevention."	✓	
	5. Proposal to amend the "Rules and Procedures of Board of Directors Meetings."		
	6. Proposal to amend the "Remuneration Committee Charter."		
	7. Proposal to amend the "Board of Directors and Functional Committee Performance Evaluation."		
	8. Proposal of 2022 year-end performance bonus to executives.		
March 10, 2023 33 th meeting, 13 th Term	1. Proposal of 2022 Business Report and Financial Statements.		
	2. Proposal to determine the record date of capital reduction for the cancellation of employee restricted stock awards.		
	3. Proposal for distribution of 2022 profits.		
	4. Proposal of 2022 employees' compensation of profit sharing.		
	5. Proposal to evaluate the independence and competence of the CPA and audit fees.	✓	
	6. Proposal to formulate the "Pre-approval Policy for Attesting CPA to Provide Non-Assurance Services."		
	7. Proposal to elect Directors (including Independent Directors.)		
	8. Proposal on 2023 nomination of director (including independent director) candidates.		
	9. Proposal to release new directors from non-competition restrictions.		
	10. Proposal to formulate procedures for accepting director (including independent director) nominees of 2023 Annual General Shareholders' Meeting.		
	11. Proposal to formulate procedures for submitting shareholders' proposals of 2023 Annual General Shareholders' Meeting.		
	12. Proposal of convention of 2023 Annual General Shareholders' Meeting.		
13. Proposal of 2022 Statement of Internal Control System.			
Approved by all attending Independent Directors.			
April 20, 2023 34 th meeting, 13 th Term	None.		

Meeting Date	Major resolutions	Matters under Article 14-3 of the Securities and Exchange Act.	Independent Directors' opinions and the Company's response
May 5, 2023 35 th meeting, 13 th Term	1. Proposal of 2023 Q1 Financial Statements.		Approved by all attending Independent Directors.
June 13, 2023 1 st meeting, 14 th Term	1. Proposal to elect the Chairman.		
	2. Proposal to authorize the Chairman with the full authority to handle various operations with banks.		
	3. Proposal to appoint members to the Remuneration Committee.		
July 20, 2023 2 nd meeting, 14 th Term	1. Proposal to determine the remuneration of the Chairman, Chen, Wei-Han.	✓	
	2. Proposal to determine the remuneration of Associate Vice President, Tai-Yuan Chou, for his promotion to Vice President.	✓	
	3. Proposal to determine the remuneration of the Associate Vice President, Shu-Hua Hsu, and Associate Vice President, Jen-Chou Chen.	✓	
August 4, 2023 3 rd meeting, 14 th Term	1. Proposal of 2023 Q2 Financial Statements.		
	2. Proposal to formulate the "Procedures for the Preparation and Certification of Sustainability Reports."	✓	
October 19, 2023 4 th meeting, 14 th Term	1. Proposal for the procurement of a company car for the Vice President.		
	2. Proposal for Associate Vice President, Jen-Chou Chen, to concurrently serve as the division-level officer of "Textile Division."		
November 3, 2023 5 th meeting, 14 th Term	1. Proposal of 2023 Q3 Financial Statements.		
	2. Proposal to determine the record date of capital reduction for the cancellation of employee restricted stock awards.		
	3. Proposal of 2024 audit plans.		
	4. Proposal to apply for short-term credit limits.		
	5. Proposal for the Company to apply for an endorsement/guarantee for the subsidiary.	✓	
November 21, 2023 6 th meeting, 14 th Term	1. Proposal to engage in forward foreign exchange transactions for hedging purpose.	✓	
	2. Proposal for complete shutdown of the Houlong Textile Factory.	✓	
January 12, 2024 7 th meeting, 14 th Term	1. Proposal for disposition of the Taipei office.	✓	
February 1, 2024 8 th meeting, 14 th Term	1. Proposal of 2024 Business Plan.		
	2. Proposal of 2023 year-end performance bonus to executives.		
March 8, 2024 9 th meeting, 14 th Term	1. Proposal of 2023 Business Report and Financial Statements.		
	2. Proposal to determine the record date of capital reduction for the cancellation of employee restricted stock awards.		
	3. Proposal for distribution of 2023 profits.		
	4. Proposal of 2023 employees' compensation of profit sharing.		
	5. Proposal to amend the "Rules and Procedures of Board of Directors Meetings."		
	6. Proposal to amend the "Audit Committee Charter."		
	7. Proposal to amend the "Procedures for the Preparation and Certification of Sustainability Reports."	✓	
	8. Proposal to evaluate the independence and competence of the CPA and audit fees.	✓	
	9. Proposal to amend the "Pre-approval Policy for Attesting CPA to Provide Non-Assurance Services."		
	10. Proposal to formulate procedures for submitting shareholders' proposals of 2024 Annual General Shareholders' Meeting.		
	11. Proposal of convention of 2024 Annual General Shareholders' Meeting.		
	12. Proposal of 2023 Statement of Internal Control System.		
April 23, 2024 10 th meeting, 14 th Term	1. Proposal to change the Company's registered office.		
	2. Proposal to amend the Company's "Articles of Incorporation."		
	3. Proposal of accounts receivable overdue by more than three months as of March 31, 2024, of the Company's subsidiary, Phoenix Development & Marketing Co., Ltd., are not related to loans.	✓	
	4. Proposal of convention of 2024 Annual General Shareholders' Meeting.		
May 6, 2024 11 th meeting, 14 th Term	1. Proposal of 2024 Q1 Financial Statements.		

- (12) In recent years until the annual report being published, dissenting comments on major Board of Directors resolutions from Directors (including Independent Directors.): none.
- (13) In recent years until the annual report being published, resignation or dismissal of Chairman, President, Accounting Officer, Financial Officer, Internal Auditing Officer and Corporate Governance Officer: none.

5. Information on the Company's audit fees:

(1) Attesting CPA audit fees

Unit: NT\$ thousand

Accounting firm	Name of CPA	CPA audit period	Audit fees	Non-audit fees	Total	Remarks
Deloitte & Touche	Shu-Chuan Yeh, Chih-Ming Shao	Jan. 1, 2022 – Feb. 18, 2022	2,380	495	2,875	1. Due to internal adjustment of the accounting firm. 2. Non-audit fees included tax attestation for NT\$220 thousand, transfer pricing report for NT\$200 thousand and review of 2022 employee restricted stock awards for NT\$75 thousand.
	Kuo-Ning Huang, Chih-Ming Shao	Feb. 19, 2022 – Dec. 31, 2022				
	Chih-Ming Shao, Kuo-Ning Huang	Jan. 1, 2023 – Dec. 31, 2023	2,380	420	2,800	1. Non-audit fees included tax attestation for NT\$220 thousand and transfer pricing report for NT\$200 thousand.

(2) In the event that the CPA firm is replaced and the audit fees paid in the year when the replacement occurs are less than those paid in the prior year: none.

(3) In the event that the audit fees reduced by more than 10% compared with the prior year: none.

6. Information of changing CPA

(1) Information regarding former CPA

Date of change	Approved by the Board on March 10, 2022		
Reason for changing and explanation	The former CPAs, Shu-Chuan Yeh and Chih-Ming Shao were succeeded by Kuo-Ning Huang and Chih-Ming Shao due to the internal adjustment of Deloitte & Touche.		
Describe whether the Company terminated or the CPA terminated or did not accept the engagement	Parties involved	Certified Public Accountant	The Company
	Circumstances	Not applicable.	
	Terminate the engagement voluntarily		
No longer accepted (discontinued) the engagement			
The comments and causes for issue of the audit report other than unqualified opinions within the latest two years	None		
Disagreement with the Company	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None	√	
Explanation			
Other required disclosure (Matters shall be disclosed under Item 4-7, Paragraph 6, Article 10 of the “Regulations Governing Information to be Published in Annual Reports of Public Companies”)	None		

(2) Information regarding succeeding CPA

Accounting firm	Deloitte & Touche
Name of CPA	Kuo-Ning Huang; Chih-Ming Shao
Date of engagement	Approved by the Board on March 10, 2022
Accounting measures or principles with respect to certain transactions prior to the engagement and inquiries and result as to the comments likely to be issued with respect to the financial statements	Not applicable.
Succeeding CPA's written opinion towards the disagreement with the former CPA	Not applicable.

(3) Former CPA's response to the matters under Item 1 and Item 2-3, Paragraph 6, Article 10 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies" :
Not applicable.

7. Where the Chairman, President, or executives in charge of finance and accounting operations have been employed by the accounting firm or its affiliates in the recent year: none.

8. Shareholding transferred or pledged by Directors, executives, and major Shareholders who holds 10% of the Company shares or more in the recent year

Title	Name	2023		Current year up to March 31	
		Shares increased (decreased)	Pledged shares increased (decreased)	Shares increased (decreased)	Pledged shares increased (decreased)
Chairman	Panda Investment Co., Ltd.	0	0	0	0
	Wei-Han Chen	0	0	0	0
Director	Shu-Hsuan Tsai	0	0	0	0
Director	Chu Chen Investment Co., Ltd.	0	0	0	0
	Jen-Chou Chen	0	0	0	0
Director	Tai-Yuan Chou	0	0	0	0
Director	Rong-Hwa Fang	0	0	0	0
Director	Jih-Chao Li (Note 2)	0	0	0	0
Independent Director	Chu-Feng Yang	0	0	0	0
Independent Director	Wen-Hsiung Chan	0	0	0	0
Independent Director	Chia-Hong Hung	0	0	0	0
Accounting Officer Finance Officer Corporate Governance Officer	En-Tzu Liu	0	0	0	0
Executive	Shu-Hua Hsu	0	0	0	0
Shareholders with shareholding more than 10%	Ron Yuan Enterprise Inc.	0	0	0	0
Director	Shih-Kuen Hwang (Note 3)	0	0	0	0

Note 1: no share is pledge, and thus the table of information on share pledge needs to be completed.

Note 2: Newly elected during the re-election at the regular Shareholders' Meeting on June 13, 2023.

Note 3: Dismissed during the re-election at the regular Shareholders' Meeting on June 13, 2023.

9. Information of top ten Shareholders being the related party, spouse or a relative within the second degree of kinship

April 20, 2024

Name	Current shareholdings		Spouse & minor children's shareholdings		Shareholdings by nominee arrangements		Names, relationship of top ten shareholders are spouses of within 2 degrees of kinship (Note 1).		Remarks
	shares	%	shares	%	shares	%	Name	Relationship	
Ron Yuan Enterprise Inc.	47,524,506	23.05%	0	0%	0	0%	Panda Investment Co., Ltd.	The same Chairman	
Representative: Ron Chu Chen	34	0%	2,424	0%	0	0%	Ron Yuan Enterprise Inc. Panda Investment Co., Ltd.	The Chairman The Chairman	
Panda Investment Co., Ltd.	28,892,146	14.01%	0	0%	0	0%	Ron Yuan Enterprise Inc.	The same Chairman	
Representative: Ron Chu Chen	34	0%	2,424	0%	0	0%	Ron Yuan Enterprise Inc. Panda Investment Co., Ltd.	The Chairman The Chairman	
Chu Chen Investment Co., Ltd.	9,253,292	4.49%	0	0%	0	0%	None	None	
Representative: Jing-Hsia Chen	72,116	0.03%	0	0%	0	0%	None	None	
Trust account of employees restricted shares with voting right and dividend distribution right of Nien Hsing Textile Co., Ltd. in custody of Taipei Fubon Commercial Bank	8,180,000	3.97%	0	0%	0	0%	None	None	
Investment account of customer from Singapore Branch, Bank J. Safra Sarasin AG, under custody of Sales Department, Standard Chartered International Commercial Bank	6,416,533	3.11%	0	0%	0	0%	None	None	
Kao-Huang Lin	5,940,000	2.88%	0	0%	0	0%	Lian Cheng Investment and Development Co., Ltd.	The Chairman	
Yu-Lian Tseng-Li	3,160,000	1.53%	0	0%	0	0%	Bao Hung Investment Co., Ltd.	Substantial related party	
Lian Cheng Investment and Development Co., Ltd.	2,822,000	1.37%	0	0%	0	0%	Kao-Huang Lin	The Chairman	
Representative: Kao-Huang Lin	5,940,000	2.88%	0	0%	0	0%	Lian Cheng Investment and Development Co., Ltd.	The Chairman	
Tsi-Lang Hung	2,709,000	1.31%	0	0%	0	0%	None	None	
Bao Hung Investment Co., Ltd.	2,363,000	1.15%	0	0%	0	0%	Yu-Lian Tseng-Li	Substantial related party	
Representative: Bao-Tang Tseng	0	0%	3,160,000	1.53%	0	0%	Yu-Lian Tseng-Li Bao Hung Investment Co., Ltd.	Spouse The Chairman	

Note 1: In accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the relationships of above-listed shareholders, including Natural and Juridical Person shall be disclosed.

10. Ratio of total shareholdings

December 31, 2023

Investee Enterprises (Note)	Investment by the Company		Investment by Directors, executives, or any companies controlled either directly or indirectly by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Nien Hsing International (B.V.I.) Ltd.	19,185	100	-	0	19,185	100
Nien Hsing Garment (Ninh Binh) Co., Ltd.	-	100	-	0	-	100
Chih Hsing Garment (Cambodia) Co., Ltd.	4,500	100	-	0	4,500	100
Nien Hsing International Investment Co., Ltd.	20,500,000	100	-	0	20,500,000	100

Note: Investments accounted for using the equity method.

Capital Raising

1. Capital and shares

(1) Sources of capital

Unit: NT\$/Share

Year/ Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	amount	Shares	amount	Source of capital	Capital paid in by assets other than cash	Others
March 2023	10	600,000,000	6,000,000,000	206,450,000	2,064,500,000	Capital reduction for NT\$ 2,400,000 due to cancellation of employee restricted stock awards.	-	Note 1
December 2023	10	600,000,000	6,000,000,000	206,390,000	2,063,900,000	Capital reduction for NT\$ 600,000 due to cancellation of employee restricted stock awards.	-	Note 2
March 2024	10	600,000,000	6,000,000,000	206,210,000	2,062,100,000	Capital reduction for NT\$ 1,800,000 due to cancellation of employee restricted stock awards.	-	Note 3

Note 1: On March 23, 2023, the Ministry of Economic Affairs decree no.11230046190 approved the amendment of registration.

Note 2: On December 6, 2023, the Ministry of Economic Affairs decree no.11230225880 approved the amendment of registration.

Note 3: On March 26, 2024, the Ministry of Economic Affairs decree no.11330041990 approved the amendment of registration.

May 10, 2024 Unit: shares

Type of stock	Authorized Capital					Remarks
	Outstanding issued shares			Unissued Shares	Total	
	Listed	Non-listed	Total			
Registered common shares	198,000,000	8,210,000	206,210,000	393,790,000	600,000,000	

Information on shelf registration: none.

(2) Shareholder Composition

April 20, 2024

Shareholder composition Number	Government agencies	Financial institutions	Other juridical persons	Individual	Foreign institutions and foreign individuals	Total
	Shareholders	0	0	59	19,493	89
Shares held	0	0	101,205,697	93,740,518	11,263,785	206,210,000
Shareholding	0%	0%	49.08%	45.46%	5.46%	100%

(3) Distribution of Shareholding

1. Common shares

April 20, 2024

Shareholding range	Shareholders	Shares held	Shareholding (%)
1 — 999	10,975	2,876,011	1.40
1,000 — 5,000	6,458	13,702,575	6.64
5,001 — 10,000	1,030	7,886,934	3.82
10,001 — 15,000	341	4,327,082	2.10
15,001 — 20,000	225	4,094,477	1.99
20,001 — 30,000	190	4,772,199	2.31
30,001 — 40,000	83	2,906,434	1.41
40,001 — 50,000	75	3,463,785	1.68
50,001 — 100,000	138	10,071,297	4.88
100,001 — 200,000	65	9,027,818	4.38
200,001 — 400,000	27	7,575,056	3.67
400,001 — 600,000	12	5,950,794	2.89
600,001 — 800,000	6	4,079,061	1.98
800,001 — 1,000,000	0	0	0
1,000,001 or more	16	125,476,477	60.85
Total	19,641	206,210,000	100.00

2. Preferred shares: none.

(4) Major Shareholders

April 20, 2024

Name of major shareholder	Share	Shares held	Shareholding (%)
Ron Yuan Enterprise Inc.		47,524,506	23.05
Panda Investment Co., Ltd.		28,892,146	14.01
Chu Chen Investment Co., Ltd.		9,253,292	4.49
Trust account of employees restricted shares with voting right and dividend distribution right of Nien Hsing Textile Co., Ltd. in custody of Taipei Fubon Commercial Bank		8,180,000	3.97
Investment account of customer from Singapore Branch, Bank J. Safra Sarasin AG, under custody of Sales Department, Standard Chartered International Commercial Bank		6,416,533	3.11
Kao-Huang Lin		5,940,000	2.88
Yu-Lian Tseng-Li		3,160,000	1.53
Lian Cheng Investment and Development Co., Ltd.		2,822,000	1.37
Tsi-Lang Hung		2,709,000	1.31
Bao-Hung Investment Co., Ltd.		2,363,000	1.15

(5) Information of the Company's market price, net worth, earnings, and dividends per share in the recent two years

Unit: NT\$

Item	Year		2023 (Note 3)	2022 (Note 3)	Current year up to March 31, 2024 (Note 4)
	Market price per share	Highest		23.85	27.75
Lowest		17.65	19.50	18.70	
Average		21.14	22.92	19.20	
Net worth per share	Before distribution		34.90	38.40	35.39
	After distribution		(Note 1)	36.31	Not applicable.
Earnings per share	Weighted average shares		198,000,000	198,000,000	198,000,000
	Earnings per share	Before retrospective adjustment	(1.83)	2.15	0.15
		After retrospective adjustment	—	—	Not applicable.
Dividends per share (Note 2)	Cash dividend		2	1	Not applicable.
	Stock dividends	Dividends from retained earnings	—	—	Not applicable.
		Dividends from capital reserve	—	—	Not applicable.
	Cumulative unpaid dividends		—	—	Not applicable.
Return on investment	Price earnings ratios		(11.55)	10.66	Not applicable.
	Price-to-dividend ratio		10.57	22.92	Not applicable.
	Cash dividend yield		9.46%	4.36%	Not applicable.

Note 1: The distribution of 2023 profits will be confirmed upon by the 2024 Annual General Shareholders' Meeting.

Note 2: Distribution of profit generated from the previous year.

Note 3: Net worth and earnings per share adopts the Standalone Financial Statements prepared pursuant to IFRSs.

Note 4: Net worth and earnings per share adopts the Consolidated Financial Statements prepared pursuant to IFRSs reviewed by the CPA.

(6) Dividend policy and implementation status

1. Dividend policy: the dividend policy specified in the Articles of Incorporation is as below:

The distribution of dividends may be based on the considerations of finance, business, and operation. Except the capital demands for improving the financial structure, and funding the reinvestment, production capacity expansion, or other major capital expenditures, the Company should distribute no less than 50% of the balance of net profit after tax of the year netting the compensation of deficits, surplus reserve and special reserves. The distribution of profits may be made in cash or shares. Considering the Company's operating environment and industrial development are in a mature and stable stage, distribution of profits is given priority to cash dividends rather than share dividends. However, the percentage of share dividends distributed shall not be higher than 50% of the total amount of dividends.

In the current year, where the Company has no profits to distribute, or the amount of profits is far lower than the actual profits distributed by the Company in the previous year, or based on the consideration of the Company's finance, business and operating, all or part of the reserve may be distributed pursuant to laws or regulations of competent authorities.

2. Proposed distribution of 2023 profits to be approved at the Shareholders' Meeting

It is proposed to distribute the shareholders' bonus from the accumulated distributable profits of NT\$103,105,000 at the end of 2023; for each share, it is proposed to distribute cash dividend of NT\$0.5. Upon the resolution of 2024 Annual General Shareholders' Meeting, the Chairman will determine the ex-dividend date separately, to distribute the dividends pursuant to shareholding recorded in the shareholder roster on the ex-dividend date.

3. 2024 Annual General Shareholders' Meeting did not amend the dividend policy specified in the Company's Articles of Incorporation.

4. Expected material changes in dividend policy and explanation: none.

(7) The impact of stock dividend proposed by 2024 Annual General Shareholders' Meeting on operating performance and earnings per share: none.

(8) Employees' compensation and directors' remuneration

1. Description regarding employees' compensation and directors' remuneration in the Articles of Incorporation

Pursuant to Article 22-1 of the Articles of Incorporation, where the Company makes profit for a year, the Company shall provide at least 1% of the profit as compensation to employees; however, the Company's accumulated losses shall have been covered. The said employees' compensation may in the form of shares or in cash, by a resolution adopted by a majority of the attending directors at a Board of Directors Meeting attended by two-thirds of the total number of directors. In addition, a report of such distribution shall be submitted to the Shareholders' Meeting.

The Articles of Incorporation does not specify the distribution of the remuneration to directors; therefore directors receive none of the remuneration.

2. The basis for estimating the amount of employees' compensation and directors' remuneration, the basis for calculating distribution of employees' compensation in shares, and the accounting treatment of the discrepancy between actual distributed amount and estimated figure.

(1) The basis for estimating for the current term: based on 1% of the profit before tax before deducting the distribution of employees' compensation. For the year of 2023, the Company suffered a loss before tax and no employees' compensation was appropriated.

(2) The basis for calculating distribution of employees' compensation in shares: the Board of Directors did not resolve to distribute the employees' compensation in shares. Where the Board of Directors resolves to distribute the employees' compensation in shares, the calculation for the number of shares distributed as the employees' compensation shall be based on the closing market prices at the day before the date when the resolution is adopted by the Board of Directors, pursuant to the Financial Supervisory Commission decree no. 1050001900 on January 30, 2016.

(3) The accounting treatment of the discrepancy between actual distributed amount and estimated figure: the discrepancy between actual distributed amount of employees' compensation upon the Board's resolution, and the estimated figures in the financial statement is deemed and treated as the change in accounting estimate, and adjustment is accounted in the year when the resolution is adopted by the Board of Directors.

3. Approval of compensation by the Board of Directors

On March 8, 2024, the Board of Directors resolved that no employees' compensation would be appropriated for 2023 due to the loss before tax, and the proposal will be submitted to Annual

General Shareholders' Meeting on June 18, 2024,

- (1) The discrepancy of employees' compensation and Directors' remuneration between the actual distributed amount and the estimated figure: none.
 - (2) Proportion of employees' compensation distributed in shares to net profit stated in standalone financial statements for the current period and total employees' compensation: none.
4. The actual distribution of employees' compensation and directors' remuneration in the previous year:

The Board of Directors made a resolution on March 10, 2023, and submitted the proposal of employees' compensation distribution to the Annual General Shareholders' Meeting on June 13, 2023. The distribution was fully paid in cash, with an amount of NT\$5,261,174 in July 2023.

(9) Status of repurchasing the Company's own shares: none.

2. Issuance of corporate bonds: none.

3. Issuance of preferred shares: none.

4. Status of oversea depository receipts: none.

5. Status of employee stock warrants: none.

6. Status of employee restricted stock awards

- (1) The status and the effect on shareholders' equity up to the date of publication of the annual report:

May 10, 2024

Type of employee restricted stock awards	First issuance of restricted employee stock rights in 2022
Effective registration date and total number of shares	March 21, 2022 9,900,000 shares
Issue date	April 19, 2022
Number issued	8,960,000 shares
Number available for issuance	0 shares
Issue price	NT\$10 per share
% to the total number of issued shares	4.35%
Vesting conditions	<p>All of the following three conditions shall be met to vest the 100% of the allocated number of shares at the vesting day in a lump sum.</p> <ol style="list-style-type: none"> 1. Period of personal service: employees must have served for three years from the date of issuance of the restricted employee restricted stock. 2. Personal performance appraisal: The average appraisal score of the three years prior to the expiry date of the vested period is 85 points or above. 3. The Company's operating indicators: based on the consolidated financial statements audited and attested by the CPA, the average consolidated operating profit rate for the last three years prior to the expiry date of the vested period is more than 3%.
Restrictions on the rights	<ol style="list-style-type: none"> 1. After employees are allocated employee restricted stock and before the vested conditions are met, all such shares should be delivered to the trust institution designated by the Company for custody, and the employee restricted stock must not be sold, pledged, transferred, gifted to others, set up or disposed of in other ways. 2. After employees are allocated employee restricted stock and before the vested conditions are met, the rights to attend, propose, speak, vote, and elect at the shareholders' meetings are identical to the issued common shares of the Company, and are implemented pursuant to the trust custody contract. 3. In addition to the above-mentioned restrictions, before the vesting conditions are met, employees allocated employee restricted stock are entitled to other rights, including but not limited to: right for distribution of cash and share dividends, right to subscribe for a capital increase in cash, any equity allocated due to capital decrease in cash, and mergers, splits, and conversion of shares for various statutory reasons, are identical as the issued common shares of the Company, and not required for trust custody, nor restricted by the vesting

Type of employee restricted stock awards	First issuance of restricted employee stock rights in 2022
	<p>period.</p> <p>4. The employee restricted stock shall be immediately delivered to the trust custody upon the issuance; before the vesting conditions are met, employees shall not request the trustee to return the employee restricted stock for any reason or in any manner.</p> <p>5. During the custody period by trust of the employee restricted stock, the Company or the person designated by the Company shall act on behalf of employees, with full authorization, to (including but not limited to) negotiate, sign, amend, extend, relieve, and terminate the trust custody contract with the stock trust custodian institution, and instructions on the delivery, utilization and disposal of properties under the trust custody.</p>
Custody of the employee restricted stock	Custody under a trust.
Treatment of the employee restricted stock failing to meet the vesting conditions after the allocation or subscription of new shares	<p>1. For employees allocated with employee restricted stock failing to meet the vesting conditions, the Company buys back the granted employee restricted stock at the issue price for cancellation; however, the obtained cash or share dividends are not required to be returned by the employees.</p> <p>2. Voluntary resignation, dismissal, lay-off, retirement, and general death: These who voluntarily resign, are dismissed, are laid off, retire, or die generally (not caused by occupational disaster) within the vesting period are deemed failing to meet the vesting conditions since the date of occurrence, and the Company buys back the shares at the issue price for cancellation.</p> <p>3. Unpaid leave: Those who take unpaid leave during the vesting period will resume their rights and from the date of reinstatement, but the number of shares to be allocated must, on the basis of the number of originally allocated shares, be re-approved at the proportion of the actual service period. The remaining shares are deemed failing to meet the vested conditions, and the Company buys back the shares at the issue price for cancellation. If the vesting date occurs during the unpaid leave, it is deemed failing to meet the vesting conditions, the Company buys back the shares at the issue price for cancellation.</p> <p>4. Disability or death due to occupational disaster: For those who are unable to continue the employment due to physical disabilities caused by occupational disasters within the vesting period, their unvested employee restricted stock shall be deemed to have met all vesting conditions from the</p>

Type of employee restricted stock awards	First issuance of restricted employee stock rights in 2022
	<p>effective date of employee's resignation; for those who died due to occupational disaster during the vesting period, the unvested employee restricted stock shall be deemed to have met all the vesting conditions from the date of the employee's death, and their heirs may apply for receiving the shares to be inherited after completing the necessary statutory procedures and providing relevant supporting documents.</p> <p>5. Where an employee allocated with employee restricted stock violates the Company's labor contract or work rules or other relevant regulations, the Company has the right to buy back at the issue price and cancel the employee restricted stock that have not met the vesting conditions.</p>
Retired or bought back	810,000 shares
Vested restricted stock	0 shares
Unvested restricted stock	8,150,000 shares
Proportion of unvested restricted stock to total issued shares (%)	3.95%
The effect on shareholders' equity	The dilution to the EPS of the Company is limited and thus no material effect on the shareholders' equity.

(2) Acquisition status - executives and employees who acquired top ten number of employee restricted stock awards up to the date of publication of the annual report:

	Title	Name	Number granted	% to the total number of issued shares	Vested				Unvested			
					Number	Issue price	Total amount	% to the total number of issued shares	Number	Issue price	Total amount	% to the total number of issued shares
Executives	President	Shu-Hsuan Tsai	1,640,000	0.79%	0	0	0	0	0	10	1,640,000	0.79%
	Vice President	Tai-Yuan Chou										
	Associate Vice President	Jen-Chou Chen										
	Associate Vice President	Rong-Hwa Fang										
	Finance Manager	En-Tzu Liu										
Employees	Manager	Chien-Wen Chang	3,000,000	1.45%	0	0	0	0	0	10	3,000,000	1.45%
	Manager	Pei-Chi Wu										
	Manager	Yu-Ling Hsu										
	Manager	Yi-Heng Chen										
	Manager	Heng-Shen Ge										
	Manager	Chi-Hung Wu										
	Assistant Manager	Pei-Chung Shen										
	Manager	Wen-Hung Tseng										
	Assistant Manager	Yu-Zou Chen										
	Manager	Hsien-Long Fang										
	Manager	Miao-Chung Hsu										
	Manager	Guan-Chi Yang										
	Manager	Ching-Yao Tu										

7. Status of new shares issuance in connection with mergers and acquisitions: none.

8. Funding plans and implementation: none.

Overview of Operations

1. Business Activities:

(1) Business scope

1. Main business and sales ratio

December 31, 2023

Item	Sales ratio
Garment	47%
Denim	44%
Ring yarn	9%

2. Major products

- Denim
- jeans apparel
- Ring-spun yarn

3. New products planned for development

In recent years, with the rapid development for scientific and technology civilization of humans, the earth's environment and resources have been increasingly abused, resulting many counter-attacks from the great nature that deteriorate the earth's ecological environment; the environmental protection issues of textile-related industries have also attracted the attentions of all parties. Under the promotion of global environmental protection groups, international garment brands have successively promised to take responsibility for environmental protection. This development trend has a great impact on the Company's research and development for new products. Observe the pulse of market fashion trends and adjusting the direction of research and development depending on market trends, to keep up with the global "back to nature" and "green" consumption boom, has become a goal that cannot be delayed.

To reduce the impact of the production chain on the ecological environment, the Company actively develops and selects processed products with environmental protection value from raw materials, and manufacturing processes to post-processing. For example, in addition to the introduction of the BCI system to cotton, factories have also successively obtained certifications in RCS, OCS, and OEKO-TEX. These standards may be used to verify the content of organic and recycled materials in the final products. There is a credible third-party organization to validate during the process of tracing from the source of raw materials to the final products. The dyeing process has also been changed to water-saving and recyclable liquid indigo, by leading the industry, the Company works with European dye suppliers to jointly develop and test the dyeing process without salt waste, to further reduce pollution to the earth's environment. For the post-processing technologies for fabrics, the latest Italian equipment has been invested, to replace the previous mercerizing treatment that relied on strong alkali with the chemical-free method. The effect not only meets the customers' demand better, but also contributes to environmental protection.

In November 2022, the Company purchased the environmental protection dyeing equipment, GREENDYE, from Karl Mayer in Germany. After using GREENDYE technology, the efficiency of indigo dyeing is triple of the traditional process, and the cleanliness is double of the traditional process. This excellent performance is based on the adoption of nitrogen (NOX) technology to control the chemical dyeing process.

Since GREENDYE doubles dyeing efficiency, the consumption of resources is cut in half: It is because that nitrogen dyeing technology delays the oxidation of indigo dye. In the NOX reactor, the indigo dye has enough time to diffuse and attach to the fiber compound materials, while also increasing the concentration of indigo in the dye bath, allowing yarns to absorb three times more dye than traditional processes. The design of the dyeing vat also provides various advantages, such as the indigo circulation system with high flow rate and low rotation speed, and the design to prevent turbulent flow of dye liquor and surface foaming, which greatly reduces the consumption of chemicals. By reducing the use of main pollutants, bisulfite and caustic soda, costs can be saved up to 50%, and inherently reducing the gray water footprint in half.

Final wash water consumption is also to be reduced by 50%. Thanks to the NOX reactor,

the GREENDYE technology only needs three dyeing vats (nine dyeing vats in the traditional process); therefore, less water is needed to obtain the same indigo dyeing effect. The washing step also becomes more economical due to the better adhesion of the indigo dye to the fibers.

Fewer vats also mean shorter dyeing workspaces. As the overall length of the GREENDYE machine is two-thirds shorter than traditional indigo dyeing machines, the amount of wasted yarn is also reduced. Reduction of daily water, chemical consumption, waste water, and waste yarn, optimizes not only the environmental balance but also the production costs of indigo dyeing. In addition, comparing to traditional indigo dyeing machines, operating costs are very low. This is because that GREENDYE system requires less space due to its shorter design. In this case, with the same output, the maintenance and operation time is shorter, and the fewer spare parts are used and replaced. The Company expects to be able to benefit from the advantages of GREENDYE technology starting from 2025.

Due to the abnormal climate and global warming, denim combined with special functional materials is still the focus of the market; therefore the introduction of various environmentally friendly special functional materials is still the focus of the Company's research and development. For spring and summer, responding to consumers' demand, the Company focuses on the research and development of moisture-wicking and temperature-controlling fabrics, using environmentally friendly materials such as interwoven fibers blending naturally grown Manila flax/FSC recycled paper fiber, in addition to the natural feel, it also has the function of fast moisture-wicking and antibacterial; using the natural regenerated and decomposable wooden fibers such as Tencel fiber and fiber-dyed Modal fiber, to make denim to not only present the fashionable natural luster and comfort, but also has the implication of environmentally sustainable development.

For autumn and winter, the Company focuses on the research and development of thermal insulation fabrics and adds passive thermal insulation materials such as Sorbtek365, Cotton Like, and AcrylicWool. The weft yarns adopt the blended with off-white yarn, and the brushed effect on the back improves the hand feeling and the warmth retention.

The Company has conducted the following developments for 2023:

- (a) Fiber dyeing technologies are adopted to dye the Tencel or Modal fibers, such as Tencel Future Indigo/Modal Color, not only improving color fastness but also reducing energy consumption and pollution.
- (b) The adoption of special natural fiber yarns such as wool, flax, kapok, and paper fibers, together with artificial functional yarns, develops multifunctional fabrics to respond to the ever-changing climates.
- (c) By adopting the recycled raw materials certified by RCS in the factory, the use of dyes in the existing dyeing process is reduced, to further enhance the added value for issues such as environmental-friendly recycling at the production end.
- (d) Responding to the adoption of laser in washing, a black laser-friendly dyeing method has been developed, enabling the black fabrics that are generally difficult to present the laser effects to have better peeling and three-dimensional effects during laser processing in washing.

(2) Industry overview

1. Industry status and development

(1) The consumption pattern was affected by the COVID-19 pandemic

With the outbreak of the COVID-19 pandemic, cities around the world have currently reopened after lockdown, which has definitely impacts on the economy. After the disaster, people's life style will go through enormous changes. This wave of pandemics may prompt consumers pay more attention to reducing risks and cause some new consumption patterns. Even after the pandemic, consumers may trim their budgets for purchasing non-life essentials, and reduce spending to prepare for future crises.

(2) The protectionism and the wave of anti-globalization lead the reorganization of the supply chain

In 2005, the global textile quota was canceled, and the textile trading market entered a new, free and open field with fair competition. Regional economic organizations (such as USMCA, ASEAN, CPTPP, and RCEP) and bilateral free trade agreements generate new trading obstacles for regional systems and countries outside the agreements; however, this wave of pandemics will slow down global economic

development, and the emergence of protectionism and anti-globalization will make regional economic organizations and bilateral trade agreements to face severe challenges. In addition to the tariff and trade war launched by the U.S. to China, Europe and Japan, the tremendous impacts of the pandemic will severely hit the global free trading market, and the supply chains in Europe and the U.S. are bound to be restructured.

International garment brands from Europe and the U.S. continue to occupy the leading positions in the development of global fashion and clothing with their excellent R&D teams, advanced technologies and innovative designs. Furthermore, by integrating the advantages of cheap labor and land costs in the developing emerging markets such as Southeast Asia, Middle-East and Africa, they have created a profitable industrial value chain. In addition, due to the rapid growth of emerging markets such as China, India, and Indonesia, business opportunities for the middle-class consumption are emerging. In the future, the “world factory” will evolve into the “world market,” subverting the conventional market ecology and consumption patterns; thus, fast fashion with high quality and low price has become the industry indicator. However, with the rising awareness of international human rights organizations and labor unions, wages in emerging countries have continued to rise, especially in Southeast Asia, thus, the garment OEM industry is facing the severe challenges of rising costs and shortening delivery time. Under this trend, in order to improve the industrial added values and international competitiveness, the only way is to adopt the timely industrial upgrading, such as leveraging the advantages of regional economic organizations for deployment, and introducing computer automation machinery equipment to improve production efficiency; meanwhile, actively investing in R&D and marketing to accelerate the response to the end consumer market demand and shorten the time to market of products.

2. The supply chain analysis

The upstream, midstream, and downstream of the jeans garment industry may be roughly divided into agriculture (cotton), → spinning industry, → dyeing and finishing industry, → weaving industry, and → garment industry. The Company is a one-stop corporate vertically integrated of these industries, with spinning mills, dyeing and weaving factories and garment factories.

3. Industry trends and competition

Under the trends of fashion, sport and leisure, denim is developing towards high elasticity, high recovery and functionality, leading to the rise of a series of blended textiles. By combining artificial fiber yarns such as Tencel, Modal, Rayon, Coolmax, Thermocool and Thermolite, the jeans are soft, comfortable, and elastic; meanwhile, having special effects such as moisture-wicking, quick dry, coolness, and warming up. Diversify of denim also affects the shape of jeans and washing, allowing designers to have more space for innovation and development, bringing new experiences to consumers.

Observing the market trends in recent years, the demand for soft, comfortable, and elastic denim has gradually extended from women’s clothing to men’s clothing. When consumers buy jeans, they look for an elastic fit similar to knitted fabrics as a starting point, emphasizing fitting to the body shape, visual modification, and highlighting curves; however, there are still some consumers who prefer non-elastic stiff denim made with pure cotton, and pursue the traditional, rough, and retro style. Regardless the consumer preferences, it is undeniable that the position of jeans in fashion apparel is still unwavering, and the variety of tailoring and washing changes make jeans the best fashion indicator to show the unique style of an individual. In addition, under the trend of global consumers pursuing products comfortable, fashionable, high value-added, and meeting environmental protection demands, denim products are gradually developing toward the direction of refinement, functionality and green environmental protection claims; the combination of artificial fibers and natural cotton, pairing with various dyeing effects presents diverse product mixes. After special post-processing, denim can have both a traditional rough appearance, and fashionable and soft touch. The Company has actively developed products and adjusted supply chain depending on consumer needs. By vertically integrating R&D team and focusing on the three core aspects of fabric development, washing technology and garment design, the Company is committed to fully leveraging the advanced spinning and dyeing technologies at the upstream, and pairing with the garment design and special washing processing at the downstream, with the improvement of the process emphasizing green

environmental protection, energy-saving and waste-reducing, and establishment of a professional plate-making office and development center, to quickly respond to the diverse and rich fashion trends in the denim consumer market.

(3) Research and development status

Expenditures and outcomes in the recent three years

Unit: NT\$ thousand

Year	Research expenses	% to the net operating revenue	Outcomes
2021	18,869	0.2	1. Multi-material blended interwoven denim. 2. Two-way stretch denim. 3. Cationic dyed and non-dyed denim. 4. Denim with multiple functional materials. 5. Denim with the environmentally friendly process. 6. Denim treated with ozone post-processing.
2022	16,662	0.2	
2023	13,804	0.2	
March 2024	392	0.02	

(4) Long-term and short-term business plans:

Explain the short-, mid-, and long-term business development plans in the future in terms of sales, production and operation management

Business development	Short-term plans	Mid and long-term plans
Sales	<ol style="list-style-type: none"> 1. Quickly respond to customer needs, customer-oriented customized order-taking and production, and adaption to the market featured with small quantities with variety and short delivery time. 2. Grasp the market movement caused by the pandemic, and increase the weight of antibacterial functional fabrics. 3. Increase the promotion of joint sales of garment factories in Southeast Asia, enhance the visibility of product added value, and expand the customer base through mutual cooperation. 	<ol style="list-style-type: none"> 1. Adapting to the USMCA and AGOA tariff concessions, re-deploy the resources to North America and Lesotho, while enhancing the integration of innovative R&D advantages in Asian production areas, to vertically integrate the supply chain. 2. Promoting the integration of upstream and downstream, with the integrated order acceptance model combining the fabric research and development, accessory material development, washing value-added development, garment design, high-quality manufacturing, and logistics management, to provide full-fledged information, technologies, and value-adding service of jeans garment. 3. Expansion of sales areas: actively develop consumer markets other than the U.S.
Production	<ol style="list-style-type: none"> 1. Improve the production and manufacturing process, establish standard operating procedures, and strengthen the use of automation equipment overall to improve production efficiency. 2. Improve the functional fabrics and washing process of garment, rapidly research and development for diverse products, while lowering the attrition rate continuously. 3. Promote the manufacturing process to be more eco-friendly, reduce waste 	Enhance the Company's R&D innovation and logistics management capabilities, and fully leverage the production advantages and supply the flexibility of each production area, enabling the Company to exert the advantage of the globally vertically integrated supply chain, to provide high value-added products and efficient services.

Business development	Short-term plans	Mid and long-term plans
	discharge, and implement the operation philosophy of sustainable development.	
Operation management	<ol style="list-style-type: none"> 1. Actively improve and integrate the information platform, to promote the architecture of value-added services in the manufacturing industry. 2. Restructure the organization, and continue to promote the talent cultivation and succession. 	<ol style="list-style-type: none"> 1. Improve the organizational operations, enhance the working environment and welfare of workers in each production area, actively engage in community improvement, and aim at sustainable environmental development for the fulfillment of corporate social responsibilities. 2. The Company emphasizes that other than having certain professional skills, senior executives must insist on the five major operational philosophies, "teamwork," "pragmatism," "efficiency," "breakthrough," and "perfection" to lead the Company to embrace the development of the next generation. Responding to the Group's organizational development and growth momentum, in addition to recruit outstanding senior executives, the Company also continues to actively cultivate mid-level and senior executives with potential, with enhanced individual coaching and work exchanges, and appoint them to overseas factories at intervals as needed, to actually understand the factory operation and management status. The training pattern for successors of senior executives is divided into four major modules: management ability, professional ability, personal development plan, and planning and execution of project tasks. The content includes human resources, financial risks, overseas dispatch, and language learning. Furthermore, via on-site participation in operating management meetings, sales meetings, factory affairs meetings, and R&D meetings, the understanding of operation and management will be deepened, enabling the trainees to integrate and utilize them for developing decision-making and judgment skills. Therefore, the Company can select the all-round talents from them to strengthen the future management team with plans and goals. In 2016, the position of

Business development	Short-term plans	Mid and long-term plans
		President was officially handed over to Shu-Hsuan Tsai, the former Vice President of the Finance & Administration Division. So far, the Company has more than ten senior executives who are responsible for the business of each department within the organization.

2. Overview of the market, production and sales:

(1) Market analysis

1. Major product sales by areas in the recent two years:

(1) Denim Unit: %

Year \ Area	Americas	Asia	Africa	Others	Total
	2023	47.72	34.55	16.70	1.03
2022	60.12	31.27	8.54	0.07	100.00

(2) Jeans and casual clothing Unit: %

Year \ Area	Americas	Asia	Africa	Others	Total
	2023	80.33	3.99	4.30	11.38
2022	80.47	16.15	1.06	2.32	100.00

(3) Ring-spun yarn Unit: %

Year \ Area	Americas	Asia	Africa	Others	Total
	2023	0	0	100.00	0
2022	0	0	100.00	0	100.00

2. Market share

According to the textile import statistics of the U.S. customs, the import volume of cotton woven pants in 2023 and 2022 were 139,342 thousand dozens and 202,806 thousand dozens, respectively. The Company's sales to North America were 676 thousand dozens and 837 thousand dozens, accounting for 0.49% and 0.41% of the market, respectively.

3. Supply, demand and growth potential of the market in the future

(1) Supply

a. The proportion of cotton woven pants exported from China to the U.S. increased from 16.87% in 2022 to 17.27% in 2023. However, Bangladesh's export proportion decreased. In 2023 and 2022, the percentages were 24.21% and 25.10%, respectively. Additionally, Vietnam's export proportion increased. In 2023 and 2022, the percentages were 16.24% and 15.67%, respectively. The related information is summarized as follows:

By statistics of U.S. Customs, the quantity of cotton woven pants exported to the U.S.

Country	2023		2022		2021	
	Volume (thousand dozens)	Market share (%)	Volume (thousand dozens)	Market share (%)	Volume (thousand dozens)	Market share (%)
Bangladesh	33,737	24.21	50,905	25.10	44,052	21.96
China	24,065	17.27	34,224	16.87	44,268	22.07
Vietnam	22,628	16.24	31,775	15.67	31,707	15.81
Others	58,912	42.28	85,902	42.36	80,533	40.16
Total	139,342	100	202,806	100	200,560	100

- b. The advantages of Bangladesh's low labor costs and abundant young labor force make the labor-intensive garment industry an important economic growth driver in Bangladesh. "Made in Bangladesh" has gradually become its international image. Many internationally renowned brands have presence in Bangladesh to set up OEM factories for supplying the European and the U.S. markets. In recent years, due to the enormous demand of the garment OEM industry, large-scale manufacturers in Bangladesh have begun to integrate toward the upstream; from the spinning, weaving, dyeing and finishing at the front-end textile mills, to the supply of fabrics at the midstream, until the garment sewing and forming at the downstream, a complete supply chain of the textile industry is forming, turning the OEM manufacturing model in Bangladesh toward a more diversified development. In the future, with the economic transformation of Bangladesh, enhanced infrastructure construction such as transportation and power supply, and better labor quality and industrial standards, the impact of Bangladesh on the textile and garment industries will not be underestimated.
- c. The ASEAN+6 Free Trade Zone Agreement has made Vietnam, Cambodia, and Indonesia the textile supply chain production centers in the Asia-Pacific region. However, the increases in basic wages and turmoil in public security in recent years have affected the willingness of foreign investment, with some negative impacts on the local garment industry development to a certain degree. In addition, the Regional Comprehensive Economic Partnership Agreement (RCEP) actively promoted by China has officially taken effect and is expected to create a free trade zone with a population of more than 3.5 billion. The members include China, Japan, South Korea, Australia and New Zealand, as well as the 10 member countries of Association of Southeast Asian Nations (ASEAN); each member country is expected to be benefitted from the elimination of tariff barriers that enable the textile industry to flourish.

(2) Demand

- a. Under the trend of continuous development and innovation of organizational structure, dyeing treatment and washing technologies of denim, the denim texture, touch, comfort and color are diversified, to provide products better meet market demands. As a must-have apparel of fashion, the diversification of denim surpasses genders and ages, becoming a product acceptable to all classes of customers and a fashion indicator widely applied in different brands in the fashion industry. Denim has therefore become one of the most durable and most sought after fabrics. Therefore, with the emergence of innovative technologies, denim developers and fashion brands have constantly been discussing and improving how to integrate product sustainability into the merchandise supply chain; with the growing awareness of environmental protection among consumers and brands, the development of denim integrates with innovative materials, such as environmentally friendly yarns, recycled polyester fibers, nylon and other materials, while emphasizing the recyclability, to provide products that can improve the environment and protect the earth.
- b. In recent years, the sporting style has become increasingly popular, and this atmosphere has also affected the market trends for fabric development and clothing styles. Sporting functional products have become one of the important sales in the market, and it is also reflected in consumers' consideration when purchasing denim products. Denim needs to be functional, such as moisture-wicking sea wool, brushed, and thermally conductive, to increase sports performance and warmth. Meanwhile, in terms of appearance and styles, not only the beauty and comfort with flexibility required, the high-tech machines are adopted in the denim development process, from ozone finish to laser technology in the post-processing, which not only saves water and chemicals and reduces pollution, but also one of the goals of denim development, while making jeans to be worn in any occasions more widely. Overall, customers' demand and considerations for denim products have changed from wear-resistant and durable in the past to lightweight, comfort, and sustainability, while increasing the environmental protection claim of products to reduce pollution. This trend and market demand will continue prolonged.
- c. Brands like ZARA, H&M, and UNIQLO have gradually transformed into commercial images of sustainable fashion and eco-fashion. In recent years, they have even provided environmental protection services for recycling clothes. Moreover, the

fashion industry annual report released by Global Fashion Agenda pointed out that 52% of the top leaders of the fashion industry said that they almost adopt the environmental protection goals as a guiding principle for strategic decision-making. Eco-fashion solutions may also be incorporated into clothing products. Implementing a more environmentally friendly strategy throughout the production process and supply chain, not only reduces the input of power or water to reduce production costs, but also has a positive implication on corporate profits, while helping to improve the quality of sustainable life, enabling people to work and live in a prosperous and health environment.

- d. The world's leading brands apply the flourish internet technology as their sales platform, while combining highly efficient global logistics services, to change the consumers' shopping habits, and are deeply favored by young consumers. The tendency of buying low-priced fast fashion products increases the purchasing flexibility of consumers, resulting a decrease in the seasonal demand for garments. A research report indicated that 69% of consumers tend to buy items not affected by times, and 64% of them think that high-quality products are worth buying. Relative to the emergence of consumer awareness, in particular, 47% of the millennial consumer groups start to care about the production and source of raw materials when purchasing products.
- e. Environmental protection and sustainability issues have become indispensable considerations in the process of industrial research and development. However, the pollution and enormous consumption of water during the traditional denim product manufacturing process have always been a major test for the industry. Therefore, how to satisfy the fashion consumers in the market, and minimize waste and discharge during the manufacturing process, such as using recycled and environmentally friendly cotton yarn, replacing traditional washing with laser technology, and adopting high-spec eco-friendly process from fiber selection to finished product completion, as well as the environmentally friendly sustainable planning and design, will be one of the key directions for the future development of the textile industry.

4. The favorable and unfavorable factors for future development and countermeasures

(1) Favorable factors

a. Sales and marketing

- (a) Stable customer structure: all of the Company's customers are long-term partners with a good cooperative relationship, and their orders grow steadily.
- (b) Vertical integration: to respond to the supply chain model that adjusts the order demand based on market feedback, the Company vertically integrates a one-stop production operation consisting of spinning, dyeing and finishing, weaving and garment, with dedicated quality control personnel in charge of quality inspection in each stage of the production process to meet customers' needs and are well received by customers.
- (c) Meet market demands: the Company grasps the market development trends, continuously develops fabrics with special specifications, and adopted customer-oriented customized production to meet the market with small quantity, variety and short delivery time.
- (d) Focus on the field of denim and jeans apparel, providing the most professional and innovative complete solutions for denim apparel around the world
The Company is committed to promoting the integration of upstream and downstream textiles and garment, with the integrated order acceptance model combining fabric research and development, accessory material development, washing value-added development, garment design, high-quality manufacturing, and logistics management, to provide high-quality denim and jeans apparel.
- (e) Enhance the integration of the R&D and innovation in Taiwan and the supply chain in Asia
The textile supply chain in Asia has become one of the cores for the supply of ready-to-wear in the world. Hence, strengthening the integration of the Company's R&D and innovation capabilities and logistics management capability in Taiwan, and replicating the production efficiency and successful experience of the Asian production areas, will enable the Company to fully exert the competitive advantages of speed, efficiency, and high added value of the global supply chain.

(f) Expanded the target market from the U.S. to the global market

The Company used to emphasize the U.S. market, and thus profits were vulnerable to the impact of US trade policies and the prosperity of the U.S. apparel markets, which increased the Company's risk and restricted revenue growth. In the future, other than the continuous cultivation of the U.S. market, the Company will expand its deployment in the Asian and European markets as a response to the emergence of China and the EU economies. Based on the experience, creditability and reputation of providing jeans garment in the Americas, the Company will continue to enhance the collaborations with current mainstream international brands. By applying the vertically integrated supply chain of the Company, the Company is committed to expanding the global market and becoming the best supplier partner of the brand apparel customers.

(g) Transformation of business model

Based on the existing fabric development and production, as well as the efficiency and reputation of garment manufacturing, the Company will, centered on the rapid development and enhanced washing technologies, further integrate textile production technologies and garment supply and management capabilities, to heighten the barriers to entry and provide customers with complete services.

b. Production

- (a) Establish overseas presence: responding to the formation of regional economies, such as the "North American Free Trade Agreement," "African Growth and Opportunity Act," and the abolition of Vietnam's textile quota restrictions by the U.S. since 2007, while solving the elevated domestic production costs, the Company has been actively looking for suitable investment targets, adjusting overseas production bases, and strengthening international competitiveness. The overview of overseas production bases is as below:

Location	Advantage of factory establishment	Time of factory establishment
Mexico	USMCA (Quota-free and Duty-free for the textiles exported to the U.S.)	April 1997
Lesotho	African Growth and Opportunity Act (Quota-free and Duty-free for the textiles exported to the U.S.)	March 1990 and March 2018
Vietnam	Quota-free for the textiles exported to the U.S.	March 2007 and April 2008

- (b) Excellent production management system: With the experience accumulated of long-term, the Company already has a very superior production management system, with better production efficiency than that of ordinary peers.
- (c) Production incentive system: The Company adapts measures to local conditions and established various incentive methods for production, including pay by piece, production bonus system, employee profit-sharing system, to reward the production and increase the production volume.
- (d) Improve the production and manufacturing process, and establish standard operating procedures for better production efficiency.

(2) Unfavorable factors

- a. The raising labor costs: the global labor cost is increasing year by year, resulting in manufacturers sustaining pressure in the international market. To solve this problem, the strategy of the international division of work should be applied to adjust the allocation of overseas orders timely, and increase the equipment automation machines, to minimize the impact of labor costs.
- b. Effect of exchange rate: the Company's export revenue is mainly denominated in US dollars, and thus the exchange rate fluctuation has a great impact on the Company. However, since the main raw materials are mostly quoted in US dollars, the purchase and sale will offset each other and the natural hedging effect is generated to reduce the impact of exchange rate fluctuations on the Company's operations. Nevertheless, to avoid the enormous impact of exchange rate fluctuations on the Company's operations, the Company still takes the following countermeasures:
- (a) Evaluate the exchange rate trend to reserve wiggle room for quotations.

- (b) By referring to the consulting services provided by principal banks, the finance personnel summarized the exchange rate information and operated the pre-sale exchange forwards based on the net balance of foreign exchange.
- (c) Finance Department provides timely exchange rate information to sales department and procurement department as reference for quoting or procurement.

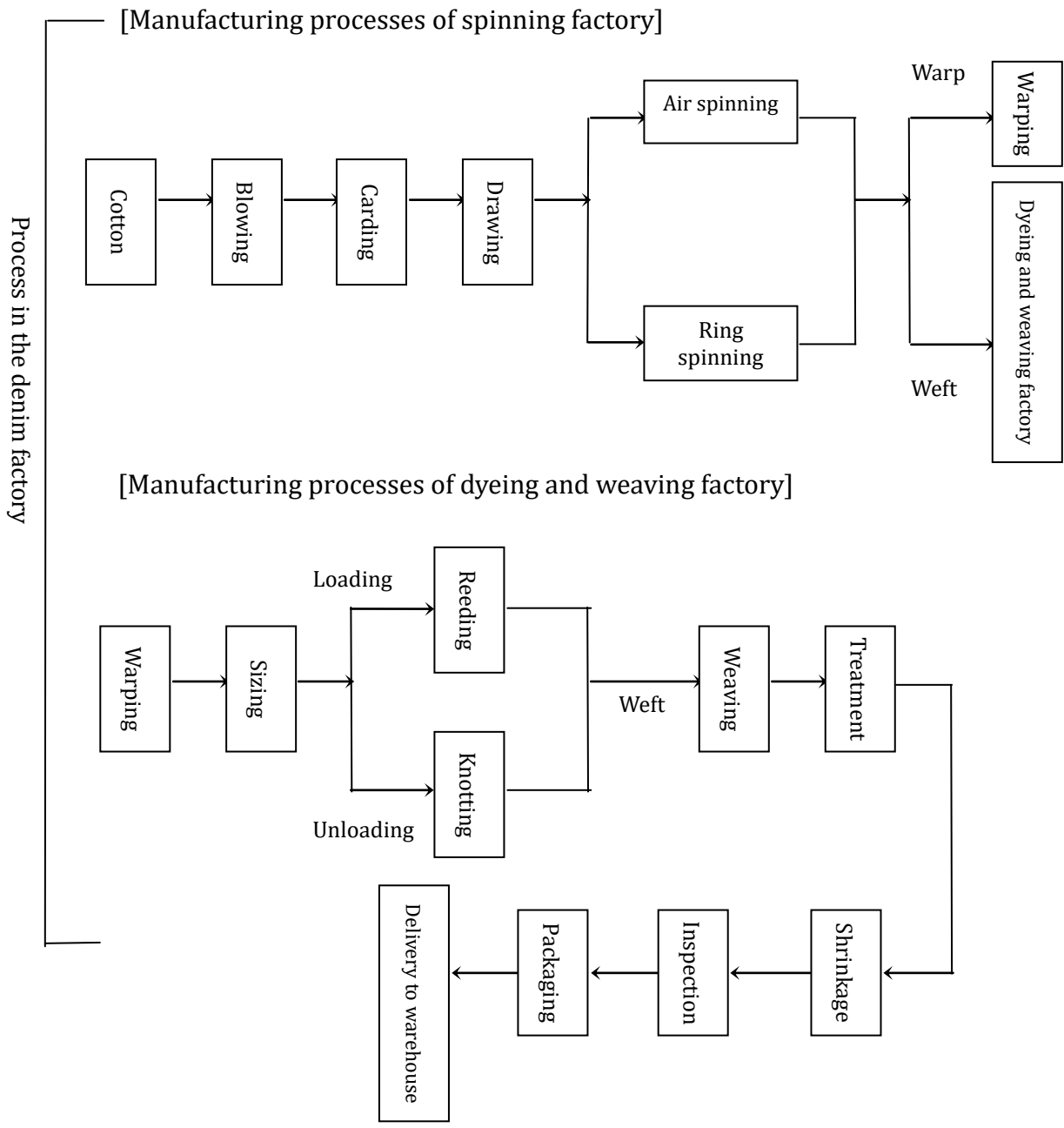
(2) Applications and production processes of main products

1. Applications of main products

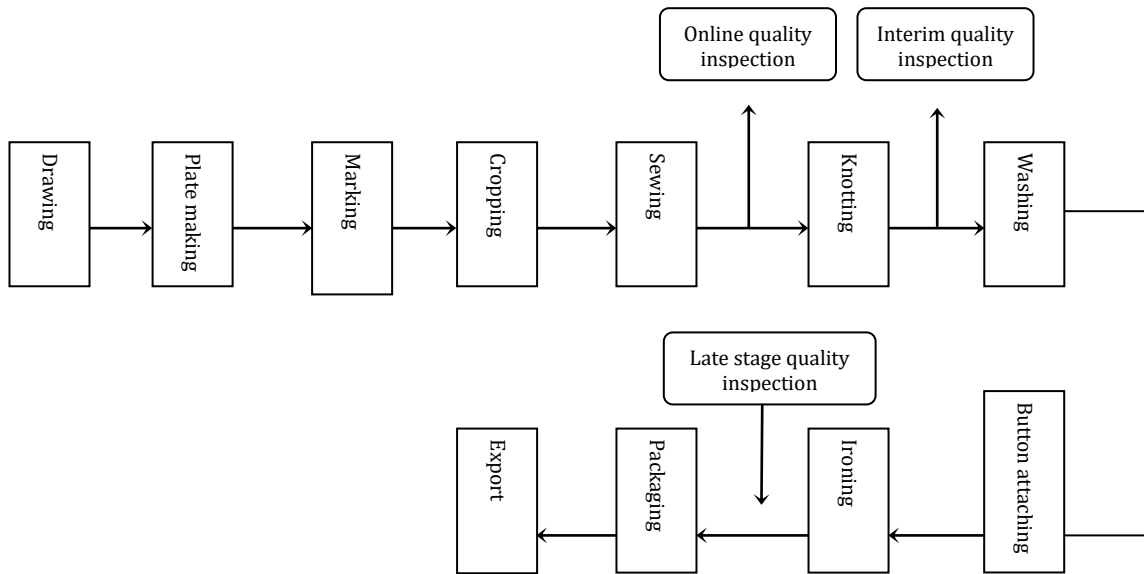
(1) Denim is used for tailoring jeans apparel by domestic and overseas garment factories.

(2) Jeans apparel and casual apparel are manufactured as an OEM for foreign large-scale chained shopping centers and renowned apparel designers.

2. Production processes of main products



[Manufacturing processes of garment factory]



(3) Supply of main raw materials

According to the 2023/24 forecast data released by the U.S. Department of Agriculture in March 2024, the global cotton production is 112,955 thousand bales, and the consumption is 112,946 thousand bales, indicating a balance between supply and demand. The global cotton inventory is the third highest in the past decade. By excluding China's cotton inventory, it is the fourth highest in the decade. However, the U.S. cotton inventory is the lowest level in the decade.

(4) Major Suppliers or Customers accounting for above 10 % of the company's total procurement or sales amount in the recent two years

1. Suppliers accounting for above 10 % of the Company's total procurement amount: none.

2. Major customers in the recent two years

Unit: NT\$ Thousand

Item	2023				2022				2024 Q1			
	Title	Amount	% of annual net sale	Relations with the issuer	Title	Amount	% of annual net sale	Relations with the issuer	Title	Amount	% of net sale up to the preceding quarter of the current fiscal year	Relations with the issuer
1	A	1,319,439	21	None	A	2,513,075	29	None	A	355,222	22	None
2	B	1,162,890	18	None	B	1,442,003	17	None	B	253,458	15	None
3	C	669,931	11	None	C	793,340	9	None	C	136,611	8	None
4	D	647,335	10	None	D	848,465	10	None	D	180,595	11	None
	Others	2,507,619	40		Others	3,077,797	35		Others	725,877	44	
	Net sale	6,307,214	100		Net sale	8,674,680	100		Net sale	1,651,763	100	

Note: Reason for increases or decreases: sales were arranged based on the actual orders taken.

(5) Production volume and value in the recent two years

Unit: NT\$ Thousand

Production volume and value	Year	2023			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products							
Denim (thousand yards)		39,672	34,396	3,593,648	50,400	50,895	4,950,398
Jeans garment (thousand dozens)		1,010	735	2,448,836	1,070	894	2,880,555
Ring-spun yarn (thousand kgs)		10,500	6,628	739,795	10,500	8,751	1,053,260
Total			41,759	6,782,279			8,884,213

(6) Sales volume and value in the recent two years

Unit: NT\$ Thousand

Sales volume and value	Year	2023				2022			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products									
Denim (thousand yards)		621	28,594	27,113	2,738,210	586	27,161	39,587	4,240,337
Jeans garment (thousand dozens)		0	0	864	3,004,661	0	0	1,068	3,591,984
Ring-spun yarn (thousand kgs)		0	0	4,227	499,850	0	0	6,225	788,971
Total			28,594		6,242,721		27,161		8,621,292

Note: The operating revenue listed in the table above does not include the processing income, sales of materials and others, for NT\$87,501 thousand in 2023 and NT\$46,716 thousand in 2022.

3. Information of employees hired for the recent two years:

Year		2023	2022	March 31, 2024
Number of employees	Clerk	229	446	224
	Technicians	482	538	495
	Worker	7,792	8,977	7,887
	Total	8,503	9,961	8,606
Average age		26.02	25.30	26.14
Average years of service		6.12	5.73	6.12
Distribution of education attainment	Ph.D.	0	0	0
	Master	27	37	30
	Bachelor	635	769	640
	Senior high school	1,889	2,232	1,841
	Below	5,952	6,923	6,095

4. Environmental protection expenditures:

(1) Loss or damage due to environmental pollution:

Date of disposition	Reference number of disposition	Law violated	The content of the article and disposition	Countermeasures	Amount of fine
October 23, 2024	No.1120089511	Subparagraph 1, Paragraph 1, Article 31 of the Waste Disposal Act	The storage area of textile sludge, R-0906, did not adhere to the industrial waste cleanup plan. Disposition description: I. Fine was determined pursuant to Article 52 of the Waste Disposal Act for NT\$6,000 II. Judgment was made pursuant to Article 23 of the Environmental Education Act: 1 hour of environmental lectures	Place the sludge in the designated storage area and affix the label "Textile Sludge R-0906".	NT\$6,000

Note: All violations have been resolved, the estimated amount that may occur in the future is NT\$0.

(2) Current and future estimates of possible damages and countermeasures: none.

5. Labor Relationship:

(1) Current agreements with employee and employee welfare:

1. Employee welfare

The Company has registered with the Miaoli County Government to establish the Employee Welfare Committee, and contributes welfare funds based on turnover and sales of scraps every month.

The employee welfare includes:

- (a) Birthday cash gift: NT\$1,000 in the month of the employees' birthdays.
- (b) Festival gift vouchers: NT\$1,500 of vouchers in Lantern Festival, Labor Day, Dragon Boat Festival and Mid-Autumn Festival.
- (c) Wedding cash gift: employees may apply for wedding cash gift when they get married.
- (d) Year-end party gift money: NT\$1,000 in the month when the year-end party is held.
- (e) Employee health exam: periodically free health exam.
- (f) Travel subsidy: NT\$2,000 in September.
- (g) Education subsidy: employees' children of different school age are entitled to an education subsidy for each semester in a lump sum from elementary school until graduating from college.
- (h) Hospitalization condolence money: the Company provides employees to apply for personal hospitalization condolence money.
- (i) Funeral condolence money: the Company provides funeral condolence money when a family member of an employee passes away.
- (j) The canteens in factories supplies meal boxes, and the Company subsidizes the food stipend.
- (k) Factories provide shuttle bus free-of-charge.
- (l) All employees are covered in a group insurance free of charge.
- (m) Praise for senior employees and retired employees.

2. Diverse and equal working place

To show solicitude for the needs of breastfeeding and childcare by employees as mothers after giving birth, the related welfare is described as below:

- (a) Friendly nursing environment (breastfeeding room): emphasizing personal privacy and safety, and encouraging breastfeeding, to achieve work-life balance.
- (b) Childcare service: registered childcare service institutions are engaged to handle childcare services, to provide employees with more favorable and safer childcare services.
- (c) Leave system: pursuant to the Labor Standards Act, applications for maternity inspection leave, maternity leave, family care leave and unpaid parental leave are available. In 2023, the reinstatement rate of unpaid parental leave reached 83%.
- (d) Education subsidy: during the period from elementary school until graduating from college, children of employees of different school ages are entitled to apply for an education subsidy for each semester in a lump sum to mitigate the burden of education expenses.

3. Continuing education and training system

In terms of talent cultivation, the Company encourages employees to learn for life, thereby enriching professional knowledge, improving professional skills and humanistic literacy, and thus improving work quality, performance and innovation capacity. Through the external training application regulations for employees, employees can apply for courses related to their own functions, to have differentiated learning channels and environments based on individual needs. In 2023, total of 2,267 employees were arranged with nearly 6,696 hours of internal/external training courses. Through the integration of all-round learning resources, employees are enabled to expand their knowledge fields, develop professional skills, and apply what they have learned to practical work, and thus improve work ability and efficiency, strengthen communication skills, and problem-solving abilities. In addition, in the same year, two fire drills were arranged, with a total of 1,141 participants, as well as 10 health management promotion courses, with a total of 589 participants, to enhance employees' awareness and response to the plant safety and create a safe workplace.

4. The retirement system and implementation

The "Labor Pension Act" has been enforced since July 1, 2005; employees who were employed before June 30 and in-service on July 1 might elect to continue to apply the provisions of pension in the "Labor Standards Act," or apply the pension system of the Labor Pension Act and retain the service years before the application of the Labor Pension Act. The employees recruited after July 1, 2005 are only applicable to the pension system of the "Labor Pension Act."

The applicable pension system of the "Labor Pension Act" belongs to the defined contribution of retirement plan. Since July 1, 2005, the pension is contributed at the rate of 6% of the monthly salary of employees into the personal dedicated account of the Bureau of Labor Insurance. The Company recognized the 2023 pension cost recognized pursuant to the defined contribution of pension plan for NT\$17,216 thousand.

The pension system applied under the "Labor Standards Act" is a defined benefit retirement procedure. Each employee with service year within 15 years (inclusive), is entitled for two bases for each full year of service; and one base for each additional year since the 16th year of service, with the maximum of 45 bases. The payment of the employee's pension is made based on an employee's years of service and average monthly salary of six months prior to the approval of retirement. The Company contributes 6% of the total monthly salary payment of employees to the pension fund to the Labor Retirement Reserve Supervision Committee, and which is deposited in the dedicated account with the Bank of Taiwan under the name of the Committee. The Company recognized the pension cost for NT\$1,973 thousand pursuant to the defined benefit retirement procedure in 2023.

5. Labor-management meetings

The Company has a good labor-management relationship. The regular labor-management meetings are held every three months. During the labor-management meetings, both parties can effectively discuss and communicate on labor conditions, labor rights and other related issues, and labor representatives can fully exercise their freedom to participate in organization and power of collective bargaining. Without worrying about discrimination, retaliation, threats or harassment, they can openly communicate with management representatives on working conditions and management systems, and share their ideas and suggestions.

The discussion topics for 2023 included labor shortages, plant equipment maintenance, factory construction, and the shutdown of the Houlong Textile Factory. Currently, all regular labor-management meetings are recorded in the meeting minutes, and relevant departments have responded to relevant issues and taken actions to improve the relevant hard- and software equipment.

6. Reward and incentive policy

When onboarding, the employee's salary will be assessed based on the Rank Table of Job Level, Position, and Wage of the Company. The salary assessment standard is better than the basic salary stipulated in Labor Standards Act of Taiwan as a principle, while comprehensively considering the job description, education background, service years, and salary level in the market, and referring to the salary level of the employees with related positions for the salary assessment indicators. The principle of equal pay for equal work is complied with regardless of race, nationality, gender and age.

The Company's indirect personnel's salaries range from NT\$31,000 to NT\$47,000, which is about 17% to 78% higher than the basic salary; the direct personnel's salaries is

NT\$28,000, which is about 6% higher than the basic salary. Based on the 2022 annual data released by the MOPS, the "median" salary of full-time employees of Nien Hsing Textile who are not in management positions is about NT\$540,000, ranking 18th in the textile and fiber category. The earnings per share for non-managerial full-time employees was NT\$ 2.15, placing 8th in the textile and fiber category. Except the fixed salaries at the upper-middle level of the industry in Taiwan, the Company distributes the year-end bonuses, performance bonuses, and employees' profit-sharing bonuses based on the operating performance of the year, to attract and retain outstanding talents, to facilitate the Company's long-term and stable development.

Insisting the three goals, including enabling employees to obtain performance bonuses in line with the performance of the year, allowing the Company to judge the performance of employees in the department, and serving as a reference indicator for the Company's incubation for the team of future successors, the performance evaluation system is hereby established. The performance evaluation integrates the personal work indicators and substantial operating results, while referring to the sustainable development indicators, and the performance of fulfilling corporate social responsibility, as the comprehensive calculation, so that the whole Company can achieve sustainable management and development with the same goals from top to bottom.

7. Employee's subscription for capital increase in cash and employee bonus system

Where the Company increases the capital in cash, 10% to 15% is reserved for the employees' subscription, as required by the Company Act. In addition, pursuant to Article 22-1 of the Articles of Incorporation, where the Company makes profit for a year, the Company shall provide at least 1% of the profit as compensation to employees; however, the Company's accumulated losses shall have been covered.

(2) Loss occurs due to labor disputes: none.

(3) Current and future estimates of possible expenses and countermeasures: none.

6. Information security management:

The Company has established the information security risk management team, with the IT Officer as the convener, to regularly review the information security policies and report to the Board of Directors. The latest report made to the Board of Directors was on November 3, 2023. The Company did not have any material information security incidents hazardous to computer systems in 2023.

(1) Information security risk management framework, policy, specific management plans, and resources put in Information security management:

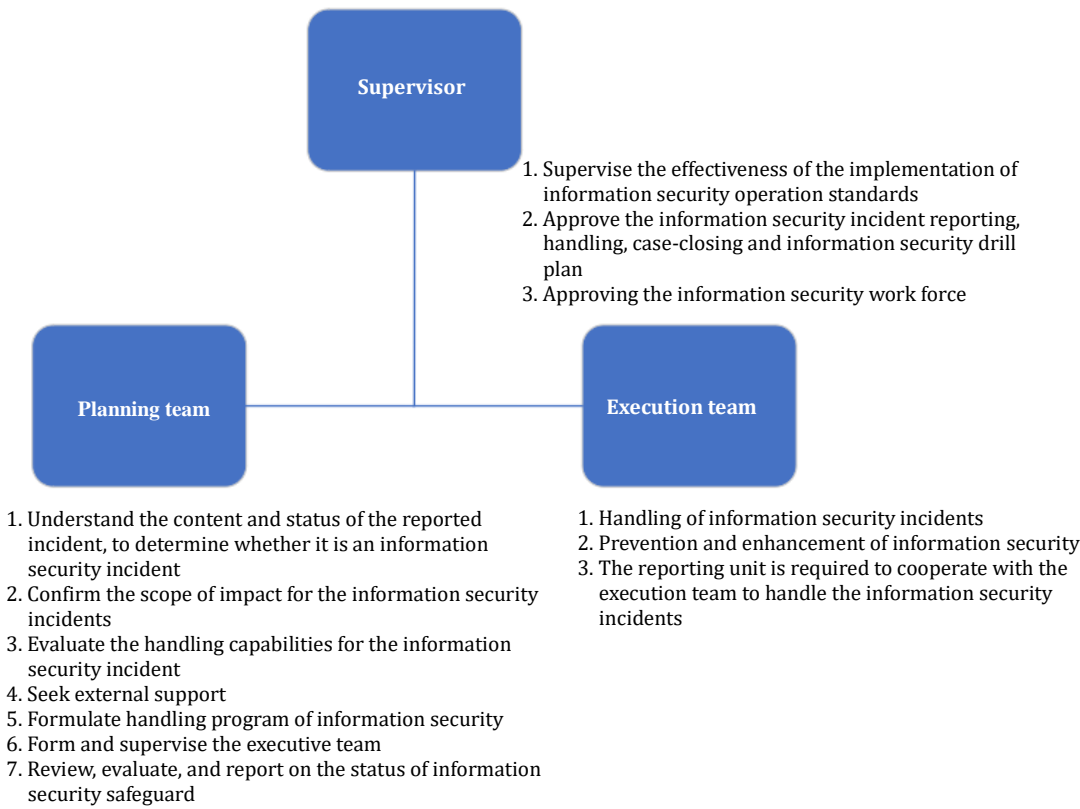
1. Information security risk management framework

The accountable unit of the Company's information security governance organization is IT Department, where a IT Officer and professional IT personnel are established to coordinate and formulate the internal information security and protection related policies, plan and implement the information security safeguard, as well as information security policy promotion and Implementation, and the top officer of the corporate information security organization regularly reports to the Board of Directors regarding the effectiveness of information security management, issues and directions related to information security.

Supervisor: the officer of the IT Department

Planning team: the personnel from the IT Department

Execution team: formed by the Planning Team according to the needs of the task



2. Information security policy

To enable the thorough implementation, effective operation, supervision and management, and continuous progress of Company's various information security policies, as well as maintain the confidentiality, integrity and availability of the Company's important information systems, the information security policy is specially formulated.

The policy aims to give employees a clear guiding principle in their daily work. All employees are obliged to actively participate in the promotion of information security management policy, to ensure the security operation and maintenance of all employees, data, information systems, devices and networks of the Company, seeking that all employees understand, implement and maintain the policy, to achieve the goal of continuous operation of information.

"Implement information security and strengthen service quality"

"Enhance information security training to ensure continuous operation"

"Good contingency response for rapid disaster recovery"

- Implement information security and strengthen service quality

All employees implement information security. All information operation-related measures should ensure the confidentiality, integrity and availability of business data, and be free from risks of leakage, compromise or loss due to external threats or improper management of internal personnel. The appropriate protective measures are selected to lower the risk to an acceptable level for the continuous monitoring, reviewing and auditing the tasks of the information security management system, for strengthening the service quality and improving the service level.

- Enhance information security training to ensure continuous operation

Supervise corporate employees to implement the information security management tasks, with continuous appropriate Information security education and training conducted every year, to establish the concept of "everyone is responsible for information security," prompting employees to understand the importance of Information security, and urging them to comply with the regulations of Information security, to improve the Information security concepts and emergency response capabilities, reduce information security hazards, for achieving the goal of continuous operation.

- Good contingency response for rapid disaster recovery

Formulate contingency plans and disaster recovery plans for important information assets and key businesses, and regularly implement drills for various emergency response processes, to ensure rapid recovery when information systems fail or major disasters occur, and ensure the key businesses continue the operation with losses minimized.

3. Specific management plans, and resources put in Information security management

① In addition to building a safe information and communication environment, the Company continues to invest in improving vulnerabilities and enhancing the system's operation efficiency. The main Information security management programs are as below:

A. Description of network security attack risk and countermeasures

- a. The Company has established network security protection management to ensure the operation of information systems related to internal corporate operations. However, when facing the ever-changing sources and approaches of network security attacks, it is impossible to guarantee that the computer system may be 100% free from the attacks.
- b. The computers used in the manufacturing sites of factories are isolated from the external network or adopt a closed independent system, to avoid the shutdown of the production line caused by network security hazardous incidents.
- c. For the IBM mainframes mainly used for operation, the long-term system software and hardware maintenance contract are entered with the original maker, while the internal information system maintenance personnel are also familiar with data backup and recovery operations, to ensure that the computer system meets the operational needs.

B. The Company's information security control measures

- a. Network security monitoring: including -email server system and security control of the Company's website.
 - (a) The Company has leased the dedicate line service of Chunghwa Telecom Hinet Information Security Fleet 2018 series "New Generation Firewall Edition" solution. Hinet performs the network security monitoring task, to block malicious intrusion behaviors of external hackers, and provide regular statistical analysis statements.
 - (b) The Company use the Palo Alto global information security intelligence engine which updates the attribute codes regularly and automatically to detect and block the malicious programs and connections including the latest viruses, worms, spyware, ransomware, mining software, to achieve instant protection.
Control over sites of five major categories
"Malicious websites," such as: malware and phishing;
"Violation of good customs," such as: adults, drugs, gambling and nudity;
"Reducing productivity," such as: social networks, promotion and auctions, stocks and investments, and recommended games;
"Video playing," such as: peer-to-peer transmission, media and streaming;
"Others," such as: web-based mail services, hosting sites that cannot be categorized.
 - (c) In addition to providing a network security control mechanism, Hinet also installs a firewall device on the Company's internal internet port, to monitor and record various conditions of internet usage, providing the statements of necessary statistical analysis for warnings.
 - (d) For the email server system security, the Company has leased the Mail Cloud system service provided by an external server supplier. The supplier is responsible for the maintenance of the email server hardware and control over the outward network security, including anti-virus software service for mail, to strengthen the safeguard of e-mail security.
 - (e) The Company's official website (www.nhjeans.com) system is commissioned to an external web hosting service. The provider is responsible for the maintenance of the website server host hardware and the control over the outward network security.
- b. Computer security: including connection control, anti-virus and backup operations between personal computers and server hosts
 - (a) On the internal network (Intranet) or external Internet (Internet), when

attempting to use the server host, the dedicated software must be installed to connect with the server host.

- (b) For the PC (personal computer) to make the connection, the device name must be configured on the server host, and the users are limited to logging into the server host with a specific device name based on the necessity.
 - (c) Whenever a user logs into the server host, the operating system (OS) will always record the login date, time and device name, even wrong passwords. In addition, the process of the user's execution of the program and the date and time of logout from the host are also recorded.
 - (d) When attempting to log into the server host, if the times of wrong password entries exceed the defined value, the user ID and device name will be suspended by the OS, and it may be restored through the system administrator of permission.
 - (e) USB interfaces are controlled, that external USB devices cannot be used without authorization.
 - (f) The anti-virus software console, OfficeScan Console, monitors the updates and protection status of users' end.
 - (g) Perform daily backups of server files, including disk-to-disk, disk-to-tape, and multi-tape versions and store them remotely.
- c. User security: application software system security control
- (a) The establishment of a User ID (user account) is applied by the department of the user to IT Department, and established by the system administrator for permission.
 - (b) To execute the connection software, a legitimate user ID & password must be entered for the user login screen of the application system.
 - (c) Different user IDs are established in different application systems, depending on the department to which the user belongs and the characteristics of the job in charge, with specific divisions of permissions.
 - (d) The password of each user ID is established by the user; if the password is forgotten, an application for changing must be submitted to the IT Department, and reset by the system administrator with permission.
 - (e) For personnel changes or job changes in each department, an application for changing the user ID permission must be submitted to the Information Department, and reset by the system administrator of permission.
 - (f) The user's permission is determined depending on the level provided by the OS, and then adapted to the configuration files of different application systems to further manage and determine respectively.

② Resources invested in Information security management

- A. The network hardware equipment such as firewalls, backup management equipment, SSL VPN private channel connection.
- B. Software systems such as email anti-virus and spam filtering.
- C. Information security manpower: one information security officer and two information engineers are in place, to convene the information security management meetings at least once a year, responsible for information security framework design, information security operation, maintenance and monitoring, information security event response and investigation, information security policy review and amendment.
- D. Implementation: daily inspection of system status, regular weekly backup and execution of retaining the backup media in different places, annual information security promotion, annual internal audit of information cycle, and CPAs' audits.

(2) Damages, possible impact and countermeasures due to significant information security incidents.
If a reasonable estimate cannot be made, an explanation shall be provided: none.

7. Material contracts:

(1) Mid- and Long-term loan contract with bank

Nature	Parties involved	Start and end dates	Main contents	Restriction
Mid-term loan	Hua Nan Bank	Jun 18, 2020 to Jun 19, 2023	A three-year revolving credit facility contract with a limit of NT\$500 million. For each loan, the maximum period is six months. The Company's operating conditions, financial ratios, and audit reports issued by the CPA are regularly reviewed every year.	None
Mid-term loan	Cathay United Bank	Feb 2, 2021 to Dec 8, 2023	A three-year revolving credit facility contract with the limit of NT\$700 million and the Neihu office building as the collateral. For each loan, the maximum period is six months. The first drawdown must be made within three months after signing the contract, and one term is three months, starting from the next month to the date of drawdown.	None

Overview of Financial Status

1. Condensed balance sheets and statements of comprehensive income for the recent five years

(1) Condensed consolidated balance sheets - IFRSs

Unit: NT\$ Thousand

Item	Year	Financial information of the recent five years					Mar 31, 2024 Financial information (Note 2)
		Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	
Current asset		5,255,267	6,342,938	5,796,005	5,427,255	5,737,556	5,512,969
Long-term investment		926,346	941,387	1,235,924	1,341,548	1,043,114	900,505
Property, Plant and Equipment		1,249,509	1,378,016	1,434,189	1,691,289	2,025,380	1,137,344
Intangible asset		0	0	0	0	0	0
Other assets		605,069	503,451	583,923	585,484	539,951	651,867
Total assets		8,036,191	9,165,792	9,050,041	9,045,576	9,346,001	8,202,685
Current liabilities	Before distribution	773,914	1,128,899	972,103	1,203,228	1,581,043	844,134
	After distribution	(Note 1)	1,541,799	1,179,063	1,322,028	1,581,043	Not applicable.
non-current liabilities		351,644	433,822	652,345	572,839	564,471	350,569
Total liabilities	Before distribution	1,125,558	1,562,721	1,624,448	1,776,067	2,145,514	1,194,703
	After distribution	(Note 1)	1,975,621	1,831,408	1,894,867	2,145,514	Not applicable.
Equity attributable to owners of parent company		6,910,633	7,603,071	7,425,593	7,269,509	7,200,487	7,007,982
Share capital		2,063,900	2,066,900	1,980,000	1,980,000	1,980,000	2,062,100
Additional paid-in capital		506,552	509,657	419,716	419,715	419,715	504,689
Retained earnings	Before distribution	4,895,745	5,560,278	5,183,679	4,837,777	5,075,764	4,924,366
	After distribution	(Note 1)	5,147,378	4,976,719	4,718,977	5,075,764	Not applicable.
Other equity		(555,564)	(533,764)	(157,802)	32,017	(274,992)	(483,173)
Treasury shares		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	6,910,633	7,603,071	7,425,593	7,269,509	7,200,487	7,007,982
	After distribution	(Note 1)	7,190,171	7,218,633	7,150,709	7,200,487	Not applicable.

Note 1: The distribution of 2023 profits will be confirmed upon by the 2024 Annual General Shareholders' Meeting.

Note 2: Reviewed by CPA.

(2) Condensed standalone balance sheets - IFRSs

Unit: NT\$ Thousand

Item	Year	Financial information of the recent five years				
		Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019
Current asset		3,880,904	5,034,778	4,597,329	4,426,050	4,995,608
Long-term investment		2,689,820	2,693,004	2,866,354	2,932,960	2,946,902
Property, Plant and Equipment		826,015	853,844	836,441	887,317	967,083
Intangible asset		0	0	0	0	0
Other assets		550,613	469,918	551,293	545,852	482,936
Total assets		7,947,352	9,051,544	8,851,417	8,792,179	9,392,529
Current liabilities	Before distribution	717,741	1,048,022	804,034	981,481	1,646,131
	After distribution	(Note 1)	1,460,922	1,010,994	1,100,281	1,646,131
non-current liabilities		318,978	400,451	621,790	541,189	545,911
Total liabilities	Before distribution	1,036,719	1,448,473	1,425,824	1,522,670	2,192,042
	After distribution	(Note 1)	1,861,373	1,632,784	1,641,470	2,192,042
Equity attributable to owners of parent company		6,910,633	7,603,071	7,425,593	7,269,509	7,200,487
Share capital		2,063,900	2,066,900	1,980,000	1,980,000	1,980,000
Additional paid-in capital		506,552	509,657	419,716	419,715	419,715
Retained earnings	Before distribution	4,895,745	5,560,278	5,183,679	4,837,777	5,075,764
	After distribution	(Note 1)	5,147,378	4,976,719	4,718,977	5,075,764
Other equity		(555,564)	(533,764)	(157,802)	32,017	(274,992)
Treasury shares		0	0	0	0	0
Non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Total equity	Before distribution	6,910,633	7,603,071	7,425,593	7,269,509	7,200,487
	After distribution	(Note 1)	7,190,171	7,218,633	7,150,709	7,200,487

Note 1: The distribution of 2023 profits will be confirmed upon by the 2024 Annual General Shareholders' Meeting.

(3) Condensed consolidated statements of comprehensive income - IFRSs

Unit: NT\$ Thousand

Item	Year	Financial information of the recent five years					Mar 31, 2024 Financial information (Note 1)
		2023	2022	2021	2020	2019	
Operating revenue		6,358,816	8,695,169	8,012,461	7,019,373	8,567,512	1,685,335
Gross profit (loss)		(11,227)	807,049	673,219	204,690	438,023	120,110
Operating profit (loss)		(449,924)	310,402	247,415	(299,917)	(105,680)	(13,779)
Non-operating income and expenses		44,344	216,522	44,029	(248,145)	35,278	51,349
Profit before tax		(405,580)	526,924	291,444	(548,062)	(70,402)	37,570
Net profit from continuing operations		(362,912)	426,456	242,691	(423,066)	(69,787)	28,842
Loss on discontinued operations		0	0	0	0	0	0
Net profit (loss) for the period		(362,912)	426,456	242,691	(423,066)	(69,787)	28,842
Other comprehensive income for the period, net of income tax		83,269	(151,673)	32,192	492,088	5,414	70,307
Total comprehensive income for the period		(279,643)	274,783	274,883	69,022	(64,373)	99,149
Net profit attributable to owners of parent company		(362,912)	426,456	242,691	(423,066)	(69,702)	28,842
Net profit attributable to non-controlling interests		0	0	0	0	(85)	0
Total comprehensive income attributable to owners of parent company		(279,643)	274,783	274,883	69,022	(64,291)	99,149
Total comprehensive income attributable to non-controlling interests		0	0	0	0	(82)	0
Earnings per share (NT\$)		(1.83)	2.15	1.23	(2.14)	(0.35)	0.15

Note1: Reviewed by CPA.

(4) Condensed standalone statements of comprehensive income - IFRSs

Unit: NT\$ Thousand

Item	Year	Financial information of the recent five years				
		2023	2022	2021	2020	2019
Operating revenue		6,344,308	8,679,966	7,997,824	7,007,059	8,551,317
Gross profit		(63,821)	732,824	606,249	131,032	368,297
Operating profit (loss)		(425,865)	314,860	263,224	(269,192)	(38,604)
Non-operating income and expenses		14,632	205,935	23,500	(279,993)	(34,826)
Profit before tax		(411,233)	520,795	286,724	(549,185)	(73,430)
Net profit from continuing operations		(362,912)	426,456	242,691	(423,066)	(69,702)
Loss on discontinued operations		0	0	0	0	0
Net profit (loss) for the period		(362,912)	426,456	242,691	(423,066)	(69,702)
Other comprehensive income for the period, net of income tax		83,269	(151,673)	32,192	492,088	5,411
Total comprehensive income for the period		(279,643)	274,783	274,883	69,022	(64,291)
Net profit attributable to owners of parent company		(362,912)	426,456	242,691	(423,066)	(69,702)
Net profit attributable to non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Total comprehensive income attributable to owners of parent company		(279,643)	274,783	274,883	69,022	(64,291)
Total comprehensive income attributable to non-controlling interests		Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Earnings per share (NT\$)		(1.83)	2.15	1.23	(2.14)	(0.35)

(5) Attesting CPA and the audit opinions for the recent five years

Year	Attesting CPAs	Audit opinions
2019	Ming-Nan Chiang, Jing-Bing Shi	Unqualified opinion
2020	Shu-Chuan Yeh, Chih-Ming Shao	Unqualified opinion
2021	Shu-Chuan Yeh, Chih-Ming Shao	Unqualified opinion
2022	Kuo-Ning Huang, Chih-Ming Shao	Unqualified opinion
2023	Chih-Ming Shao, Kuo-Ning Huang	Unqualified opinion

2. Financial analysis for the recent five years

(1) Financial analysis of the consolidated statements - IFRSs

Item		Financial analysis of the recent five years					Mar 31, 2024 (Note 1)
		2023	2022	2021	2020	2019	
Financial structure (%)	Debt ratio	14.01	17.05	17.95	19.63	22.96	14.56
	Long-term capital to property, plant and equipment ratio	581.21	583.22	563.24	463.69	383.38	646.99
Liquidity analysis (%)	Current ratio	679.05	561.87	596.23	451.06	362.90	653.09
	Quick ratio	385.00	304.54	351.60	259.25	185.86	399.68
	Interest coverage ratio	(63.93)	42.94	75.73	(89.60)	(13.26)	23.32
Operating ability	Receivables turnover (times)	4.19	4.90	4.23	3.86	5.02	4.96
	Average collection days	87	74	86	95	73	74
	Inventory turnover (times)	2.64	3.15	3.22	2.79	3.13	3.04
	Payables turnover (times)	28.98	28.64	22.19	19.72	20.78	29.32
	Average sales days	138	116	113	131	117	120
	Property, plant and equipment turnover (times)	4.80	6.17	5.11	3.77	4.34	5.54
	Total assets turnover (times)	0.73	0.95	0.88	0.76	0.88	0.81
Profitability	Return on total assets (%)	(4.16)	4.79	2.72	(4.55)	(0.68)	1.49
	Return on shareholders' equity (%)	(5.00)	5.68	3.30	(5.85)	(0.94)	1.66
	Profit before tax to paid-in capital (%)	(19.65)	25.49	14.72	(27.68)	(3.56)	7.29
	Profit margin (%)	(5.75)	4.92	3.04	(6.04)	(0.82)	1.75
	Earnings per share (NT\$)	(1.83)	2.15	1.23	(2.14)	(0.35)	0.15
Cash flows	Cash flow ratio (%)	74.89	16.91	46.98	3.27	(0.74)	11.33
	Cash flow adequacy ratio (%)	49.76	23.77	31.74	56.52	70.42	79.76
	Cash reinvestment ratio (%)	1.12	0	2.22	0.26	0	0.64
Leverage	Operating leverage	(3.33)	7.42	9.98	(6.29)	(22.15)	(31.68)
	Financial leverage	0.99	1.04	1.02	0.98	0.96	0.89

Note 1: Reviewed by CPA.

Financial analysis for the recent two years:

1. Mainly due to the decrease in the operating profit in 2023, the interest coverage rate, return on asset, return on shareholders' equity, profit before tax to paid-in capital, profit margin, EPS, and operating leverage decreased from the previous year.
2. Mainly due to the decrease in short-term borrowings, accounts payable, and current tax liabilities from the previous year, there was a decrease in current liabilities. Consequently, the current ratio and quick ratio increased from the previous year.
3. Mainly due to the decrease in sales revenue in 2023, the property, plant and equipment turnover and total assets turnover decreased from the previous year.
4. Mainly due to the impact of net changes in inventories (the inventories at the end of 2023 decreased by NT\$609,897 thousand compared with the end of 2022, and the inventories at the end of 2022 increased by NT\$433,550 thousand compared with the end of 2021), there was an increase in net cash inflows from operating activities. Consequently, the cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio increased from the previous year.

(2) Financial analysis of the standalone statements - IFRSs

Item		Financial analysis of the recent five years				
		2023	2022	2021	2020	2019
Financial structure (%)	Debt ratio	13.04	16.00	16.11	17.32	23.34
	Long-term capital to property, plant and equipment ratio	875.24	937.35	962.10	880.26	801.01
Liquidity analysis (%)	Current ratio	540.71	480.41	571.78	450.96	303.48
	Quick ratio	276.29	236.78	306.56	245.37	156.09
	Interest coverage ratio	(87.78)	48.83	165.78	(138.74)	(23.91)
Operating ability	Receivables turnover (times)	4.76	5.46	4.61	4.17	5.46
	Average collection days	77	67	79	88	67
	Inventory turnover (times)	2.75	3.27	3.37	2.95	3.32
	Payables turnover (times)	13.52	15.60	13.48	9.49	8.43
	Average sales days	133	112	108	124	110
	Property, plant and equipment turnover (times)	7.51	10.26	9.27	7.56	8.72
	Total assets turnover (times)	0.74	0.97	0.91	0.77	0.87
Profitability	Return on total assets (%)	(4.23)	4.86	2.77	(4.62)	(0.69)
	Return on shareholders' equity (%)	(5.00)	5.68	3.30	(5.85)	(0.94)
	Profit before tax to paid-in capital (%)	(19.93)	25.20	14.48	(27.74)	(3.71)
	Profit margin (%)	(5.75)	4.92	3.04	(6.04)	(0.82)
	Earnings per share (NT\$)	(1.83)	2.15	1.23	(2.14)	(0.35)
Cash flows	Cash flow ratio (%)	91.06	26.88	29.13	22.11	(15.97)
	Cash flow adequacy ratio (%)	49.27	(12.23)	(30.99)	2.00	2.81
	Cash reinvestment ratio (%)	2.53	0.73	1.13	2.20	0
Leverage	Operating leverage	(5.73)	11.06	14.05	(10.89)	(92.97)
	Financial leverage	0.99	1.04	1.01	0.99	0.93

Note: Reviewed by CPA.

Financial analysis for the recent two years

1. Mainly due to the decrease in the operating profit in 2023, the interest coverage rate, return on asset, return on shareholders' equity, profit before tax to paid-in capital, profit margin, EPS, and operating leverage decreased from the previous year.
2. Mainly due to the decrease in sales revenue in 2023, the property, plant and equipment turnover and total assets turnover decreased from the previous year.
3. Mainly due to the impact of net changes in inventories (the inventories at the end of 2023 decreased by NT\$631,986 thousand compared with the end of 2022, and the inventories at the end of 2022 increased by NT\$433,072 thousand compared with the end of 2021), there was an increase in net cash inflows from operating activities. Consequently, the cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio increased from the previous year.

Formulas for the calculation of the financial analysis:

1. Financial structure

(1) Debt ratio = Total liabilities/Total assets

(2) Long-term capital to property, plant and equipment ratio = (Total equity + Non-current liabilities)/Net property, plant and equipment

2. Liquidity analysis

(1) Current ratio = Current assets/Current liabilities

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities

(3) Interest coverage ratio = Profit before tax and interest expense/Interest expenses

3. Operating ability

(1) Receivables turnover (including accounts receivable and notes receivable from operating activities) = Net sales/Average accounts receivable (including accounts receivable and notes receivable from operating activities)

(2) Average collection days = 365/Receivables turnover

(3) Inventory turnover = Cost of goods sold/Average inventory

(4) Payables turnover (including accounts payable and notes payable from operating activities) = Cost of goods sold /Average accounts payable (including accounts payable and notes payable from operating activities)

(5) Average sales days = 365/Inventory turnover

(6) Property, plant and equipment turnover = Net sales/Average net property, plant, and equipment

(7) Total asset turnover = Net sales/Average total assets

4. Profitability

(1) Return on total assets = [Net profit + Interest expenses × (1 - Tax rate)]/Average total assets

(2) Return on shareholders' equity = Net profit /Average total equity

(3) Profit margin = Net profit /Net sales

(4) Earnings per share = (Net profit - Preference shares dividends)/Weighted average number of outstanding shares

5. Cash flows

(1) Cash flow ratio = Net cash flows from operating activities/Current liabilities

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the recent five years/(Capital expenditures + Increase in inventory + Cash dividends) for the recent five years

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/ (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital)

6. Leverage

(1) Operating leverage = (Operating revenue - Variable operating costs and expenses)/Operating profit

(2) Financial leverage = Operating profit / (Operating profit - Interest expenses)

3. Audit Committee's Audit Report

Nien Hsing Textile Co., Ltd. Audit Committee's Review Report

The Board of Directors has prepared the 2023 Business Report, 2023 Financial Statements, and the proposal for distribution of 2023 profits. In particular, the Financial Statements were audited by Chih-Ming Shao and Kuo-Ning Huang, CPAs from Deloitte & Touche and Independent Auditors' Reports have been issued.

Based on the Audit Committee's review, it found no existing inconsistencies. The Report is presented in accordance with Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act.

To:

2024 Annual General Shareholders' Meeting

Nien Hsing Textile Co., Ltd.

The Convener of the Audit Committee: Chu-Feng Yang

March 8, 2024

4. 2023 Consolidated financial statements

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

Nien Hsing Textile Co., Ltd.

Chairman: Chen, Wei-Han

March 8, 2024

Independent Auditors' Report

The Board of Directors and the Shareholders

Nien Hsing Textile Co., Ltd.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the paragraph titled Auditors' Responsibilities for the Audit of the Consolidated Financial Statements. We have stayed independent from the Group as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters refer to the matters that, in our professional judgment, were of most significance in our audit of the 2023 Consolidated Financial Statements of the Group. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Operating revenue from major clients

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

Description of Matter

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

Audit Procedures

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

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

OTHER MATTER

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

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

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

In preparing the Consolidated Financial Statements, management is responsible for assessing the ability of the Group to continue as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease its operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chih-Ming Shao, and Kuo-Ning Huang.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 8, 2024

Notice to Readers

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

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

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

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

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

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Unit: NT\$ Thousand, except (Losses) Earnings Per Share is NTD

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

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

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

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

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

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

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

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

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

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

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

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Statement of Compliance

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

- (2) Basis of Preparation

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

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

1. Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities available at the measurement date.
2. Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs: Unobservable inputs for an asset or liability.

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

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

(4) Basis of Consolidation

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

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

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

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

(5) Foreign Currency

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

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting the Consolidated Financial Statements, the functional currencies of the Company's entities (including subsidiaries and associates in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; The income and expense items are translated at the average rate of the year. The exchange differences arising are

recognized in other comprehensive income (and are attributable to owners of the Company and non-controlling interest, respectively).

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

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is reclassified to a non-controlling interest in that foreign operation but is not recognized in profit or loss. For all other situations of partial disposal of a foreign operation, the proportionate share of the accumulated exchange difference recognized in other comprehensive income is reclassified to profit or loss.

(6) Inventories

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

(7) Investment in Associates

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

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

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

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

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to the additional subscription to the new shares of associate, the proportionate amount of the gains or losses previously recognized

in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

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

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

(8) Property, Plant and Equipment

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

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

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

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

(9) Investment property

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

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

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

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

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

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

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

(11) Financial Instruments

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

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

liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

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

(1) Measurement category

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

A. Financial assets at FVTPL

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

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

B. Financial assets at amortized costs

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

- a. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- a. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b. Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

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

C. Investments in equity instruments at FVTOCI

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

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

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

(2) Impairment of financial assets

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

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

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

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

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

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

(3) Derecognition of financial assets

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

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

2. Equity instruments

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

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

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

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

4. Derivative financial instruments

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

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

(12) Provisions

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

Onerous contract

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

(13) Revenue Recognition

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

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

Sale of goods

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

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

(14) Leasing

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

1. The Group as lessor

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

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

2. The Group as lessee

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

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

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

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

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

(15) Borrowing Costs

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

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

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

(16) Employee Benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

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

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

(17) Share-based payment agreement

Restricted shares for employees granted to employees

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

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

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

(18) Income Tax

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

1. Current tax

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

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

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

2. Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group

expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

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

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

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

(1) Foreign exchange forward contracts

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

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

December 31, 2023

	Currency	Maturity Date	Notional Amount (NT\$ Thousands)
Sell	USD/TWD	2024.01.31~2024.02.2 9	USD6,000/TWD186,00 0

(2) Fund beneficiary certificate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. FINANCIAL ASSETS AT AMORTIZED COST-CURRENT

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

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

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	December 31, 2023	December 31, 2022
loss	<u>\$ 32,117</u>	<u>\$ 57,937</u>

(1) Trade receivables

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

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

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

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

December 31, 2023

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

December 31, 2022

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

The above aging analysis was based on the overdue days.

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

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

(2) Other receivables

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

(3) Notes receivable

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

11. INVENTORY

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

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

12. SUBSIDIARIES

Entities covered by the Consolidated Financial Statements were as follows, there were no subsidiary which had not been included in the Consolidated Financial

Statements, nor a subsidiary which the Group had significant non-controlling interest.

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

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

15. LEASE ARRANGEMENTS

(1) Right-of-use assets

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

(2) Lease liabilities

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

The discount rate ranges for lease liabilities were as follows:

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

(3) Major lease activities and terms

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

(4) Other lease information

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

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

16. INVESTMENT PROPERTY

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	(\$ 16,478)	(\$ 16,478)
Depreciation expenses	<u>-</u>	<u>(910)</u>	<u>(910)</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>(\$ 17,388)</u>	<u>(\$ 17,388)</u>
Carrying amounts at January 1, 2022	<u>\$ 80,284</u>	<u>\$ 34,260</u>	<u>\$ 114,544</u>
Carrying amounts at December 31, 2022	<u>\$ 80,284</u>	<u>\$ 33,350</u>	<u>\$ 113,634</u>

The above items of investment properties were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main Buildings	50 to 55 years
Construction Improvements	5 years

As of December 31, 2023 and 2022, the fair values of the investment properties of the Group were NT\$277,706 thousand and NT\$291,132 thousand, respectively. The management of the Group conducted the evaluation with reference to the market prices of similar real estate transactions in the neighborhood to derive the fair values, which were not provided by independent appraisers.

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

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

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

17. BORROWINGS

(1) Short-term borrowings

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

(2) Long-term borrowings

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

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

18. NOTES PAYABLE AND TRADE PAYABLES

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

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

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

19. OTHER PAYABLES

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

20. PROVISION FOR ONEROUS CONTRACTS

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

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

21. RETIREMENT BENEFIT PLANS

(1) Defined contribution plan

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

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

(2) Defined benefit plan

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

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

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

Movements in net defined benefit liabilities were as follows:

	Present value of the defined benefit obligation	Fair Value of the Plan Assets	Net defined benefit liabilities
January 1, 2023	<u>\$ 218,083</u>	(\$ 171,890)	<u>\$ 46,193</u>
Service costs			
Current service costs	1,427	-	1,427
Net interest expense (income)	<u>2,801</u>	(<u>2,255</u>)	<u>546</u>
Recognized in profit or loss	<u>4,228</u>	(<u>2,255</u>)	<u>1,973</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	-	(1,438)	(1,438)
Actuarial (gain) loss - changes in demographic assumptions	(2)	-	(2)

	Present value of the defined benefit obligation	Fair Value of the Plan Assets	Net defined benefit liabilities
Actuarial (gain) loss - experience adjustments	3,061	-	3,061
Actuarial (gains) losses – changes in financial assumptions	<u>1,937</u>	<u>-</u>	<u>1,937</u>
Recognized in other comprehensive income	<u>4,996</u>	<u>(1,438)</u>	<u>3,558</u>
Contributions from the employer	-	(17,459)	(17,459)
Benefits paid	<u>(15,654)</u>	<u>15,654</u>	<u>-</u>
December 31, 2023	<u>\$ 211,653</u>	<u>(\$ 177,388)</u>	<u>\$ 34,265</u>
January 1, 2022	<u>\$ 266,340</u>	<u>(\$ 158,649)</u>	<u>\$ 107,691</u>
Service costs			
Current service costs	1,864	-	1,864
Past service costs (gain)	(143)	-	(143)
Net interest expense (income)	<u>1,813</u>	<u>(1,121)</u>	<u>692</u>
Recognized in profit or loss	<u>3,534</u>	<u>(1,121)</u>	<u>2,413</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	-	(12,741)	(12,741)
Actuarial (gain) loss - changes in demographic assumptions	1	-	1
Actuarial (gain) loss - experience adjustments	(18,842)	-	(18,842)
Actuarial (gains) losses – changes in financial assumptions	<u>(13,332)</u>	<u>-</u>	<u>(13,332)</u>
Recognized in other comprehensive income	<u>(32,173)</u>	<u>(12,741)</u>	<u>(44,914)</u>

	Present value of the defined benefit obligation	Fair Value of the Plan Assets	Net defined benefit liabilities
Contributions from the employer	-	(17,890)	(17,890)
Benefits paid	(19,618)	18,511	(1,107)
December 31, 2022	<u>\$ 218,083</u>	<u>(\$ 171,890)</u>	<u>\$ 46,193</u>

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

	2023	2022
Operating cost	\$ 1,451	\$ 1,831
Operating expenses	<u>522</u>	<u>582</u>
	<u>\$ 1,973</u>	<u>\$ 2,413</u>

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

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

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

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

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

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

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

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

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

22. EQUITY

(1) Share capital

Ordinary shares

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

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

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

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

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

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

(2) Capital surplus

	December 31, 2023	December 31, 2022
Share premiums	\$ 89	\$ 89
Treasury share transactions	5,952	5,952
Gain on disposal of property, plant and equipment	255	255
Consolidation excess	380,471	380,471
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	26,599	26,599
Changes in percentage of ownership interest in subsidiaries	1,194	1,194
Employee restricted shares (Note 27)	86,836	89,941
Others	<u>5,156</u>	<u>5,156</u>
	<u>\$506,552</u>	<u>\$509,657</u>

The capital surplus arising from shares issued in excess of par (including share premiums from the issuance of ordinary shares, consolidation excess, the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends, or may be transferred to share capital within a certain percentage of the Company's capital surplus once a year. The capital surplus from the share of changes in equities of subsidiaries may be used to offset a deficit. The capital surplus recognized for the restricted shares for employees was not to be used for any other purpose.

(3) Retained earnings and dividend policy

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

and remuneration of directors and supervisors after the amendment, please refer to employee benefits expense in Note 24 (7) Employees' Compensation.

By considering the financial/business/operating factors, e.g. the Company shall distribute no less than 50% of the distributable income arrived at by taking the net income after tax less deficit make-up, legal reserves and special reserves, unless saving for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required. Appropriations may be in the form of cash dividends or stock dividends, with cash dividends currently preferred because the Company's business is mature. In addition, any stock dividends distributed should not exceed 50% of the total dividends distributed. If the Company has no unappropriated earnings, if earnings appropriable are much less than the prior year's, or if certain financial, business and operating factors need to be considered, the legal reserve may be distributed in accordance with relevant laws or regulations or as requested by the authorities in charge.

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

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

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

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

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

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

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

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

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

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

(4) Special reserves

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

(5) Other equity

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

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

Exchange difference from the translation of foreign operations' net assets denominated in its functional currency into the consolidated entity's presentation currency (NTD) is directly recognized under other

comprehensive income as exchange differences on translation of foreign operations. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

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

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 43,958	\$495,629
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	83,674	(330,769)
Accumulated gains and losses on disposal of equity instruments, transferred to retained earnings	(<u>88,536</u>)	(<u>120,902</u>)
Balance at the end of the year	<u>\$ 39,096</u>	<u>\$ 43,958</u>

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

3. Unearned employees' compensations

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

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

23. REVENUE

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

(1) Description of customer contracts

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

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

Sale of goods

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

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

(2) Contract balances

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

(3) Disaggregation of revenue
2023

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

2022

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

24. NET PROFIT (LOSS) FOR THE YEAR

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

(1)	Interest income		
		<u>2023</u>	<u>2022</u>
	Bank deposits	\$ <u>62,188</u>	\$ <u>27,147</u>
(2)	Other income		
		<u>2023</u>	<u>2022</u>
	Compensation revenue	\$ 8,538	\$ 22,845
	Rental income	9,319	8,823
	Dividend income	16,213	68,584
	Others	<u>33,500</u>	<u>29,465</u>
		<u>\$ 67,570</u>	<u>\$ 129,717</u>
(3)	Other gains and losses		
		<u>2023</u>	<u>2022</u>
	Proceeds from disposal of property, plant and equipment	\$ 1,264	\$ 2,164
	Net foreign exchange gains (losses)	(1,936)	147,581
	Net gain (loss) on financial instrument at fair value through profit or loss	46,901	(20,810)
	Compensation loss	-	(322)
	Loss on disposal of investments accounted for the using equity method	-	(1)
	Impairment loss (Note 14)	(15,950)	-
	Severance pay (Note 14)	(74,398)	-
	Others	<u>(31,178)</u>	<u>(54,152)</u>
		<u>(\$ 75,297)</u>	<u>\$ 74,460</u>
(4)	Finance costs		
		<u>2023</u>	<u>2022</u>
	Interest on bank loans	\$ 4,631	\$ 10,952
	Interest on lease liabilities	<u>1,615</u>	<u>1,613</u>
		<u>\$ 6,246</u>	<u>\$ 12,565</u>
(5)	Depreciation		
		<u>2023</u>	<u>2022</u>
	Property, plant and equipment	\$221,766	\$240,231
	Investment property	910	910
	Right-of-use assets	<u>1,146</u>	<u>1,580</u>
	Total	<u>\$223,822</u>	<u>\$242,721</u>

An analysis of depreciation by
function

	<u>2023</u>	<u>2022</u>
Operating cost	\$188,143	\$198,255
Operating expenses	13,442	12,887
Non-operating expenses	<u>22,237</u>	<u>31,579</u>
	<u>\$223,822</u>	<u>\$242,721</u>

(6) Employee benefits expense

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

An analysis of employee benefits expense by function

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

(7) Employees' Compensation

According to the Company's Articles, the Company accrued employees' compensation at rates higher than 1% of net profit before income tax. The distribution of earnings is based on past experience and current operating circumstances. The employees' compensation for 2022 resolved by the Board of Directors amounted to NT\$5,261 thousand March 10, 2023. Due to loss before income tax in 2023, it was not required to estimate employees' compensation.

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

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

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

25. INCOME TAX FROM CONTINUING OPERATIONS

(1) Income tax recognized in the profit or loss

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

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

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

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

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

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

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

(4) Deferred tax assets and liabilities

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

2023

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

2022

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

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

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

(6) Information on unused loss carryforwards

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

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

(7) Income tax assessments

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

26. EARNINGS (LOSSES) PER SHARE

	<u>2023</u>	<u>2022</u>
Basic earnings (losses) per share	<u>(\$ 1.83)</u>	<u>\$ 2.15</u>
Diluted earnings (losses) per share	<u>(\$ 1.83)</u>	<u>\$ 2.13</u>

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

Net (loss) profit attributable to owners of the Company

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

Number of Shares

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

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

27. SHARE-BASED PAYMENT ARRANGEMENTS

Program of restricted shares for employees

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

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

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

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

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

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

Information on the restricted shares for employees was as following:

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

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

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

28. CAPITAL RISK MANAGEMENT

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

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

29. FINANCIAL INSTRUMENTS

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

1. Fair value hierarchy

December 31, 2023

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

December 31, 2022

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

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

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

2023

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

2022

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

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

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

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

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

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

(2) Categories of financial instruments

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<u>Financial assets</u>				
Financial assets at amortized costs				
Cash and cash equivalents	\$1,302,034	\$1,302,034	\$1,606,649	\$1,606,649
Financial assets at amortized costs	300,000	300,000	-	-
Notes receivables and trade receivables	1,227,766	1,227,766	1,677,307	1,677,307
Other receivables	32,117	32,117	57,937	57,937
Refundable deposits	13,442	13,442	13,440	13,440
Other financial assets	8,414	8,414	5,153	5,153

	December 31, 2023		December 31, 2022	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets at FVTPL	49,043	49,043	32,509	32,509
Financial assets at FVTOCI	831,877	831,877	858,590	858,590
<u>Financial liabilities</u>				
Financial liabilities at amortized costs				
Short-term borrowings	11,802	11,802	156,248	156,248
Long-term borrowings	-	-	60,000	60,000
Notes payables and trade payables	185,262	185,262	253,105	253,105
Other payables	526,775	526,775	574,215	574,215
Guarantee deposits received	1,542	1,542	1,465	1,465

(3) Financial risk management objectives and policies

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

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

1. Market risks

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

(1) Foreign currency risk

The Group's sales and purchase transactions are denominated in foreign currency; as a consequence, the Group is exposed to the risk of fluctuation in the exchange rate. Exchange rate exposures were managed by adjusting the net position between foreign assets and foreign liabilities and within approved policy parameters utilizing forward foreign exchange contracts.

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

Sensitivity Analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in the exchange rates of functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the relevant foreign currencies strengthening 5% against the functional currency. For a 5% weakening of the relevant foreign currencies against the functional currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

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

(2) Interest rate risk

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

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

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

Sensitivity Analysis

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

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

(3) Other price risk

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

Sensitivity Analysis

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

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

2. Credit risk

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

Business-related credit risk

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

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

In addition, the Group will review the recoverable amount of the receivables one by one on the balance sheet date to ensure that adequate allowance is

made for possible irrecoverable amounts. Accordingly, the management of the Group believes that the credit risk of the Group has been significantly reduced. Additionally, the counterparties of liquid funds are all creditworthy financial institutions and corporations, with no significant credit risk expected.

Financial credit risk

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

3. Liquidity risk

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

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

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

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

30. TRANSACTIONS WITH RELATED PARTIES

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

(1) Related party name and category

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

(2) Rental income		
Related Party Category	2023	2022
Substantial related party	<u>\$ 128</u>	<u>\$ 128</u>

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

(3) Remuneration to key management

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

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

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

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

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

34. OTHER MATTER

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

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

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

December 31, 2022

	Foreign Currency	Exchange rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 2,777	16.985 (USD: ZAR)	\$ 85,309
USD	67,536	30.725 (USD: NTD)	2,075,050
USD	3,954	23,612 (USD: VND)	121,472
ZAR	88,573	1.809 (ZAR: NTD)	160,228

ZAR	133,017	0.059 (ZAR: USD)	<u>240,627</u>
			<u>\$ 2,682,686</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 10,411	16.985 (USD: ZAR)	\$ 319,880
USD	19,665	30.725 (USD: NTD)	604,220
USD	1,026	23,612 (USD: VND)	31,525
PESO	15,587	1.587 (PESO: NTD)	24,735
PESO	4,172	0.052 (PESO: USD)	<u>6,620</u>
			<u>\$ 986,980</u>

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

36. SEPARATELY DISCLOSED ITEMS

(1) Information on significant transactions, and (2) information on investees:

1. Financing provided to others: None.
2. Endorsements/guarantees provided: Table 1.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures): Table 2.
4. Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
9. Trading in derivative instruments: Notes 7 and 29.
10. Others: Intercompany relationships and significant intercompany transactions: Table 5.
11. Information on investees: Table 6.

(3) Information on Investments in Mainland China:

1. Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of

investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China area: None.

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

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

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

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

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

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

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

(4) Information on Major Shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder, Table 7.

37. SEGMENT INFORMATION

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

- Textile segment
- Garment segment

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

(1) Segment revenue and results

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

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

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

(2) Total segment assets and liabilities

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

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

(3) Other segment information

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

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

(4) Revenue from major products

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

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

(5) Geographical information

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

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

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

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

(6) Information on major customers

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

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

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

Table 1

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

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

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

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

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

Table 2

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
December 31, 2023
Unit: NT\$ Thousand

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

(Continued on next page)

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

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

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

Table 3**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2023****Unit: NT\$ Thousand**

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

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

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

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

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

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

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

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

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

Table 5

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
Unit: NT\$ Thousand

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

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

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

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

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

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

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

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

Table 6

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
Unit: NT\$ Thousand

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net Income (Loss) of the Investee	Share of Profit (Loss)	Remarks
				End of current period	End of last year	Number of shares	Percentage (%)	Book Value			
Nien Hsing Textile Co., Ltd.	Nien Hsing International (B.V.I.) Co., Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	Investment holding company	\$ 458,543	\$ 458,543	19,185	100.00	\$ 1,754,790	\$ 20,863	\$ 20,863	Subsidiary
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Plot C4, Khanh Phu Industrial zone, Khanh Phu Commune, Yen Khanh district, Ninh Binh province, Vietnam	Denim garments processing	714,092	714,092	-	100.00	203,282	3,782	3,782	Subsidiary
	Chih Hsing Garment (Cambodia) Co., Ltd	ROAD 6, PHUM KHTOR,SANGKAT PREK LEAP,CHROY CHANGVAR DISTRICT,PHNOM PENH,KINGDOM OF CAMBODIA	Denim garments processing	133,641	133,641	4,500	100.00	78,656	1	1	Subsidiary
	Nien Hsing International Investment Co., Ltd.	12F-2, No. 308, Neihu Rd., Sec. 1, Neihu Dist., Taipei City, Taiwan 114, R.O.C.	Investment business	20,000	20,000	20,500,000	100.00	366,411	3,489	3,489	Subsidiary
Nien Hsing International (B.V.I.) Co., Ltd.	Nien Hsing International (Bermuda) Co., Ltd.	Victoria Place,5 the Floor,31 Victoria Street Hamilton HM 10, Bermuda	Investment holding company	256,288	256,288	10,222	100.00	356,596	21,920	21,920	Sub-subsubsidiary
	Nien Hsing International (Samoa) Co., Ltd.	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	Investment holding company	1,142,312	1,131,866	35,600,000	100.00	255,476	(52,341)	(52,341)	Sub-subsubsidiary
	Phoenix Development & Marketing Co., Ltd.	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	Denim trading and general investment business	102,692	102,692	1,000,000	100.00	1,053,666	48,570	48,570	Sub-subsubsidiary
Nien Hsing International (Bermuda) Co., Ltd.	Nien Hsing International (Victoria) Co., Ltd.	LIBRAMIENTO NACIONES UNIDAS KM 20 PARQUE INDUSTRIAL NUEVO SANTANDER S/N, CIUDAD VICTORIA, TAMAULIPAS, MEXICO CP87137	Denim processing	\$ 455,433	\$ 455,433	17,410	99.99	\$ 368,991	\$ 23,357	\$ 23,357	Sub-subsubsidiary
	Nien Hsing Garment Co, Ltd	LIBRAMIENTO NACIONES UNIDAS KM 20 PARQUE INDUSTRIAL NUEVO SANTANDER S/N, CIUDAD VICTORIA, TAMAULIPAS, MEXICO CP87137	Denim garments processing	30,021	30,021	26	99.99	(10,988)	(7)	(7)	Sub-subsubsidiary

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

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

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

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

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

Table 8

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

Unit: NT\$ Thousand

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

5. 2023 Standalone financial statements:

NIEN HSING TEXTILE CO., LTD.

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

Independent Auditors' Report

The Board of Directors and the Shareholders

Nien Hsing Textile Co., Ltd.

Opinion

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

In our opinion, the aforementioned Individual Financial Statements present fairly, in all material respects, the individual financial position of Nien Hsing Textile Co., Ltd. as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual Financial Statements section of our report. We have stayed independent from Nien Hsing Textile Co., Ltd. as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters refer to the matters that, in our professional judgment, were of most significance in our audit of the 2023 Individual Financial Statements of Nien Hsing Textile Co., Ltd. These matters were addressed in the context of our audit of the Individual Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Individual Financial Statements of Nien Hsing Textile Co., Ltd. for the year ended December 31, 2023 are stated as follows:

Operating revenue from major clients

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

Description of Matter

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

Audit Procedures

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

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

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

Management is responsible for preparation and fair presentation of the Individual Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the Individual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement in the Individual Financial Statements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Individual Financial Statements.

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

1. Identify and assess the risks of material misstatement of the Individual Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nien Hsing Textile Co., Ltd.'s internal control.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Nien Hsing Textile Co., Ltd.'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 Individual 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 Nien Hsing Textile Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Individual Financial Statements, including the disclosures, and whether the Individual Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities of Nien Hsing Textile Co., Ltd. to express an opinion on the Individual Financial Statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Individual Financial Statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure

about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chih-Ming Shao, and Kuo-Ning Huang.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 8, 2024

Notice to Readers

The accompanying individual financial statements are intended only to present the individual 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 individual financial statements are those generally applied in the Republic of China.

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

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

Code	ASSETS	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Note 6)	\$ 372,264	5	\$ 641,831	7
1110	Financial assets at fair value through profit or loss (Note 7)	978	-	-	-
1136	Financial assets at amortized costs (Note 9)	300,000	4	-	-
1150	Notes receivable (Note 10)	825	-	2,021	-
1170	Trade receivables, net (Note 10)	1,091,198	14	1,476,281	16
1180	Receivables from affiliates (Note 28)	201,384	2	320,168	4
1200	Other receivables (Note 10)	6,838	-	30,512	-
1220	Current tax assets (Note 23)	1,127	-	-	-
130X	Inventories (Note 11)	1,830,290	23	2,483,135	28
1410	Prepayments	67,580	1	70,166	1
1476	Other financial assets (Note 29)	50	-	50	-
1479	Other current assets	8,370	-	10,614	-
11XX	Total current assets	<u>3,880,904</u>	<u>49</u>	<u>5,034,778</u>	<u>56</u>
	NON-CURRENT ASSETS				
1517	Financial assets at fair value through other comprehensive income (Note 8)	286,681	4	341,695	4
1550	Investments accounted for using the equity method (Note 12)	2,403,139	30	2,351,309	26
1600	Property, plant and equipment (Notes 13 and 29)	826,015	10	853,844	9
1760	Investment properties - net (Note 14)	112,724	1	113,634	1
1840	Deferred income tax assets (Note 23)	354,742	5	318,532	4
1915	Prepayments for equipment	71,844	1	26,641	-
1920	Refundable deposits	11,303	-	11,111	-
15XX	Total non-current assets	<u>4,066,448</u>	<u>51</u>	<u>4,016,766</u>	<u>44</u>
1XXX	Total assets	<u>\$7,947,352</u>	<u>100</u>	<u>\$9,051,544</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term borrowings (Note 15)	\$ 11,802	-	\$ 156,248	2
2150	Notes payable (Note 16)	5,343	-	6,256	-
2170	Trade payables (Note 16)	162,314	2	219,821	3
2180	Payables to associates (Note 28)	257,403	3	295,775	3
2200	Other payables (Note 17)	254,121	3	239,674	3
2230	Current tax liabilities (Note 23)	-	-	95,342	1
2250	Provisions for onerous contract (Note 18)	89	-	-	-
2399	Other current liabilities	26,669	1	34,906	-
21XX	Total current liabilities	<u>717,741</u>	<u>9</u>	<u>1,048,022</u>	<u>12</u>
	NON-CURRENT LIABILITIES				
2540	Long-term borrowings (Note 15)	-	-	60,000	1
2570	Deferred income tax liabilities (Note 23)	283,235	4	292,849	3
2640	Net defined benefit liabilities (Note 19)	34,265	-	46,193	-
2645	Guarantee deposits received	1,478	-	1,409	-
25XX	Total non-current liabilities	<u>318,978</u>	<u>4</u>	<u>400,451</u>	<u>4</u>
2XXX	Total liabilities	<u>1,036,719</u>	<u>13</u>	<u>1,448,473</u>	<u>16</u>
	EQUITY				
3110	Share capital	2,063,900	26	2,066,900	23
3200	Capital surplus	506,552	6	509,657	6
	Retained earnings				
3310	Legal reserve	2,328,626	29	2,328,626	25
3320	Special reserves	533,764	7	157,802	2
3350	Unappropriated earnings	2,033,355	26	3,073,850	34
3300	Total retained earnings	<u>4,895,745</u>	<u>62</u>	<u>5,560,278</u>	<u>61</u>
3400	Other equity	(555,564)	(7)	(533,764)	(6)
3XXX	Total equity	<u>6,910,633</u>	<u>87</u>	<u>7,603,071</u>	<u>84</u>
	Total liabilities and equity	<u>\$7,947,352</u>	<u>100</u>	<u>\$9,051,544</u>	<u>100</u>

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

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

Code		2023		2022	
		Amount	%	Amount	%
	Operating revenue (Notes 21 and 28)				
4110	Sales	\$ 6,329,171	100	\$ 8,690,074	100
4170	Less: Sales returns and allowances	<u>21,957</u>	<u>1</u>	<u>15,394</u>	<u>-</u>
4100	Net sales	6,307,214	99	8,674,680	100
4800	Other operating revenue	<u>37,094</u>	<u>1</u>	<u>5,286</u>	<u>-</u>
4000	Total operating revenue	<u>6,344,308</u>	<u>100</u>	<u>8,679,966</u>	<u>100</u>
	Operating costs (Notes 11, 19, 22, and 28)				
5110	Cost of goods sold	6,403,274	101	7,942,688	91
5800	Other operating costs	<u>4,855</u>	<u>-</u>	<u>4,454</u>	<u>-</u>
5000	Total operating costs	<u>6,408,129</u>	<u>101</u>	<u>7,947,142</u>	<u>91</u>
5900	Gross profit (loss)	(<u>63,821</u>)	(<u>1</u>)	<u>732,824</u>	<u>9</u>
	Operating expenses (Notes 10, 19, and 22)				
6100	Selling and marketing expenses	222,830	4	233,621	3
6200	General and administrative expenses	132,421	2	164,665	2
6300	Research and development expenses	13,804	-	16,662	-
6450	Expected credit (gain) loss	(<u>7,011</u>)	<u>-</u>	<u>3,016</u>	<u>-</u>
6000	Total operating expenses	<u>362,044</u>	<u>6</u>	<u>417,964</u>	<u>5</u>
6900	Operating (loss) gain	(<u>425,865</u>)	(<u>7</u>)	<u>314,860</u>	<u>4</u>
	Non-operating income and expenses (Notes 12, 22, and 28)				
7100	Interest income	11,629	-	3,887	-
7010	Other income	34,789	1	48,391	-
7020	Other gains and losses	(<u>55,289</u>)	(<u>1</u>)	151,705	2
7050	Finance costs	(<u>4,632</u>)	<u>-</u>	(<u>10,889</u>)	<u>-</u>
7060	Share of profits (losses) of associates accounted for using the equity method	<u>28,135</u>	<u>-</u>	<u>12,841</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>14,632</u>	<u>-</u>	<u>205,935</u>	<u>2</u>

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Code		2023		2022	
		Amount	%	Amount	%
7900	Net (loss) profit before income tax	(\$ 411,233)	(7)	\$ 520,795	6
7950	Income tax benefit (expenses) (Note 23)	<u>48,321</u>	<u>1</u>	(<u>94,339</u>)	(<u>1</u>)
8200	Net (loss) profit for the year	(<u>362,912</u>)	(<u>6</u>)	<u>426,456</u>	<u>5</u>
	Other comprehensive income (Note 20 and 23)				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(3,558)	-	44,914	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	8,245	-	(5,119)	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	711	-	(8,983)	-
8330	Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	75,429	2	(325,650)	(4)
	Items that may be reclassified subsequently to profit or loss				
8380	Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	3,052	-	178,956	2
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	(<u>610</u>)	<u>-</u>	(<u>35,791</u>)	<u>-</u>
8300	Other comprehensive income/(loss) for the year, net of income tax	<u>83,269</u>	<u>2</u>	(<u>151,673</u>)	(<u>2</u>)
8500	Total comprehensive income (loss)	(<u>\$ 279,643</u>)	(<u>4</u>)	<u>\$ 274,783</u>	<u>3</u>
	Earnings (losses) per share (Note 24)				
	From continuing operations				
9710	Basic	(\$ <u>1.83</u>)		\$ <u>2.15</u>	
9810	Diluted	(\$ <u>1.83</u>)		\$ <u>2.13</u>	

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

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

Code		Share capital (Note 20)		Capital surplus	Retained earnings (Notes 8 and 20)			Other equity			Total Equity
		Number of Shares	Amount	(Note 20)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences on translating the financial statements of foreign operations (Note 20)	Unrealized gain/(loss) on financial assets at FVTOCI (Note 20)	Unearned employee compensation (Note 20 and 25)	
A1	Balance at January 1, 2022	198,000	\$ 1,980,000	\$ 419,716	\$ 2,282,156	\$ -	\$ 2,901,523	(\$ 653,431)	\$ 495,629	\$ -	\$ 7,425,593
B1	Appropriation of the 2021 earnings										
	Legal reserve provided	-	-	-	46,470	-	(46,470)	-	-	-	-
B3	Special reserves provided	-	-	-	-	157,802	(157,802)	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(206,960)	-	-	-	(206,960)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	-	426,456	-	-	-	426,456
D3	Other comprehensive income (loss) after tax for the year ended December 31, 2022	-	-	-	-	-	35,931	143,165	(330,769)	-	(151,673)
D5	Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	462,387	143,165	(330,769)	-	274,783
N1	Share-based payment	8,690	86,900	89,941	-	-	270	-	-	(67,456)	109,655
Q1	Disposal of equity instruments measured at fair value through other comprehensive income/Subsidiaries' disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	120,902	-	(120,902)	-	-
Z1	Balance at December 31, 2022	206,690	2,066,900	509,657	2,328,626	157,802	3,073,850	(510,266)	43,958	(67,456)	7,603,071
B3	Appropriation of the 2022 earnings										
	Special reserves provided	-	-	-	-	375,962	(375,962)	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(412,900)	-	-	-	(412,900)
D1	Net loss for the year ended December 31, 2023	-	-	-	-	-	(362,912)	-	-	-	(362,912)
D3	Other comprehensive income (loss) after tax for the year ended December 31, 2023	-	-	-	-	-	(2,847)	2,442	83,674	-	83,269
D5	Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(365,759)	2,442	83,674	-	(279,643)
N1	Share-based payment	(300)	(3,000)	(3,105)	-	-	25,590	-	-	(19,380)	105
Q1	Disposal of equity instruments measured at fair value through other comprehensive income/Subsidiaries' disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	88,536	-	(88,536)	-	-
Z1	Balance at December 31, 2023	206,390	\$ 2,063,900	\$ 506,552	\$ 2,328,626	\$ 533,764	\$ 2,033,355	(\$ 507,824)	\$ 39,096	(\$ 86,836)	\$ 6,910,633

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

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

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Net (loss) profit before income tax for the year	(\$ 411,233)	\$ 520,795
A20010	Adjustments for		
A20100	Depreciation expenses	94,993	92,633
A20300	Expected credit (gain) loss	(7,011)	3,016
A20400	Net (gain) loss on financial instruments at fair value through profit or loss	(230)	-
A20900	Finance costs	4,632	10,889
A21200	Interest income	(11,629)	(3,887)
A21300	Dividend income	-	(44)
A21900	Compensation costs of share-based payment	3,105	22,755
A22300	Share of profits (losses) of associates and subsidiaries accounted for using the equity method	(28,135)	(12,841)
A22500	Proceeds from disposal of property, plant and equipment	(76)	(2,898)
A23700	Impairment loss	15,950	-
A23800	Write-down of inventories	20,859	36,015
	Changes in operating assets and liabilities		
A31115	Financial assets at FVTPL	(748)	-
A31130	Notes receivable	1,196	(465)
A31150	Trade receivables	411,684	111,592
A31160	Receivables from affiliates	118,784	(42,534)
A31180	Other receivables	3,983	(15,508)
A31200	Inventories	631,986	(433,072)
A31230	Prepayments	2,586	(23,750)
A31240	Other current assets	2,244	13,699
A32130	Notes payable	(913)	(57,562)
A32150	Trade payables	(57,507)	9,168
A32160	Payables to associates	(38,372)	73,963
A32180	Other payables	14,918	19,527
A32200	Provision for onerous contracts	89	(19,359)
A32230	Other current liabilities	(8,237)	6,183
A32240	Net defined benefit liabilities	(15,486)	(16,584)
A33000	Cash generated from operations	747,432	291,731
A33500	Income tax paid	(93,871)	(9,991)
AAAA	Net cash inflow from operating activities	<u>653,561</u>	<u>281,740</u>

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Code		2023	2022
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 63,259	\$ 11,997
B00030	Return of capital on financial assets at fair value through other comprehensive income	-	248
B00040	Purchase of financial assets at amortized costs	(1,000,000)	-
B00050	Disposal of financial assets at amortized costs	700,000	-
B02700	Payments for property, plant and equipment	(15,453)	(18,694)
B02800	Proceeds from disposal of property, plant and equipment	77	2,923
B03800	Decrease (increase) in refundable deposits	(192)	518
B07100	Increase in prepayments for equipment	(111,955)	(60,337)
B07500	Interest received	11,730	3,568
B07600	Dividends received	<u>54,786</u>	<u>22,177</u>
BBBB	Net cash outflow from investing activities	<u>(297,748)</u>	<u>(37,600)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00200	Increase (decrease) in short-term borrowings	(144,446)	122,465
C01600	Proceeds from long-term borrowings	-	480,000
C01700	Repayments of long-term borrowings	(60,000)	(630,000)
C03100	Increase in guarantee deposits received	69	-
C04500	Cash dividends	(412,900)	(206,960)
C09900	Proceeds from employment restricted shares	-	89,600
C09900	Return of employment restricted shares	(3,000)	(2,700)
C05600	Interest paid	<u>(5,103)</u>	<u>(10,422)</u>
CCCC	Net cash used in financing activities	<u>(625,380)</u>	<u>(158,017)</u>
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(269,567)	86,123
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>641,831</u>	<u>555,708</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 372,264</u>	<u>\$ 641,831</u>

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

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

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Statement of Compliance

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

- (2) Basis of Preparation

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

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

1. Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities available at the measurement date.
2. Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs: Unobservable inputs for an asset or liability.

When preparing the financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income (loss) for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its Consolidated Financial Statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates (accounted for as investment revenue), the share of other comprehensive income (loss) of subsidiaries and associates and the related equity items.

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

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities to be settled within 12 months after the reporting period, even if an agreement to refinance, or to restatement payments, on a long-term basis is completed after the reporting period and before the Individual Financial Statements are authorized for issue; and
3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its

settlement by the issue of equity instruments do not affect its classification.

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

(4) Foreign Currency

In preparing the Individual Financial Statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

For the purpose of presenting the Individual Financial Statements, the functional currencies of the Company's entities (including subsidiaries and associates in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; The income and expense items are translated at the average rate of the year. The exchange differences arising are recognized in other comprehensive income.

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is reclassified to equity transaction in that foreign operation but is not recognized in profit or loss. For all other situations of partial disposal of a foreign operation, the proportionate share of the accumulated exchange difference recognized in other comprehensive income is reclassified to profit or loss.

(5) Inventories

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

(6) Investment in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any

consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

(7) Property, Plant and Equipment

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

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The Company 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.

(8) 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 cost less accumulated depreciation and accumulated impairment loss. The Company 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.

(9) Impairment of property, plant and equipment

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

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

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

(10) Financial Instruments

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

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

1. Financial assets

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

(1) Measurement category

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

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at

FVTOCI and debt instruments that do not meet the amortized costs criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

B. Financial assets at amortized costs

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

- a. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- a. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b. Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

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

equivalents are held for the purpose of meeting short-term cash commitments.

C. Investments in equity instruments at FVTOCI

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

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

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

(2) Impairment of financial assets

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

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

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

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

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

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

(3) Derecognition of financial assets

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

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

2. Equity instruments

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

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

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

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

4. Derivative financial instruments

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

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

(11) Provisions

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

Onerous contract

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

(12) Revenue Recognition

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

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

Sale of goods

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

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

(13) Leasing

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

1. The Company as lessor

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

Lease payments 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 Company as lessee

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

(14) 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.

(15) 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 or curtailment occurs/or when the settlement occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in

other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

(16) Share-based payment agreement

Restricted shares for employees granted to employees.

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

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

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

(17) Income Tax

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

1. Current tax

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

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

2. Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits

will be available against which those deductible temporary differences can be utilized.

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

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

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

3. Current and deferred taxes

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

Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the acquisition of a subsidiary.

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

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

When the Company develops material accounting estimates, the Company considers the possible impact of volatility in interest rate and foreign currency

markets on cash flow projection, growth rates, discount rates, profitability, and other relevant significant estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

6. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash on hand	\$ 1,502	\$ 1,511
Checking accounts and demand deposits	70,755	113,795
Cash equivalents (Investments with original maturities of 3 months or less)		
Time deposits with banks	250,000	396,525
Short-term bills	<u>50,007</u>	<u>130,000</u>
	<u>\$372,264</u>	<u>\$641,831</u>

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

	December 31, 2023	December 31, 2022
Bank deposits	0.00%~3.70%	0.005%~4.38%
Short-term bills	1.15%	0.95%~1.00%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2023	December 31, 2022
<u>Financial assets - current</u>		
Held for trading		
Derivative financial assets (not under hedge accounting)		
- Foreign exchange forward contracts	\$ <u>978</u>	\$ <u>-</u>

Foreign exchange forward contracts

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

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

December 31, 2023

	<u>Currency</u>	<u>Maturity Date</u>	<u>Notional Amount (NT\$ Thousands)</u>
Sell	USD/TWD	113.01.31~113.02.29	USD6,000/TWD186,000

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Domestic investment		
Listed shares and emerging market shares	\$273,246	\$328,228
Unlisted shares	<u>13,435</u>	<u>13,467</u>
	<u>\$286,681</u>	<u>\$341,695</u>

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

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

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

In 2023, Leadray Energy Co., Ltd. conducted a capital decrease to compensate the deficit, and the Company's cancelled 1,165 thousand common shares in accordance with its shareholding pro rata for the capital decrease.

9. FINANCIAL ASSETS AT AMORTIZED COST-CURRENT

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

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

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
Notes receivable - operating	<u>\$ 825</u>	<u>\$ 2,021</u>
<u>Trade receivables</u>		
Trade receivables	\$1,118,145	\$1,529,829
Less: allowance for impairment loss	(26,947)	(53,548)
	<u>\$1,091,198</u>	<u>\$1,476,281</u>
<u>Other receivables</u>		
Payment on behalf of others	\$ 2,637	\$ 11,873
Interest	241	342
Others	23,550	18,297
Less: allowance for impairment loss	(19,590)	-
	<u>\$ 6,838</u>	<u>\$ 30,512</u>

(1) Trade receivables

The average credit period of sales of goods was 30 days to 90 days. No interest was charged on the trade receivables. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Company will first review the credit rating of their new customers and, if necessary, obtain sufficient guarantees to mitigate the risk of financial losses due to default. The Company shall use publicly obtainable financial information and past transaction records to grade main customers. The Company continuously monitors the credit risk and the credit rating of the debtor, and manages the credit risk insurance by reviewing and approving the debtor's credit limit. In addition, the Company 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 Company's credit risk has been significantly reduced.

The Company applies the simplified approach when providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated with reference to past default experiences of the

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

The expected credit loss rates for the years ended December 31, 2023 and 2022 were 0.25%~16.50% and 0.25%~20%, respectively. The Company recognizes 100% allowance for bad debts when there is information indicating that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. Furthermore, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2023

	Trade receivables without overdue	1 to 45 days	Over 46 days	Total
Gross carrying amount	\$1,014,908	\$ 103,229	\$ 8	\$1,118,145
Loss allowance (Lifetime ECL)	(20,504)	(6,442)	(1)	(26,947)
Amortized costs	<u>\$ 994,404</u>	<u>\$ 96,787</u>	<u>\$ 7</u>	<u>\$1,091,198</u>

December 31, 2022

	Trade receivables without overdue	1 to 45 days	Over 46 days	Total
Gross carrying amount	\$1,274,715	\$ 203,687	\$ 51,427	\$1,529,829
Loss allowance (Lifetime ECL)	(35,452)	(12,540)	(5,556)	(53,548)
Amortized costs	<u>\$1,239,263</u>	<u>\$ 191,147</u>	<u>\$ 45,871</u>	<u>\$1,476,281</u>

The above aging analysis was based on the overdue days.

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

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 53,548	\$ 50,532
Expected credit loss recognized(reversed)	(26,601)	3,016
Balance at the end of the year	<u>\$ 26,947</u>	<u>\$ 53,548</u>

(2) Other receivables

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

(3) Notes receivable

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

11. INVENTORY

	December 31, 2023	December 31, 2022
Finished goods	\$ 426,443	\$ 476,289
Work in process	632,086	725,581
Raw materials	710,375	1,209,127
Inventory in transit	<u>61,386</u>	<u>72,138</u>
	<u>\$1,830,290</u>	<u>\$2,483,135</u>

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2023 and 2022 were NT\$6,403,274 thousand and NT\$7,942,688 thousand, respectively. The costs of goods sold included write-down of inventories were NT\$20,859 thousand and NT\$36,015 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2023	December 31, 2022
Investment in Subsidiaries	<u>\$2,403,139</u>	<u>\$2,351,309</u>

Investment in Subsidiaries

	December 31, 2023	December 31, 2022
Nien Hsing International (B.V.I.) Co., Ltd.	\$1,754,790	\$1,740,071
Nien Hsing Garment (Ninh Binh) Co., Ltd.	203,282	201,954
Nien Hsing International Investment Co., Ltd.	366,411	330,578
Chih Hsing Garment (Cambodia) Co., Ltd	<u>78,656</u>	<u>78,706</u>
	<u>\$2,403,139</u>	<u>\$2,351,309</u>

Name of Subsidiary	Proportion of Ownership	
	December 31, 2023	December 31, 2022
Nien Hsing International (B.V.I.) Co., Ltd.	100.00%	100.00%
Nien Hsing Garment (Ninh Binh) Co., Ltd.	100.00%	100.00%
Nien Hsing International Investment Co., Ltd.	100.00%	100.00%
Chih Hsing Garment (Cambodia) Co., Ltd	100.00%	100.00%

The share of profits and loss and share of other comprehensive income in subsidiaries recognized using the equity method in 2023 and 2022 was based on subsidiaries' financial statements for the same periods that have been audited by an independent auditor.

Nien Hsing International Investment Co., Ltd., distributed cash dividends of NT\$54,786 thousand and stock dividends of NT\$107,772 thousand, respectively, in 2023 and distributed cash dividends of NT\$22,133 thousand in 2022.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2023	December 31, 2022
<u>Carrying amount</u>		
Land and land improvements	\$234,607	\$234,607
Buildings	308,628	327,223
Machinery and equipment	220,946	216,148
Transportation equipment	3,118	4,476
Office equipment	4,971	9,018
Miscellaneous equipment	<u>53,745</u>	<u>62,372</u>
	<u>\$826,015</u>	<u>\$853,844</u>

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

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

For changes of property, plant and equipment for the years ended December 31, 2023 and 2022, please refer to Table 7.

Property, plant and equipment used by the Company and pledged as collateral for bank borrowings were set out in Note 29.

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.

On November 21, 2023, the Company's denim fabric factory in Houlong will fully cease production upon the completion of the production and sales for the current orders. Therefore, the expected recoverable amount from property, plant, and equipment became NT\$0. In 2023, the Company recognized impairment loss of property, plant, and equipment of NT\$15,950 thousand, and estimated related severance pay of NT\$74,398 thousand. It was presented under other gains and losses (Note 22).

14. INVESTMENT PROPERTY

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

The above items of investment properties were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	50 to 55 years
Construction Improvements	5 years

As of December 31, 2023 and 2022, the fair values of the investment properties of the Company were NT\$277,706 thousand and NT\$291,132 thousand, respectively. The management of the Company conducted the evaluation with reference to the market prices of similar real estate transactions in the neighborhood to derive the fair values, which were not provided by independent appraisers.

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

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

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

15. BORROWINGS

(1) Short-term borrowings

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

(2) Long-term borrowings

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

The Company signed the three-year credit line agreement amounting to \$700,000 thousand with Cathay United Bank in 2021. The borrowings are a revolving line of credit, with the duration from February 2, 2021 to February 2, 2024. The credit line is secured by mortgage of the Company's own land and buildings (see Note 29). As of December 31, 2023, the Company has settled the borrowings early and released the pledge.

16. NOTES PAYABLE AND TRADE PAYABLES

	December 31, 2023	December 31, 2022
Notes payable	\$ <u>5,343</u>	\$ <u>6,256</u>
Trade payables	\$ <u>162,314</u>	\$ <u>219,821</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 Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER PAYABLES

	December 31, 2023	December 31, 2022
Payables for salaries or bonuses	\$158,106	\$138,453
Payables for annual leave	15,293	15,186
Payables for remuneration of directors and supervisors	9,000	9,000
Others	<u>71,722</u>	<u>77,035</u>
	<u>\$254,121</u>	<u>\$239,674</u>

18. PROVISION FOR ONEROUS CONTRACTS

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

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

19. RETIREMENT BENEFIT PLANS

(1) Defined contribution plan

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

(2) Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company 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 conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

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

Movements in net defined benefit liabilities were as follows:

	Present value of the defined benefit obligation	Fair Value of the Plan Assets	Net defined benefit liabilities
January 1, 2023	<u>\$ 218,083</u>	<u>(\$ 171,890)</u>	<u>\$ 46,193</u>
Service costs			
Current service costs	1,427	-	1,427
Net interest expense (income)	<u>2,801</u>	<u>(2,255)</u>	<u>546</u>
Recognized in profit or loss	<u>4,228</u>	<u>(2,255)</u>	<u>1,973</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	-	(1,438)	(1,438)
Actuarial (gain) loss - changes in demographic assumptions	(2)	-	(2)
Actuarial (gain) loss - experience adjustments	3,061	-	3,061
Actuarial (gains) losses - changes in financial assumptions	<u>1,937</u>	<u>-</u>	<u>1,937</u>
Recognized in other comprehensive income	<u>4,996</u>	<u>(1,438)</u>	<u>3,558</u>
Contributions from the employer	-	(17,459)	(17,459)
Benefits paid	<u>(15,654)</u>	<u>15,654</u>	<u>-</u>
December 31, 2023	<u>\$ 211,653</u>	<u>(\$ 177,388)</u>	<u>\$ 34,265</u>
January 1, 2022	<u>\$ 266,340</u>	<u>(\$ 158,649)</u>	<u>\$ 107,691</u>
Service costs			
Current service costs	1,864	-	1,864
Past service costs (gain)	(143)	-	(143)
Net interest expense (income)	<u>1,813</u>	<u>(1,121)</u>	<u>692</u>
Recognized in profit or loss	<u>3,534</u>	<u>(1,121)</u>	<u>2,413</u>
Remeasurements			
Return on plan assets (excluding amounts included in net interest)	\$ -	(\$ 12,741)	(\$ 12,741)
Actuarial (gain) loss - changes in demographic assumptions	1	-	1
Actuarial (gain) loss - experience adjustments	(18,842)	-	(18,842)
Actuarial (gains) losses - changes in financial assumptions	<u>(13,332)</u>	<u>-</u>	<u>(13,332)</u>
Recognized in other comprehensive income	<u>(32,173)</u>	<u>(12,741)</u>	<u>(44,914)</u>
Contributions from the employer	-	(17,890)	(17,890)
Benefits paid	<u>(19,618)</u>	<u>18,511</u>	<u>(1,107)</u>
December 31, 2022	<u>\$ 218,083</u>	<u>(\$ 171,890)</u>	<u>\$ 46,193</u>

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

	<u>2023</u>	<u>2022</u>
Operating cost	\$ 1,451	\$ 1,831
Operating expenses	<u>522</u>	<u>582</u>
	<u>\$ 1,973</u>	<u>\$ 2,413</u>

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

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

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

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

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	(<u>\$ 4,795</u>)	(<u>\$ 5,199</u>)
Decrease by 0.25%	<u>\$ 4,958</u>	<u>\$ 5,382</u>
Expected rate of salary increase		

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

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

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

20. EQUITY

(1) Share capital

Ordinary shares

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

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

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

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

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

The par value of the issued common shares is \$10. Except for Note 25, the provisions related to the restricted shares for employees, carry one vote per share and carry a right to dividends.

(2) Capital surplus

	December 31, 2023	December 31, 2022
Share premiums	\$ 89	\$ 89
Treasury share transactions	5,952	5,952
Gain on disposal of property, plant and equipment	255	255
Consolidation excess	380,471	380,471
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	26,599	26,599
Changes in percentage of ownership interest in subsidiaries	1,194	1,194
Employee restricted shares (Note 25)	86,836	89,941
Others	<u>5,156</u>	<u>5,156</u>
	<u>\$506,552</u>	<u>\$509,657</u>

The capital surplus arising from shares issued in excess of par (including share premiums from the issuance of ordinary shares, consolidation excess, the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends, or may be transferred to share capital within a certain percentage of the Company's capital surplus once a year. The capital surplus from the share of changes in equities of subsidiaries may be used to offset a deficit. The capital surplus recognized for the restricted shares for employees was not to be used for any other purpose.

(3) Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, please refer to employee benefits expense in Note 22 (7) Employees' Compensation.

By considering the financial/business/operating factors, e.g. the Company shall distribute no less than 50% of the distributable income arrived at by taking the net income after tax less deficit make-up, legal reserves and special reserves, unless saving for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required. Appropriations may be in the form of cash dividends or stock dividends, with cash dividends currently preferred because the Company's business is mature. In addition, any stock dividends distributed should not exceed 50% of the total dividends distributed. If the Company has no unappropriated earnings, if earnings appropriable are much less than the prior years, or if certain financial, business and operating factors need to be considered, the legal reserve may be distributed in accordance with relevant laws or regulations or as requested by the authorities in charge.

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

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

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

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

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

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

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

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

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

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

(4) Special reserves

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

(5) Other equity

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

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

Exchange difference from the translation of foreign operations' net assets denominated in its functional currency into the consolidated entity's presentation currency (NTD) is directly recognized under other comprehensive income as exchange differences on translation of foreign operations. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

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

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 43,958	\$495,629
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	8,245	(5,119)
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	75,429	(325,650)
Accumulated gains and losses on disposal of equity instruments by subsidiaries accounted for using the equity method, transferred to retained earnings	(52,592)	(113,093)
Accumulated gains and losses on disposal of equity instruments, transferred to retained earnings	(<u>35,944</u>)	(<u>7,809</u>)
Balance at the end of the year	<u>\$ 39,096</u>	<u>\$ 43,958</u>

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

3. Unearned employees' compensations

Please refer to Note 25 for a description of the restricted shares for employees.

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

21. REVENUE

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$6,307,214	\$8,674,680
Other operating revenue	<u>37,094</u>	<u>5,286</u>
	<u>\$6,344,308</u>	<u>\$8,679,966</u>

(1) Description of customer contracts

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

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

Sale of goods

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

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

(2) Contract balances	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable and Trade receivables (Note 10)	\$ 1,092,023	\$ 1,478,302	\$ 1,592,445
Receivables from affiliates (Note 28)	<u>162,802</u>	<u>283,144</u>	<u>243,390</u>
	<u>\$ 1,254,825</u>	<u>\$ 1,761,446</u>	<u>\$ 1,835,835</u>

(3) Disaggregation of revenue
2023

	Textile Segment	Garment Segment	Total
Revenue from sale of goods	\$ 3,294,516	\$ 3,012,698	\$ 6,307,214
Other operating revenue	<u>32,409</u>	<u>4,685</u>	<u>37,094</u>
	<u>\$ 3,326,925</u>	<u>\$ 3,017,383</u>	<u>\$ 6,344,308</u>

2022

	Textile Segment	Garment Segment	Total
Revenue from sale of goods	\$ 5,063,644	\$ 3,611,036	\$ 8,674,680
Other operating revenue	<u>3,334</u>	<u>1,952</u>	<u>5,286</u>
	<u>\$ 5,066,978</u>	<u>\$ 3,612,988</u>	<u>\$ 8,679,966</u>

22. NET PROFIT (LOSS) FOR THE YEAR

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

(1) Interest income	2023	2022
Bank deposits	<u>\$ 11,629</u>	<u>\$ 3,887</u>
(2) Other income	2023	2022
Rental income	\$ 8,777	\$ 8,490
Compensation revenue	8,538	22,845
Dividend income	-	44
Others	<u>17,474</u>	<u>17,012</u>
	<u>\$ 34,789</u>	<u>\$ 48,391</u>
(3) Other gains and losses		

	<u>2023</u>	<u>2022</u>
Proceeds from disposal of property, plant and equipment	\$ 76	\$ 2,898
Foreign exchange gains	35,952	161,493
Net gain on financial instrument at fair value through profit or loss	230	-
Compensation loss	-	(322)
Impairment loss (Note 13)	(15,950)	-
Severance pay (Note 13)	(74,398)	-
Others	(1,199)	(12,364)
	<u>(\$ 55,289)</u>	<u>\$151,705</u>
(4) Finance costs		
	<u>2023</u>	<u>2022</u>
Interest on bank loans	<u>\$ 4,632</u>	<u>\$ 10,889</u>
(5) Depreciation expenses		
	<u>2023</u>	<u>2022</u>
Property, plant and equipment	\$ 94,083	\$ 91,723
Investment property	<u>910</u>	<u>910</u>
	<u>\$ 94,993</u>	<u>\$ 92,633</u>
An analysis of depreciation by function		
Operating cost	\$ 80,642	\$ 78,836
Operating expenses	13,441	12,887
Non-operating expenses	<u>910</u>	<u>910</u>
	<u>\$ 94,993</u>	<u>\$ 92,633</u>
(6) Employee benefits expense		
	<u>2023</u>	<u>2022</u>
Retirement benefits (Note 19)		
Defined contribution plan	\$ 17,216	\$ 17,744
Defined benefit plan	<u>1,973</u>	<u>2,413</u>
	19,189	20,157
Short-term employee benefits	560,984	605,290
Resignation benefits (Notes 13 and 22(3))	<u>74,398</u>	<u>-</u>
	<u>\$654,571</u>	<u>\$625,447</u>

An analysis of employee benefits expense by function

Operating cost	\$393,611	\$413,474
Operating expenses	186,562	211,973
Non-operating expenses	<u>74,398</u>	<u>-</u>
	<u>\$654,571</u>	<u>\$625,447</u>

(7) Employees' Compensation

According to the Company's Articles, the Company accrued employees' compensation at rates higher than 1% of net profit before income tax. The distribution of earnings is based on past experience and current operating circumstances. The employees' compensation for 2022 resolved by the Board of Directors amounted to NT\$5,261 thousand March 10, 2023. Due to loss before income tax in 2023, it was not required to estimate employees' compensation.

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

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

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

23. INCOME TAX FROM CONTINUING OPERATIONS

(1) Income tax recognized in the profit and loss

The major components of income tax benefit (expenses) are as below:

	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$ -	(\$ 96,842)
Income tax on unappropriated earnings	-	(2,673)
Deferred tax		
In respect of the current year	45,723	4,788
Adjustments for prior years	<u>2,598</u>	<u>388</u>
Income tax benefit (expenses) recognized in profit or loss	<u>\$ 48,321</u>	<u>(\$ 94,339)</u>

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

	<u>2023</u>	<u>2022</u>
Net (loss) profit before income tax	(<u>\$ 411,233</u>)	<u>\$ 520,795</u>
Income tax benefit (expenses) calculated at the statutory rate	\$ 82,247	(\$ 104,159)
Income tax on unappropriated earnings	-	(2,673)
Income tax effects of adjusted items	(36,524)	12,105
Adjustments for income tax benefits of prior periods	<u>2,598</u>	<u>388</u>
Income tax benefit (expenses) recognized in profit or loss	<u>\$ 48,321</u>	<u>(\$ 94,339)</u>

The tax rate applicable to the Company is 20%.

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

	<u>2023</u>	<u>2022</u>
<u>Deferred tax</u>		
In respect of the current year		
— Translation of foreign operations	(\$ 610)	(\$ 35,791)
— Remeasurement of defined benefit plans	<u>711</u>	<u>(8,983)</u>
	<u>\$ 101</u>	<u>(\$ 44,774)</u>

(3) Current tax assets and liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax assets		
Tax refund receivable	<u>\$ 1,127</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 95,342</u>

(4) Deferred tax assets and liabilities

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

2023

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

2022

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

(5) Information on unused loss carryforwards

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

Unused Amount

\$ 88,229

Expiry Year

2033

(6) Income tax assessments

The income tax returns through 2021 filed by the Company have been assessed by the tax authority.

24. EARNINGS (LOSSES) PER SHARE

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

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

Net profit (loss) attributable to owners of the Company

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

Number of Shares

Unit: Number of shares (in thousand)

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

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

Program of restricted shares for employees

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

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

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

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

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

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

Information on the restricted shares for employees was as following:

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

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

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

26. CAPITAL RISK MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

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

1. Fair value hierarchy

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at</u>				
<u>FVTPL</u>				
– Foreign exchange forward contracts	\$ -	\$ -	\$ 978	\$ 978
<u>Financial assets at</u>				
<u>FVTOCI</u>				
Investments in equity instruments				
– Domestic listed shares	\$ 273,246	\$ -	\$ -	\$ 273,246
– Domestic and foreign unlisted securities	-	-	13,435	13,435
Total	<u>\$ 273,246</u>	<u>\$ -</u>	<u>\$ 13,435</u>	<u>\$ 286,681</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
– Domestic listed				
shares	\$324,051	\$ 4,177	\$ -	\$328,228
– Domestic and foreign unlisted securities	<u>-</u>	<u>-</u>	<u>13,467</u>	<u>13,467</u>
Total	<u>\$324,051</u>	<u>\$ 4,177</u>	<u>\$ 13,467</u>	<u>\$341,695</u>

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

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

2023

<u>Financial assets</u>	<u>Financial assets at FVTPL</u>	<u>Financial assets at FVTOCI</u>
	<u>Foreign exchange forward contracts</u>	<u>Investments in equity instruments</u>
Balance at the beginning of the year	\$ -	\$ 13,467
Recognized in profit or loss	230	-
Settled	748	-
Recognized in other comprehensive income - Unrealized gain/(loss) on financial assets at FVTOCI	<u>-</u>	<u>(32)</u>
Balance at the end of the year	<u>\$ 978</u>	<u>\$ 13,435</u>

2022

<u>Financial assets</u>	<u>Financial assets at FVTOCI</u>
	<u>Investments in equity instruments</u>
Balance at the beginning of the year	\$ 15,395
Return of share due to capital reduction	(248)
Recognized in other comprehensive income - Unrealized gain/(loss) on financial assets at FVTOCI	<u>(1,680)</u>
Balance at the end of the year	<u>\$ 13,467</u>

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

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

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

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

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

(2) Categories of financial instruments

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<u>Financial assets</u>				
Financial assets at amortized costs				
Cash and cash equivalents	\$ 372,264	\$ 372,264	\$ 641,831	\$ 641,831
Financial assets at amortized costs	300,000	300,000	-	-
Notes receivables and trade receivables (including related parties)	1,293,407	1,293,407	1,798,470	1,798,470
Other receivables	6,838	6,838	30,512	30,512
Refundable deposits	11,303	11,303	11,111	11,111
Other financial assets	50	50	50	50
Financial assets at FVTPL	978	978	-	-

	December 31, 2023		December 31, 2022	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets at FVTOCI	286,681	286,681	341,695	341,695
<u>Financial liabilities</u>				
Financial liabilities at amortized costs				
Short-term				
borrowings	\$ 11,802	\$ 11,802	\$ 156,248	\$ 156,248
Notes payables and trade payables (including related parties)	425,060	425,060	521,852	521,852
Other payables	254,121	254,121	239,674	239,674
Long-term				
borrowings	-	-	60,000	60,000
Guarantee deposits received	1,478	1,478	1,409	1,409

(3) Financial risk management objectives and policies

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

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

1. Market risks

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

(1) Foreign currency risk

The Company's sales and purchase transactions are denominated in foreign currency; as a consequence, the Company 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 33 for the Company's carrying amount of significant monetary assets and liabilities denominated in non-functional currency.

Sensitivity Analysis

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

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the relevant foreign currencies strengthening 5% against the functional 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 the balances below would be negative.

	<u>Effect of USD</u>		<u>Effect of PESO</u>		<u>Effect of ZAR</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit or loss	\$37,335	\$71,019	(\$ 1,813)	(\$ 1,237)	\$ 9,113	\$ 8,011

(2) Interest rate risk

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
- Financial assets	\$600,007	\$406,525
- Financial liabilities	11,802	216,248
Cash flow interest rate risk		
- Financial assets	70,805	233,845

Sensitivity Analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate 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 Company's income before tax will increase/decrease by NT\$177 thousand and NT\$585 thousand, respectively for 2023 and 2022.

(3) Other price risk

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

Sensitivity Analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/ decreased by NT\$2,867 thousand and NT\$3,417 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2. Credit risk

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

Business-related credit risk

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

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

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

Financial credit risk

The credit risk from bank deposits, fixed income investments and other financial instruments is measured and supervised by the financial department of the Company. The counterparties of the Company are banks with good credit ratings, investment-grade financial institutions,

corporations and the government, which have no contract performance risk. Thus, the credit risk is insignificant.

3. Liquidity risk

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

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

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

December 31,	<u>2022</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>\$60,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$60,000</u>

28. TRANSACTIONS WITH RELATED PARTIES

Except for those disclosed in other notes, the details of transactions between the Company and other related parties were disclosed below.

(1) Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Formosa Textile Co., Ltd.	Subsidiary
Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary
Phoenix Development and Marketing Co., Ltd.	Subsidiary
Nien Hsing International Investment Co., Ltd.	Subsidiary
Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary
Chih Hsing Garment (Cambodia) Co., Ltd.	Subsidiary
Nien Hsing International (Victoria) Co., Ltd.	Subsidiary
Glory International Co., Ltd.	Subsidiary
Hung Yuan Investment Co., Ltd.	Substantial related party
Guozhong Investment Co., Ltd.	Substantial related party
Li Feng Investment Co., Ltd.	Substantial related party
Nuevo Investment Development Co., Ltd.	Substantial related party
Ying Jeh Co. Ltd.	Substantial related party
Yien Yuan Co. Ltd.	Substantial related party
Fu Yuan Investment Co., Ltd.	Substantial related party

(2) Operating revenue

<u>Related Party Category</u>	<u>2023</u>	<u>2022</u>
Subsidiary		
Formosa Textile Co., Ltd.	\$540,312	\$823,179
Phoenix Development and Marketing Co., Ltd.	39,384	52,971
Nien Hsing International (Lesotho) Co., Ltd.	<u>68,488</u>	<u>35,620</u>
	<u>\$648,184</u>	<u>\$911,770</u>

(3) Rental income

<u>Related Party Category</u>	<u>2023</u>	<u>2022</u>
Subsidiary	\$ 25	\$ 25
Substantial related party	<u>128</u>	<u>128</u>
	<u>\$ 153</u>	<u>\$ 153</u>

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

(4) Processing expenses (manufacturing expenses)

<u>Related Party Category</u>	<u>2023</u>	<u>2022</u>
Subsidiary		
Nien Hsing Garment (Ninh Binh) Co., Ltd.	\$ 712,056	\$ 795,598
Nien Hsing International (Victoria) Co., Ltd.	587,081	686,141
Formosa Textile Co., Ltd.	410,552	442,787
Nien Hsing International (Lesotho) Co., Ltd.	<u>405,433</u>	<u>523,337</u>
	<u>\$2,115,122</u>	<u>\$2,447,863</u>

(5) Receivables from related parties

<u>Related Party Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary		
Formosa Textile Co., Ltd.	\$162,802	\$283,144
Phoenix Development and Marketing Co., Ltd.	-	289
Glory International Co., Ltd.	<u>38,582</u>	<u>36,735</u>
	<u>\$201,384</u>	<u>\$320,168</u>

(6) Payable to related parties

<u>Related Party Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary		
Nien Hsing International (Victoria) Co., Ltd.	\$ 36,269	\$ 24,736
Nien Hsing International (Lesotho) Co., Ltd.	11,166	72,354
Chih Hsing Garment (Cambodia) Co., Ltd.	77,269	77,319
Nien Hsing Garment (Ninh Binh) Co., Ltd.	131,545	121,366
Phoenix Development and Marketing Co., Ltd.	<u>1,154</u>	<u>-</u>
	<u>\$257,403</u>	<u>\$295,775</u>

(7) Remuneration to key management

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

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

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

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

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31, 2023	December 31, 2022
Provide endorsement guarantee for the loan of Phoenix Development and Marketing Co., Ltd.		
— Guarantee amount	\$ 61,410	\$ 61,450
— Actual Amount Borrowed	-	-
Provide endorsement guarantee for the loan of Nien Hsing International Investment Co. Ltd.		
— Guarantee amount	400,000	500,000
— Actual Amount Borrowed	-	-

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

32. OTHER MATTER

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

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

Financial assets	Foreign Currency	Exchange rate	Book Value
<u>Monetary items</u>			
USD	\$ 37,063	30.705 (USD: NTD)	\$ 1,138,020
ZAR	110,326	1.652 (ZAR: NTD)	<u>182,258</u>
			<u>\$ 1,320,278</u>
 <u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	2,562	30.705 (USD: NTD)	\$ 78,656
VND	158,004,807	0.001 (VND NTD)	<u>203,282</u>
			<u>\$ 281,938</u>
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	12,745	30.705 (USD: NTD)	\$ 391,330
PESO	19,955	1.818 (PESO: NTD)	<u>36,269</u>
			<u>\$ 427,599</u>

December 31, 2022

<u>Financial assets</u>	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>Book Value</u>
<u>Monetary items</u>			
USD	\$ 65,894	30.725 (USD: NTD)	\$ 2,024,598
ZAR	88,573	1.809 (ZAR: NTD)	<u>160,228</u>
			<u>\$ 2,184,826</u>
<u>Non-monetary items</u>			
Subsidiaries accounted for using the equity method			
USD	2,562	30.725 (USD: NTD)	\$ 78,706
VND	155,200,249	0.001 (VND NTD)	<u>201,954</u>
			<u>\$ 280,660</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	19,665	30.725 (USD: NTD)	\$ 604,220
PESO	15,587	1.587 (PESO: NTD)	<u>24,736</u>
			<u>\$ 628,956</u>

For the years ended December 31, 2023 and 2022, net foreign exchange gains (losses) (realized and unrealized) were NT\$35,952 thousand and NT\$161,493 thousand, respectively.

34. SEPARATELY DISCLOSED ITEMS

- (1) Information on significant transactions, and (2) information on investees:
1. Financing provided to others: None.
 2. Endorsements/guarantees provided: Table 1.
 3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures): Table 2.
 4. Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
 5. Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.
 6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.

7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
 9. Trading in derivative instruments: Notes 7 and 27.
 10. Information on investees: Table 5.
- (3) Information on Investments in Mainland China:
1. Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China area: None.
 2. Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (3) The amount of property transactions and the amount of the resultant gains or losses.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- (4) Information on Major Shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder, Table 6.

Table 1

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

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

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 Company.
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 was 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.

Table 2

NIEN HSING TEXTILE CO., LTD.
MARKETABLE SECURITIES HELD
December 31, 2023
Unit: NT\$ Thousand

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Ending Balance				Remarks
				Number of Shares	Book Value	Percentage of Ownership (%)	Fair Value	
Nien Hsing Textile Co., Ltd.	<u>Share</u>							
	Mycenax Biotech Inc.	—	Financial assets at FVTOCI - non-current	6,789,665	\$ 242,391	3.30	\$ 242,391	
	BioGend Therapeutics Co., Ltd.	—	Financial assets at FVTOCI - non-current	806,662	30,855	0.66	30,855	
	Leadray Energy Co., Ltd.	—	Financial assets at FVTOCI - non-current	1,367,766	12,871	4.12	12,871	
	Der Yang Biotechnology Venture Capital Co., Ltd.	—	Financial assets at FVTOCI - non-current	46,018	564	2.22	564	
	Wu Hsing International Co., Ltd.	—	Financial assets at FVTOCI - non-current	450,000	-	30.00	-	Note 2

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

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

Table 3

NIEN HSING TEXTILE CO., LTD.
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
Unit: NT\$ Thousand

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

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

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

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

Table 4

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

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

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

Table 5

**NIEN HSING TEXTILE CO., LTD.
 INFORMATION ON INVESTEES
 FOR THE YEAR ENDED DECEMBER 31, 2023
 Unit: NT\$ Thousand**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net Income (Loss) of the Investee	Share of Profit (Loss)	Remarks
				End of current period	End of last year	Number of shares	Percentage (%)	Book Value			
Nien Hsing Textile Co., Ltd.	Nien Hsing International (B.V.I.) Co., Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	Investment holding company	\$ 458,543	\$ 458,543	19,185	100.00	\$1,754,790	\$ 20,863	\$ 20,863	Subsidiary
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Plot C4, Khanh Phu Industrial zone, Khanh Phu Commune, Yen Khanh district, Ninh Binh province, Vietnam	Denim garments processing	714,092	714,092	-	100.00	203,282	3,782	3,782	Subsidiary
	Chih Hsing Garment (Cambodia) Co., Ltd	Road 6, Phum Khtor, Sangkat Prek Leap, Chroy Changvar District, Phnom Penh, Kingdom Of Cambodia	Denim garments processing	133,641	133,641	4,500	100.00	78,656	1	1	Subsidiary
	Nien Hsing International Investment Co., Ltd.	12F-2, No. 308, Neihu Rd., Sec. 1, Neihu Dist., Taipei City, Taiwan 114, R.O.C.	Investment business	20,000	20,000	20,500,000	100.00	366,411	3,489	3,489	Subsidiary

Table 6**NIEN HSING TEXTILE CO., LTD.
INFORMATION OF MAJOR SHAREHOLDERS
December 31, 2023**

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

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

Table 7

NIEN HSING TEXTILE CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
Unit: NT\$ Thousand

	Land	Land improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Construction in progress	Total
Cost									
Balance at January 1, 2023	\$ 234,607	\$ 1,516	\$ 717,513	\$ 1,373,085	\$ 9,229	\$ 36,459	\$ 660,768	\$ -	\$ 3,033,177
Addition	-	-	505	3,948	-	116	10,884	-	15,453
Disposal	-	-	-	(2,039)	-	(72)	(5,514)	-	(7,625)
Reclassifications	-	-	-	56,936	-	-	9,816	-	66,752
Balance at December 31, 2023	<u>\$ 234,607</u>	<u>\$ 1,516</u>	<u>\$ 718,018</u>	<u>\$ 1,431,930</u>	<u>\$ 9,229</u>	<u>\$ 36,503</u>	<u>\$ 675,954</u>	<u>\$ -</u>	<u>\$ 3,107,757</u>
Accumulated Depreciation and Impairment									
Balance at January 1, 2023	\$ -	\$ 1,516	\$ 390,290	\$ 1,156,937	\$ 4,753	\$ 27,441	\$ 598,396	\$ -	\$ 2,179,333
Disposal	-	-	-	(2,039)	-	(72)	(5,513)	-	(7,624)
Impairment loss	-	-	-	7,101	428	269	8,152	-	15,950
Depreciation expenses	-	-	19,100	48,985	930	3,894	21,174	-	94,083
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 409,390</u>	<u>\$ 1,210,984</u>	<u>\$ 6,111</u>	<u>\$ 31,532</u>	<u>\$ 622,209</u>	<u>\$ -</u>	<u>\$ 2,281,742</u>
Net as of December 31, 2023	<u>\$ 234,607</u>	<u>\$ -</u>	<u>\$ 308,628</u>	<u>\$ 220,946</u>	<u>\$ 3,118</u>	<u>\$ 4,971</u>	<u>\$ 53,745</u>	<u>\$ -</u>	<u>\$ 826,015</u>
Cost									
Balance at January 1, 2022	\$ 234,607	\$ 1,516	\$ 713,236	\$ 1,330,792	\$ 9,229	\$ 32,098	\$ 648,372	\$ 672	\$ 2,970,522
Addition	-	-	1,158	3,536	-	1,956	9,597	2,447	18,694
Disposal	-	-	-	(37,935)	-	(246)	(8,315)	-	(46,496)
Reclassifications	-	-	3,119	76,692	-	2,651	11,114	(3,119)	90,457
Balance at December 31, 2022	<u>\$ 234,607</u>	<u>\$ 1,516</u>	<u>\$ 717,513</u>	<u>\$ 1,373,085</u>	<u>\$ 9,229</u>	<u>\$ 36,459</u>	<u>\$ 660,768</u>	<u>\$ -</u>	<u>\$ 3,033,177</u>
Accumulated Depreciation and Impairment									
Balance at January 1, 2022	\$ -	\$ 1,516	\$ 371,415	\$ 1,149,283	\$ 3,823	\$ 24,072	\$ 583,972	\$ -	\$ 2,134,081
Disposal	-	-	-	(37,935)	-	(246)	(8,290)	-	(46,471)
Depreciation expenses	-	-	18,875	45,589	930	3,615	22,714	-	91,723
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 390,290</u>	<u>\$ 1,156,937</u>	<u>\$ 4,753</u>	<u>\$ 27,441</u>	<u>\$ 598,396</u>	<u>\$ -</u>	<u>\$ 2,179,333</u>
Net as of December 31, 2022	<u>\$ 234,607</u>	<u>\$ -</u>	<u>\$ 327,223</u>	<u>\$ 216,148</u>	<u>\$ 4,476</u>	<u>\$ 9,018</u>	<u>\$ 62,372</u>	<u>\$ -</u>	<u>\$ 853,844</u>

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	NO./INDEX
Major Accounting Items in Assets, Liabilities and Equity	
Statement of Cash and Cash Equivalents	Table 1
Statement of financial assets at amortized cost	Table 2
Statement of Trade Receivables	Table 3
Statement of Inventories	Table 4
Statement of Changes in Financial Assets at Fair Value through Other Comprehensive Income	Table 5
Statement of Changes in Investments Accounted for Using the Equity Method	Table 6
Statement of Changes in Property, Plant and Equipment	Note 13 and Table 7
Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment	Note 13 and Table 7
Statement of Changes in Investment Properties	Note 14
Statement of Changes in Accumulated Depreciation of Investment Properties	Note 14
Statement of Deferred Tax Assets	Note 23
Statement of Short-term Borrowings and Long-term Borrowings	Table 7
Statement of Trade payables	Table 8
Statement of Other Payables	Note 17
Statement of Deferred Tax Liabilities	Note 23
Major Accounting Items in Profit or Loss	
Statement of Operating Revenue	Table 9
Statement of Operating Costs	Table 10
Statement of Operating Expenses	Table 11
Statement of Other Income	Note 22
Statement of Other Gains and Losses	Note 22
Statement of Employee Benefit, Depreciation and Amortization Expenses for the Period	Table 12

Table 1

Nien Hsing Textile Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2023
Unit: NT\$ Thousand, Unless Specified Otherwise

Item	Amount
Cash on hand	\$ 1,502
Bank deposits	
Checking account and demand deposit	25,200
Foreign currency demand deposits (Note 1)	45,555
Cash equivalents	
Bank time deposits : annual interest rates of 1.35%-1.44%, expiry dates range from February 5, 2024 to April 1, 2024	250,000
Short-term bills – annual interest rates of 1.15%, expiry date on January 2, 2024	<u>50,007</u>
	<u>\$ 372,264</u>

Note 1: Including USD 1,484 thousand, converted at the exchange rate
US\$1=NT\$30.705

Table 2

Nien Hsing Textile Co., Ltd.
Statement of financial assets at amortized cost
December 31, 2023
Unit: NT\$ Thousand

<u>Item</u>	<u>Amount</u>
The time deposits with original maturity date of more than three months: annual interest rate of 1.35%, expiry dates range from January 3, 2024 to February 20, 2024	<u>\$ 300,000</u>

Table 3

Nien Hsing Textile Co., Ltd.
Statement of Trade Receivables
December 31, 2023
Unit: NT\$ Thousand

Name	Amount
M001 company	\$ 341,916
S094 company	254,435
S162 company	120,949
S070 company	100,863
Others (Note)	<u>299,982</u>
	1,118,145
Less: allowance for impairment loss	<u>26,947</u>
Total	<u>\$1,091,198</u>

Note: The amount of individual client did not exceed 5% of the account balance

Table 4**Nien Hsing Textile Co., Ltd.
Statement of Inventories
December 31, 2023
Unit: NT\$ Thousand**

Item	Amount	
	Cost	Net realizable value (Note)
Raw materials	\$ 699,351	\$ 794,226
Work in process	632,086	679,321
Finished goods	426,443	428,383
Raw materials in transit	61,386	61,386
Supplies	<u>11,024</u>	<u>11,024</u>
	<u>\$1,830,290</u>	<u>\$1,974,340</u>

Note: The net realizable value was 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.

Table 5

Nien Hsing Textile Co., Ltd.
Statement of Changes in Financial Assets at Fair Value through Other Comprehensive Income
FOR THE YEARS ENDED DECEMBER 31, 2023
Unit: NT\$ Thousand, Unless Specified Otherwise

Name	Balance at the beginning of the year		Increase during the year		Decrease during the year		Unrealized gain/(loss) on financial assets at FVTOCI	Balance at the end of the year		Guarantee or pledge
	Number of Shares/Units	Fair Value	Number of shares	Amount	Number of shares	Amount		Number of Shares/Units	Fair Value	
Mycenax Biotech Inc.	8,289,665	\$ 310,863	-	\$ -	1,500,000	\$ 63,259	(\$ 5,213)	6,789,665	\$ 242,391	None
BioGend Therapeutics Co., Ltd.	806,662	17,365	-	-	-	-	13,490	806,662	30,855	None
Leadray Energy Co., Ltd.	2,532,619	12,944	-	-	1,164,853	-	(73)	1,367,766	12,871	None
Der Yang Biotechnology Venture Capital Co., Ltd.	46,018	523	-	-	-	-	41	46,018	564	None
Wu Hsing International Industrial Co., Ltd (Note 1)	450,000	-	-	-	-	-	-	450,000	-	None
		<u>\$ 341,695</u>		<u>\$ -</u>		<u>\$ 63,259</u>	<u>\$ 8,245</u>		<u>\$ 286,681</u>	

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

Table 6

Nien Hsing Textile Co., Ltd.
Statement of Changes in Investments Accounted for Using the Equity Method
FOR THE YEARS ENDED DECEMBER 31, 2023
Unit: NT\$ Thousand, Unless Specified Otherwise

Investee	Par value per share (NT\$)	Balance at the beginning of the year		Increase during the year		Decrease during the year		Cash dividend	Share of profits (losses) accounted for using the equity method	Foreign currency translation adjustment	Unrealized gain/(loss) on financial assets at FVTOCI	Balance at the end of the year			Remarks
		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount					Number of shares	Shareholding %	Amount	
Accounted for using the equity method															
Nien Hsing International (B.V.I.) Co., Ltd	US\$ 500	19,185	\$1,740,071	-	\$ -	-	\$ -	\$ -	\$ 20,863	\$ 5,557	(\$ 11,701)	19,185	100	\$1,754,790	(Note 1)
Nien Hsing Garment (Ninh Binh) Co., Ltd.	-	-	201,954	-	-	-	-	-	3,782	(2,454)	-	-	100	203,282	(Note 1 and 2)
Chih Hsing Garment (Cambodia) Co., Ltd	US\$1,000	4,500	78,706	-	-	-	-	-	1	(51)	-	4,500	100	78,656	(Note 1)
Nien Hsing International Investment Co., Ltd.	NT\$ 10	9,722,833	<u>330,578</u>	10,777,167	<u>-</u>	-	<u>-</u>	(<u>54,786</u>)	<u>3,489</u>	<u>-</u>	<u>87,130</u>	20,500,000	100	<u>366,411</u>	(Note 1)
			<u>\$2,351,309</u>		<u>\$ -</u>		<u>\$ -</u>	(<u>\$ 54,786</u>)	<u>\$ 28,135</u>	<u>\$ 3,052</u>	<u>\$ 75,429</u>			<u>\$2,403,139</u>	

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

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

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

Table 7

Nien Hsing Textile Co., Ltd.
Statement of Short-term Borrowings and Long-term Borrowings
December 31, 2023
Unit: NT\$ Thousand, unless Specified Otherwise

Types of Borrowings and Creditors	Borrowings period	Annual Interest Rate (%)	Balance at the end of the year	Financing Line	Pledged or Secured	Remarks
Short-term borrowings						
Line of credit borrowings						
Hua Nan Bank	2023.12.12-2024.1.5	5.80%~6.30%	<u>\$11,802</u>	<u>\$11,802</u>	None	Note 1

Note 1: It was the LC advance on behalf of the Company. The balance at the end of the year was USD384 thousand, which was converted at the exchange rate of US\$1: NT\$30.705.

Table 8

Nien Hsing Textile Co., Ltd.
Statement of Trade payables
December 31, 2023
Unit: NT\$ Thousand

<u>Supplier</u>	<u>Amount</u>
M001 company	\$ 17,947
22318987 company	17,626
LUD001 company	11,175
PD384 company	9,118
Others (Note)	<u>106,448</u>
Total	<u>\$162,314</u>

Note: The amount of individual vendor did not exceed 5% of the account balance.

Table 9

Nien Hsing Textile Co., Ltd.
Statement of Operating Revenue
FOR THE YEARS ENDED DECEMBER 31, 2023
Unit: NT\$ Thousand

<u>Item</u>	<u>Number</u>	<u>Amount</u>
Sales		
Denim garment (dozen)	864 thousand dozens	\$ 3,009,027
Denim (yard)	27,789 thousand yards	2,776,922
Ring spinning yarn (kg)	4,227 thousand kgs	507,323
Others		<u>35,899</u>
Subtotal		<u>6,329,171</u>
Less: Sales returns		5,809
Sales allowances		<u>16,148</u>
Subtotal		<u>21,957</u>
Other operating revenue		<u>37,094</u>
Net Operating Revenue		<u>\$ 6,344,308</u>

Table 10

Nien Hsing Textile Co., Ltd.
Statement of Operating Costs
FOR THE YEARS ENDED DECEMBER 31, 2023
Unit: NT\$ Thousand

Item	Amount
Raw materials at the beginning of the year (including raw materials in transit)	\$ 1,295,300
Raw materials purchased	2,884,810
Raw materials at the end of the year (including raw materials in transit)	(795,253)
Plus (minus): Inventory profit	3,671
Transferred from self-made finished products (Note)	237,800
Sale	(46,984)
Own used and others	(82,216)
Annual raw material used	3,497,128
Direct labor	193,386
Manufacturing overheads	<u>2,788,328</u>
Manufacturing costs	6,478,842
Plus (minus): Work in progress at the beginning of the year	745,282
Work in progress at the end of the year	(674,383)
Others	<u>1,222</u>
Cost of finished goods	6,550,963
Plus (minus): Finished goods at the beginning of the year	587,570
Finished goods at the end of the year	(527,309)
Transferred back to raw materials (Note)	(237,800)
Sales returns	6,500
Inventory profit	49
Own used and others	(86,042)
Cost of finished goods sale	6,293,931
Cost of raw materials and work in progress sale	46,984
Cost of transferred from unamortized fixed manufacturing overheads	67,827
Write-down of inventories	20,859
Provision for onerous contracts	89
Inventory profit	(3,720)
Revenue from sale of scraps	(22,696)
Cost of goods sold	6,403,274
Other operating costs	<u>4,855</u>
Total operating costs	<u>\$ 6,408,129</u>

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

Table 11

Nien Hsing Textile Co., Ltd.
Statement of Operating Expenses
FOR THE YEARS ENDED DECEMBER 31, 2023
Unit: NT\$ Thousand, Unless Specified Otherwise

	Selling and marketing expenses	General and administrative expenses	Research and development expenses	Expected credit loss (gain)	Total
Salaries	\$ 72,287	\$ 69,439	\$ 1,032	\$ -	\$142,758
Directors' remuneration	-	9,425	-	-	9,425
Expected credit loss (gain)	-	-	-	(7,011)	(7,011)
Freight	21,815	91	-	-	21,906
Taxation	18,981	2,882	-	-	21,863
Sample fee	40,886	-	-	-	40,886
Insurance expense	24,401	9,362	169	-	33,932
Commission expense	13,254	-	-	-	13,254
Commodity development fee	-	-	12,137	-	12,137
Depreciation	3,677	9,764	-	-	13,441
Others (Note)	<u>27,529</u>	<u>31,458</u>	<u>466</u>	<u>-</u>	<u>59,453</u>
Total	<u>\$222,830</u>	<u>\$132,421</u>	<u>\$ 13,804</u>	<u>(\$ 7,011)</u>	<u>\$362,044</u>

Note: The amount of each item in others did not exceed 5% of the amount balance.

Nien Hsing Textile Co., Ltd.
Statement of Employee Benefit, Depreciation and Amortization Expenses for the Period
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022
Unit: NT\$ Thousand, Unless Specified Otherwise

	2023				2022			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total
Employee benefits expense								
Salary and wages	\$ 334,626	\$ 142,758	\$ -	\$ 477,384	\$ 352,361	\$ 169,061	\$ -	\$ 521,422
Labor and health insurance	32,273	17,114	-	49,387	31,959	16,240	-	48,199
Pension	11,505	7,684	-	19,189	12,694	7,463	-	20,157
Directors' remuneration	-	9,425	-	9,425	-	9,485	-	9,485
Other employee benefit expenses	15,207	9,581	74,398	99,186	16,460	9,724	-	26,184
	<u>\$ 393,611</u>	<u>\$ 186,562</u>	<u>\$ 74,398</u>	<u>\$ 654,571</u>	<u>\$ 413,474</u>	<u>\$ 211,973</u>	<u>\$ -</u>	<u>\$ 625,447</u>
Depreciation expenses	<u>\$ 80,642</u>	<u>\$ 13,441</u>	<u>\$ 910</u>	<u>\$ 94,993</u>	<u>\$ 78,836</u>	<u>\$ 12,887</u>	<u>\$ 910</u>	<u>\$ 92,633</u>

Note:

- The average number of employees for this year and the previous year were 785 and 786 respectively, of which the average number of directors who do not concurrently serve as an employee were 4 and 4 respectively.
- For companies whose shares have been listed on the stock exchange or traded on an OTC market, the following additional information should be disclosed:
 - The average employee benefit expense for the year was NT\$826 thousand ((Total employee benefit expense for the year – Total remuneration for Directors) / (Number of employees for the year – Number of Directors who do not serve concurrently as an employee))
The average employee benefit expense for the previous year was NT\$788 thousand ((Total employee benefit expense for the previous year – Total remuneration for Directors) / (Number of employees for the previous year – Number of Directors who do not serve concurrently as an employee))
 - The average employee salary expense for the year was NT\$611 thousand (Total salary expense for the year / (Number of employees for the year – Number of Directors who do not serve concurrently as an employee.))
The average employee salary expense for the previous year was NT\$667 thousand (Total salary expense for the year / (Number of employees for the previous year – Number of Directors who do not serve concurrently as an employee.))
 - The average adjustment of employee salary and wages decreased by 8.40%.
 - The Company has established an audit committee, and the remuneration of independent directors has been disclosed along with remuneration of the directors.
 - Salary and remuneration policy
 - Directors' remuneration:
 - Commuting fee: \$3~5 thousand per meeting.
 - Remuneration: Each director of the Company receives a fixed remuneration of \$1,000 thousand per year.
 - Directors' remuneration: Compensations are not available for directors.
 - Other rewards: The chairman of the Company is issued a company car.

B. Manager's remuneration:

- a. Salaries and Bonuses: Salaries are given in accordance with the Company's salary approval regulations; bonuses are given with reference to the operating performance and future risks of each business unit; a performance bonus is given if the annual operating profit and production targets are met.
- b. Employees' compensation: Employee compensations are not available for managers.
- c. Other rewards: The Company's manager equals to or above the vice president level is issued a company car.

The remuneration committee of the Company also regularly evaluates and reviews the policies, systems, standards and structures of remuneration awarded to directors, supervisors and managers, and proposes to the board of directors for consideration.

C. Employee remuneration:

The Company's remuneration policy positively relates to individual ability, contribution to the Company, individual performance and operating performance. Remuneration is comprised of three parts: basic salary, bonus and employee compensation and benefits. Criteria for remuneration payments can be broken down to (a) basic salary, given based on the Company's salary approval regulations, as well as the market competition of the employee's job; (b) bonus and employee remuneration, given when department targets are met, or company operating performance are satisfied; and (c) benefits, devised to care for employees needs in accordance with laws and regulations.

6. Effect of the Company financial status if the company or its affiliates have experienced financial difficulties: none.

Analysis and Risks of Financial Status and Performance

1. Review and analysis of financial status:

Unit: NT\$ Thousand

Item	Year	2023	2022	Difference	
				Amount	%
Current asset		5,255,267	6,342,938	(1,087,671)	(17.15)
Long-term investment		926,346	941,387	(15,041)	(1.60)
Property, plant and equipment		1,249,509	1,378,016	(128,507)	(9.33)
Other assets		605,069	503,451	101,618	20.18
Total assets		8,036,191	9,165,792	(1,129,601)	(12.32)
Current liabilities		773,914	1,128,899	(354,985)	(31.45)
non-current liabilities		351,644	433,822	(82,178)	(18.94)
Total liabilities		1,125,558	1,562,721	(437,163)	(27.97)
Equity attributable to owners of parent company		6,910,633	7,603,071	(692,438)	(9.11)
Share capital		2,063,900	2,066,900	(3,000)	(0.15)
Additional paid-in capital		506,552	509,657	(3,105)	(0.61)
Retained earnings		4,895,745	5,560,278	(664,533)	(11.95)
Exchange differences on translation of the financial statements		(507,824)	(510,266)	2,442	(0.48)
Unrealized gains and losses from equity instruments at FVOCI		39,096	43,958	(4,862)	(11.06)
Unearned employees' compensation		(86,836)	(67,456)	(19,380)	28.73
Total equity		6,910,633	7,603,071	(692,438)	(9.11)
1. Analysis of the changes for 20%:					
(1) Increase in other assets: Mainly due to an increase in advance payments for equipment from the previous year, there was an increase in other assets.					
(2) Decrease in current liabilities and total liabilities: Mainly due to the decrease in short-term borrowings, accounts payable, and current tax liabilities from the previous year, there was a decrease in current liabilities and total liabilities.					
(3) Decrease in unearned employees' compensation: Mainly due to reversals of unvested rights provisioned in 2023, there was a decrease in unearned employees' compensation.					
2. Future countermeasures for significant changes in the recent two years: no significant impact.					

Note: The consolidated financial statements of 2023 and 2022 are audited and attested by CPA.

2. Review and analysis of financial performance

Unit: NT\$ Thousand

Item \ Year	2023	2022	Amount increase (decrease)	% of change
Operating revenue	6,358,816	8,695,169	(2,336,353)	(26.87)
Operating cost	6,370,043	7,888,120	(1,518,077)	(19.25)
Gross profit	(11,227)	807,049	(818,276)	(101.39)
Operating expenses	438,697	496,647	(57,950)	(11.67)
Operating profit	(449,924)	310,402	(760,326)	(244.95)
Non-operating income and expenses	44,344	216,522	(172,178)	(79.52)
Profit before tax	(405,580)	526,924	(932,504)	(176.97)
income tax expense	(42,668)	100,468	(143,136)	(142.47)
Net profit	(362,912)	426,456	(789,368)	(185.10)

1. Analysis of the changes for 20%:

(1) The decrease in gross profit was mainly due to the following:

- (a) Denim: Mainly due to the economic conditions in the United States, consumer demand in the market was weak, and product prices decreased. There was an unfavorable sales price difference of NT\$179,260 thousand. Furthermore, due to the industry's active destocking, market demand experienced a significant decline, which led to insufficient capacity utilization and increased production costs in the Company. There was an unfavorable cost price difference of NT\$333,260 thousand and an unfavorable volume difference of NT\$114,302 thousand. Consequently, the overall gross profit for denim decreased by NT\$626,822 thousand from the previous year.
- (b) Jeans garment: Mainly due to the depreciation of the TWD, there was a favorable sales price difference of NT\$99,941 thousand. However, due to the increase in raw material costs and a decrease in orders, the Company experienced insufficient capacity utilization, resulting in an unfavorable cost price variance of NT\$204,789 thousand. Consequently, the overall gross profit for jeans garment decreased by NT\$164,697 thousand from the previous year.
- (c) Ring-spun yarn: Mainly due to the economic conditions in the United States, consumer demand in the market was weak, and product prices decreased. There was an unfavorable sales price difference of NT\$35,825 thousand. However, due to the average price of cotton being lower in 2023 compared to the previous year, there was a favorable cost price difference of NT\$11,400 thousand. Consequently, the overall gross profit for ring-spun yarn decreased by NT\$42,004 thousand from the previous year.

Unit: NT\$ Thousand

Product	Difference in price	Difference in cost	Difference in quantity
Denim	(179,260)	(333,260)	(114,302)
Jeans garment	99,941	(204,789)	(59,849)
Ring-spun yarn	(35,825)	11,400	(17,579)
Total	(115,144)	(526,649)	(191,730)

Note: A positive number is a favorable difference; a negative number is an unfavorable difference; however, the favorable difference of NT\$15,247 thousand in processing revenue and other sales revenue are not included.

- (2) The decrease in operating profit, profit before tax, and net profit was mainly due to the decrease in gross profit, and non-operating income and expense.
- (3) The decrease in non-operating income and expenses was mainly due to the decrease of NT\$149,517 thousand in net gains from foreign currency exchange recognized in 2023, as well as the estimated impairment loss of NT\$15,950 thousand on property, plant, and equipment, and severance costs of NT\$74,398 thousand estimated for the complete shutdown of the Houlong Textile Factory after completing production and sales of existing orders.
- (4) The decrease in income tax expenses was mainly due to the decrease in profit before tax in 2023.

2. Expected sales volume and the reasons, the impact on the Company's future finance and business and the countermeasures: Based on the Company's 2024 business plan, the sales volume of denim is 22,872 thousand yards, the sales volume of ring-spun yarn is 4,850 thousand kilograms, and the sales volume of jeans garment is 1,005 thousand dozens; no significant impact is assessed to be on the Company's future finance and business.

Note: The consolidated financial statements of 2023 and 2022 are audited and attested by CPA.

3. Review and analysis of cash flow

(1) Analysis of cash flow changes in the recent year and improvement plan for insufficient liquidity

Unit: NT\$ Thousand

Cash balance at beginning	Cash flow from operating activities for the year	Cash outflow for the year	Amount of cash balance (deficit)	Remedial measures for cash deficit	
				Investment plans	Financing plans
1,606,649	579,573	(2,035,063)	151,159	1,129,727	77

Analysis of cash flow changes:

1. Operating Activities: It is mainly due to the net changes in accounts receivable and inventory that operating activities result in net cash inflows.
2. Investing activities: It is mainly due to the investment in financial assets and equipments that investment activities result in net cash outflows.
3. Financing activities: It is mainly due to the distribution of cash dividends that financing activities result in net cash outflows.
4. Improvement plan for insufficient liquidity: no cash deficit.

(2) Liquidity analysis for the coming year.

Unit: NT\$ Thousand

Cash balance at beginning	Cash flow from operating activities for the year	Cash outflow for the year	Amount of cash balance (deficit)	Remedial measures for cash deficit	
				Investment plans	Financing plans
1,302,034	326,129	(218,105)	1,410,058	-	-

4. Influence of major capital expenditures on financial business: none.

5. Investment policy, the main reasons for profit or loss, improvement plan, and investment plan for the coming year:

Unit: NT\$ Thousand

Investor	Name of investee	Shareholding (%)	Investment amount	Current profits (losses) of the investee	Main reason of profit or loss	Improvement plan	Investment plan for the coming year
Nien Hsing Textile Co., Ltd.	Nien Hsing International (B.V.I.) Ltd.	100.00	\$ 458,543	\$ 20,863	It is mainly the recognized gain and loss of Phoenix Development & Marketing Co., Ltd.	None	None
	Nien Hsing International Investment Co., Ltd.	100.00	20,000	3,489	Mainly due to the recognition of dividend incomes from Center Laboratories, Inc.	None	None
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	100.00	714,092	3,782	Commissioned by Nien Hsing Textile for processing and producing garments.	None	None
	Chih Hsing Garment (Cambodia) Co., Ltd.	100.00	133,641	1	Operation suspended	None	None
Nien Hsing International (B.V.I.) Ltd.	Nien Hsing International (Bermuda) Ltd.	100.00	256,288	21,920	The holding company of the Mexican production areas recognized the investment gains and losses of Nien Hsing International (Victoria) Co., Ltd. and Nien Hsing Garments.	None	None
	Nien Hsing International (Samoa) Ltd.	100.00	1,142,312	(52,341)	The holding company of the Lesotho District, which recognized the investment gains (losses) of Nien Hsing International Lesotho (Proprietary), Formosa Textile, and Blue Star Corporation.	None	None
	Phoenix Development & Marketing Co., Ltd.	100.00	102,692	48,570	Engaging in trading of denim and general investments, and the investment gains and losses of Glory International Co., Ltd. was recognized. In 2023, the main recognition was dividend revenue from the FASANARA DIGITAL LENDING FUND.	None	None
Nien Hsing International (Bermuda) Ltd.	Nien Hsing International (Victoria) Co., Ltd.	99.99	455,433	23,357	Commissioned by Nien Hsing Textile for processing and producing denim.	None	None
	Nien Hsing Garment (Proprietary) Limited	99.99	30,021	(7)	Operation suspended	None	None
Nien Hsing International (Samoa) Ltd.	Nien Hsing International Lesotho (Proprietary) Limited	100.00	333,848	(30,601)	Commissioned by Nien Hsing Textile for processing and producing garments.	None	None
	Formosa Textile Company (Proprietary) Limited	100.00	280,856	(21,666)	Commissioned by Nien Hsing Textile for processing and producing denim.	None	None
	Blue Star Corporation	100.00	10,539	(58)	Engaging in general investment.	None	None
Phoenix Development & Marketing Co., Ltd.	Glory International (Pty) Ltd.	100.00	387,002	(22,940)	Operation suspended	None	None
Nien Hsing International Lesotho (Proprietary) Limited	C&Y Garments	100.00	4,005	-	Operation suspended	None	None
	Global Garments Company (Proprietary) Limited	100.00	22,453	-	Operation suspended	None	None

6. Assessment of risks

(1) The impact of interest rate, exchange rate fluctuations, and inflation on the Company's profit or loss and future countermeasures:

Unit: NT\$ Thousand

Item	2023	2024 Q1
Net interest income (expense)	55,942	13,921
Net gains (losses) from foreign currency exchange	(1,936)	41,494
Inflation	-	-

- Changes in interest rates: the Company continuously monitors the changes in market interest rates, regularly evaluates interest rate trends, and works with a number of banks to obtain the most favorable interest rates. For long-term loans, the market interest rate trends are taken into account, for conducting interest rate swaps at appropriate timing to reduce risk of interest rate fluctuations.
- Changes in exchange rates: the Company adopts a natural risk-avoidance operation strategy, attempting to reduce the risk of exchange rate fluctuations by balancing asset and liability positions of foreign currency, and closely monitors the movement of market exchange rates, while conducting operations of foreign exchange forward as necessary to offset the partial risk of exchange rate movement.
- Inflation: the Company monitors the annual growth rate of Taiwan's consumer price index. As of the publication date of the annual report, the inflation has not had a significant impact on the Company's operations.

(2) The policy on engagement in high-risk and highly leveraged investment, lends funds to other parties, endorsements and guarantees provided, and derivatives trading, the main reason for profit or loss, and countermeasures:

- The Company does not engage in high-risk and highly leveraged investment.
- Lending funds to other parties: it is limited to the investees of the Company with more than 90% stake held. As of March 31, 2024, there were no funds loaned to others.
- Endorsement and guarantee: it is limited to the Company's subsidiaries; as of March 31, 2024, the Company provided the endorsement and guarantee to subsidiaries Phoenix Development & Marketing Co., Ltd. and Nien Hsing International Investment Co., Ltd for the amount of NT\$64,010 thousand and NT\$400,000 thousand, respectively.
- Derivative trading: pursuant to the Company's "Procedures for Acquisition or Disposal of Assets," the Company is not allowed to engage in non-hedging derivatives operations. The following derivative financial instruments were outstanding as of March 31, 2024:

Unit: NT\$ Thousand

Transaction type (domestic)	March 31, 2024		
	Contract Amount	Credit Risk	Fair Value
Forward foreign exchange contracts	94,900	-	(1,032)

(3) Future R&D plan and estimated R&D expenses:

Responding to market trends and end consumers' demands for various colors and functionality of denim, and coping with the rising awareness of environmental protection, such as energy saving and carbon reduction, the Company expects to invest the related machinery equipment in the field of spinning, dyeing technology, wastewater treatment and energy management. In 2024, it is expected to invest another NT\$5 million to expand related equipment and headcounts.

(4) The influence of the changes in important policies and legal environment at home or abroad on the finance operations and countermeasures:

The Company has a denim factory in Mexico, and the United States-Mexico-Canada Agreement (USMCA) was signed in November 2018, and was subsequently approved by the legislatures of each country. It has officially replaced the North American Free Trade Agreement (NAFTA) signed in 1994, marking the official chapter of the history of the trading relationships among the United States, Canada, and Mexico. However, the new agreement mainly affects the automobile, dairy and biopharmaceutical industries, and has limited impact on the textile and garment industries.

The ASEAN+6 agreement makes the Company's garments produced in Vietnam District have tariff advantages when exporting to China, Japan, Korea, New Zealand, Australia and India markets.

The African Growth Opportunity Act (AGOA) and the Third-Country Fabric Provision adopted in the Act were passed by the U.S. Congress in 2015 for a ten-year extension. Upon the passage of the extension, garment factories in countries where AGOA applies in Africa are able to continuously use fabrics produced in third countries to make garments that are tariff-free and sold to the U.S. Therefore, the Company's garment factory in Lesotho is able to continuously maintain the competitive advantage of using third-country fabrics for tariff-free sales to the U.S. Meanwhile, vertically integrating the upstream and downstream of textile and garment with strategically receives orders, exerting the advantages of vertical integration.

- (5) The influence of changes in technology (including Information security risks) and the industry on the Company's financial operations and countermeasures:

The Company used to emphasize the U.S. market, and thus profits were vulnerable to the impact of US trade policies and the prosperity of the U.S. apparel markets, which increased the Company's risk and restricted revenue growth. In the future, other than the continuous cultivation of the U.S. market, the Company will expand its deployment in the Asian and European markets as a response to the emergence of China and the EU economies. Based on the experience, creditability and reputation of providing jeans garment in the Americas, the Company will continue to enhance the collaborations with current mainstream international brands. By applying the vertically integrated supply chain of the Company, the Company is committed to expanding the global market and becoming the best supplier partner of the brand apparel customers. Competitors of garment industry in Bangladesh are constantly integrating upstream and downstream, posing a threat to the Company's deployment in Vietnam. The Company will provide differentiated values through the leading garment washing process combined with mature fabric production technologies, to respond to the relative cost advantages of competitors.

For the impact of information security risks on the Company's finance business and countermeasures, please refer to Pages 89-93.

- (6) The influence of changes in the company's corporate image on the Company's crisis management and countermeasures:

The Company always insists on the enterprise spirit of diligence, honest, and practical, which is implemented in the daily operation and management of the Company, with various management regulations and procedures established as the basis of compliance. During the current year up to the date of publication of the annual report, the Company had no changes in the company's corporate image resulting negative effect on the operation.

- (7) The expected benefits, possible risks and countermeasures of merger and acquisitions:

During the current year up to the date of publication of the annual report, the Company had no merger and acquisition.

- (8) The expected benefits, possible risks and countermeasures of factory expansion:

During the current year up to the date of publication of the annual report, the Company had no factory expansion.

- (9) Risks and countermeasures of purchases or sales concentration:

Purchases: The Company cooperates with numerous raw material suppliers for procurement. In addition to measuring the actual demand of orders, it also refers to the market supply and demand situation and price movement to establish an appropriate safety inventory level, for meeting urgent demands and reducing the risk of material shortage.

Sales: The Company has established long-term and stable partnerships with many international brand customers, combining the competitive advantages of both parties, to ensure the long-term stable growth of both parties; in addition, the Company will continue to enhance the production process, and provide customers with comprehensive solutions. With the customized service experience, the customer portfolio is expanded, seeking to diversify the risks.

- (10) The impact, risk and countermeasures of shareholding transferred by Directors and major Shareholders who holds 10% of the Company shares:

Panda Investment Co., Ltd. is a Director and a major Shareholder with more than 10% shareholding. On June 24, 2022, it purchased the Company's share for 4,399,017 shares in the manner of block matching trade; its shareholding increased from 11.83% to 13.96%; the

shareholding transfer had no material effect on the Company's operation.

(11) The impact, risk and countermeasures to the Company with any change in management rights:
During the current year up to the date of publication of the annual report, the Company's management rights have not changed.

(12) Litigious and non-litigious matters: none.

(13) Other important risks and countermeasures: none.

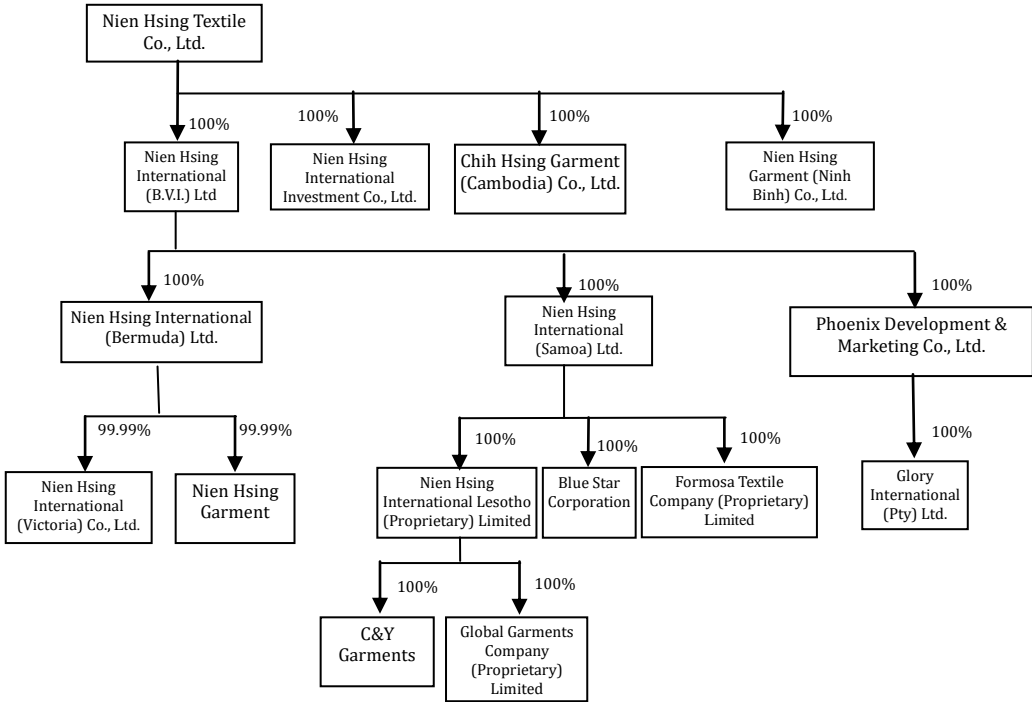
7. Other material matters: none.

Special items to be included

1. Information of affiliates:

(1) Subsidiaries and affiliated companies

1. Affiliation chart:



Note: In 2023, the operations of Chih Hsing Garments (Cambodia), Nien Hsing Garments, Glory International (Pty) Ltd., C&Y Garments, and Global Garments Company (Proprietary) Limited were suspended.

2. Aggregated description for the organization of affiliates

(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.

(2) Relationships between each subsidiary and affiliate:

Company Name	Controlling (subordinate)	Relationship of controlling (subordinate)	Businesses operated and collaborated by each affiliate
Nien Hsing Textile Co., Ltd.	Controlling company	—	The manufacturing and sales of denim, jeans garment, and knitted garment. Commissioned Nien Hsing Garment (Ninh Binh) Co., Ltd., Chih Hsing Garment (Cambodia) Co., Ltd., C&Y Garment Company (Pty) Ltd., Nien Hsing International Lesotho (Proprietary) Limited, Global Garments Company (Proprietary) Limited, and Nien Hsing Garments to manufacture jeans garment. Commissioned Glory International (Pty) Ltd. to manufacture knitted garment. Commissioned Nien Hsing International (Victoria) Co., Ltd. and Formosa Textile Company (Proprietary) Limited to manufacture denim.
Nien Hsing International (B.V.I.) Ltd.	Subordinate company	Control via shareholding	Investment.
Nien Hsing International Investment Co.	Subordinate company	Control via shareholding	Investment.
Chih Hsing Garment (Cambodia) Co., Ltd (Note)	Subordinate company	Control via shareholding	OEM of denim ready-to-wear commissioned by Nien Hsing Textile
Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subordinate company	Control via shareholding	OEM of denim ready-to-wear commissioned by Nien Hsing Textile
Nien Hsing International (Bermuda) Ltd.	Subordinate company	Control via shareholding	Investment.
Nien Hsing International (Samoa) Ltd.	Subordinate company	Control via shareholding	Investment.
Phoenix Development & Marketing Co., Ltd.	Subordinate company	Control via shareholding	Investment and trading of denim.
Nien Hsing International (Victoria) Co., Ltd.	Subordinate company	Control via shareholding	OEM of denim fabrics commissioned by Nien Hsing Textile
Nien Hsing Garment (Note)	Subordinate company	Control via shareholding	OEM of denim ready-to-wear commissioned by Nien Hsing Textile
C & Y Garments (Note)	Subordinate company	Control via shareholding	OEM of denim ready-to-wear commissioned by Nien Hsing Textile
Nien Hsing International Lesotho (Proprietary) Limited	Subordinate company	Control via shareholding	OEM of denim ready-to-wear commissioned by Nien Hsing Textile
Global Garments Company (Proprietary) Limited (Note)	Subordinate company	Control via shareholding	OEM of denim ready-to-wear commissioned by Nien Hsing Textile
Formosa Textile Company (Proprietary) Limited	Subordinate company	Control via shareholding	OEM of denim fabrics commissioned by Nien Hsing Textile
Glory International (Pty) Ltd. (Note)	Subordinate company	Control via shareholding	OEM of knitted ready-to-wear commissioned by Nien Hsing Textile
Blue Star Corporation	Subordinate company	Control via shareholding	Investment.

Note: In 2023, the operations of Chih Hsing Garments (Cambodia), Nien Hsing Garments, Glory International (Pty) Ltd., C&Y Garments, and Global Garments Company (Proprietary) Limited were suspended.

- (3) Pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the Company shall disclose the following:
- Information on each affiliate: please refer to Table 1.
 - Information on those presumed to be controlling and controlled companies: not applicable.
 - Information on directors, supervisors, and presidents of affiliates: please refer to Table 2.
 - Operations overview of each affiliate: please refer to Table 3.

Table 1

Nien Hsing Textile Co., Ltd. and subordinate companies
Information on each affiliate
2023

Unit: NT\$ thousands, unless stated otherwise

Company	Date of incorporation	Address	Paid-in capital	Main business or item produced
Nien Hsing Textile Co., Ltd.	October 13, 1986	No.119-3, Neighborhood 8, Dongming Village, Hou Long Town, Miao Li County, Taiwan 356, R.O.C	\$ 2,063,900 thousand	Production and sales of denim and denim garments
Nien Hsing International (B.V.I.) Ltd.	December 11, 1996	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 9,593 thousand	Investment in production
Nien Hsing International Investment Co.	June 27, 2002	12F-2, No. 308, Neihu Rd., Sec. 1, Neihu District, Taipei City, Taiwan (ROC)	205,000 thousand	General investments
Chih Hsing Garment (Cambodia) Co., Ltd	August 8, 2011	ROAD 6 , PHUM KHTOR,SANGKAT PREK LEAP,CHROY CHANGVAR DISTRICT,PHNOM PENH,KINGDOM OF CAMBODIA	USD 4,500 thousand	OEM of denim ready-to-wear
Nien Hsing Garment (Ninh Binh) Co., Ltd.	December 12, 2007	Plot C4, Khanh Phu Industrial zone, Khanh Phu Commune, Yen Khanh district, Ninh Binh province, Vietnam	VND 378,191,070 thousand	OEM of denim ready-to-wear
Nien Hsing International (Bermuda) Ltd. (Note 1)	January 27, 1997	Victoria Place,5 th Floor ,31 Victoria Street Hamilton HM 10, Bermuda	USD 5,111 thousand	Investment in production
Nien Hsing International (Samoa) Ltd. (Note 1)	May 22, 2009	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	USD 35,600 thousand	Investment in production
Phoenix Development & Marketing Co., Ltd. (Note 1)	July 31, 2009	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa.	USD 1,000 thousand	General investment and trading of denim.
Nien Hsing International (Victoria) Co., Ltd. (Note 2)	April 3, 1997	LIBRAMIENTO NACIONES UNIDAS KM 20 PARQUE INDUSTRIAL NUEVO SANTANDER S/N , CIUDAD VICTORIA, TAMAULIPAS, MEXICO CP87137	PESO 69,644 thousand	OEM of denim fabrics
Nien Hsing Garment (Note 2)	August 23, 1999	LIBRAMIENTO NACIONES UNIDAS KM 20 PARQUE INDUSTRIAL NUEVO SANTANDER S/N , CIUDAD VICTORIA, TAMAULIPAS, MEXICO CP87137	PESO 52 thousand	OEM of denim ready-to-wear
C&Y Garments (Note 5)	April 19, 1990	Site No.7D Thetsane Industrial Area Maseru 100. Lesotho	ZAR 100 thousand	OEM of denim ready-to-wear

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Company	Date of incorporation	Address	Paid-in capital	Main business or item produced
Nien Hsing International Lesotho (Proprietary) Limited (Note 3)	March 13, 2000	Site No.009 Thetsane Industrial Area Maseru 100. Lesotho	ZAR 566 thousand	OEM of denim ready-to-wear
Global Garments Company (Proprietary) Limited (Note 5)	October 12, 2000	Site No.12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	ZAR 100 thousand	OEM of denim ready-to-wear
Formosa Textile Company (Proprietary) Limited (Note 3)	October 12, 2000	827 Thetsane Industrial Area, Maseru 100. Lesotho	ZAR 100 thousand	OEM of denim fabrics
Glory International (Pty) Ltd. (Note 4)	August 3, 2017	827 Thetsane Industrial, Ha Thetsane, Maseru, Lesotho	ZAR 100 thousand	OEM of knitted ready-to-wear
Blue Star Corporation (Note 3)	June 29, 2023	16 BEETON STREET FLAT E3 LADYBRAND FREE STATE 9745	ZAR 6,000 thousand	General investments

Note 1: a 100% owned investee of Nien Hsing International (B.V.I.) Ltd.

Note 2: a 99.99% owned investee of Nien Hsing International (Bermuda) Ltd.

Note 3: a 100% owned investee of Nien Hsing International (Samoa) Ltd.

Note 4: a 100% owned investee of Phoenix Development & Marketing Co., Ltd.

Note 5: a 100% owned investee of Nien Hsing International Lesotho (Proprietary) Limited.

Table 2

Nien Hsing Textile Co., Ltd. and subordinate companies
Information on directors, supervisors, and presidents of affiliates:
December 31, 2023

Company	Title	Name or representative	Shareholding	
			Shares	%
Nien Hsing Textile Co., Ltd.	Chairman	Panda Investment Co., Ltd.	28,892,146	13.99
	Chairman	Representative: Wei-Han Chen	0	-
	Director	Shu-Hsuan Tsai	24,150	0.01
	Director	Chu Chen Investment Co., Ltd.	9,253,292	4.48
		Representative: Jen-Chou Chen	127,827	0.06
	Director	Tai-Yuan Chou	0	-
	Director	Jih-Chao Li	0	-
	Director	Rong-Hwa Fang	0	-
	Independent Director	Chu-Feng Yang	0	-
	Independent Director	Wen-Hsiung Chan	0	-
	Independent Director	Chia-Hong Hung	0	-
	President	Shu-Hsuan Tsai	24,150	0.01
	Finance/Accounting Officer	En-Tzu Liu	0	-
	Vice President	Tai-Yuan Chou	0	-
	Associate Vice President	Rong-Hwa Fang	0	-
	Associate Vice President	Shu-Hua Hsu	0	-
Associate Vice President	Jen-Chou Chen	127,827	0.06	

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Company	Title	Name or representative	Shareholding	
			Shares	%
Nien Hsing International (B.V.I.) Ltd.	Chairman	Wei-Han Chen, Representative of Nien Hsing Textile	19,185	100.00
	Director	Shu-Hsuan Tsai, Representative of Nien Hsing Textile	-	-
	Director	Tai-Yuan Chou, Representative of Nien Hsing Textile	-	-
Nien Hsing International Investment Co., Ltd.	Chairman	Wei-Han Chen, Representative of Nien Hsing Textile	20,500,000	100.00
	Director	Shu-Hsuan Tsai, Representative of Nien Hsing Textile	-	-
	Director	Jen-Chou Chen, Representative of Nien Hsing Textile	-	-
	Supervisor	Tai-Yuan Chou, Representative of Nien Hsing Textile	-	-
Nien Hsing Garment (Ninh Binh) Co., Ltd.	Chairman	Wei-Han Chen, Representative of Nien Hsing Textile	-	100.00
	Executive	Ching-Yao Tu	-	-
Chih Hsing Garment (Cambodia) Co., Ltd.	Chairman	Chao-Kuo Chen, Representative of Nien Hsing Textile	4,500	100.00
Nien Hsing International (Bermuda) Ltd.	Chairman	Wei-Han Chen, Representative of Nien Hsing International (B.V.I.) Ltd.	10,222	100.00
	Director	Shu-Hsuan Tsai, Representative of Nien Hsing International (B.V.I.) Ltd.	-	-
	Director	Tai-Yuan Chou, Representative of Nien Hsing International (B.V.I.) Ltd.	-	-
Nien Hsing International (Samoa) Ltd.	Chairman	Wei-Han Chen, Representative of Nien Hsing International (B.V.I.) Ltd.	35,600,000	100.00
	Director	Shu-Hsuan Tsai, Representative of Nien Hsing International (B.V.I.) Ltd.	-	-
	Director	Tai-Yuan Chou, Representative of Nien Hsing International (B.V.I.) Ltd.	-	-
Phoenix Development & Marketing Co., Ltd.	Chairman	Wei-Han Chen, Representative of Nien Hsing International (B.V.I.) Ltd.	1,000,000	100.00
	Director	Shu-Hsuan Tsai, Representative of Nien Hsing International (B.V.I.) Ltd.	-	-
	Director	Tai-Yuan Chou, Representative of Nien Hsing International (B.V.I.) Ltd.	-	-

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Name of enterprise	Title	Name or representative	Shareholding	
			Shares	%
Nien Hsing International (Victoria) Co., Ltd.	Chairman	Ron-Chu Chen, Representative of Nien Hsing International (Bermuda) Ltd.	17,410	99.99
	Executive	Shi-Chao Yang	-	-
Nien Hsing Garment	Chairman	Ron-Chu Chen, Representative of Nien Hsing International (Bermuda) Ltd.	26	99.99
C&Y Garments	Chairman	Chao-Kuo Chen		
	Director	Shu-Hsuan Tsai, Representative of Nien Hsing International Lesotho (Proprietary) Limited	100,000	100.00
Nien Hsing International Lesotho (Proprietary) Limited	Chairman	Wei-Han Chen	-	-
	Director	Shu-Hsuan Tsai, Representative of Nien Hsing International (Samoa) Ltd.	566,000	100.00
	Executive	Chi-Guei Tai	-	-
Global Garments Company (Proprietary) Limited	Chairman	Chao-Kuo Chen		
	Director	Shu-Hsuan Tsai, Representative of Nien Hsing International Lesotho (Proprietary) Limited	100,000	100.00
Formosa Textile Company (Proprietary) Limited	Chairman	Wei-Han Chen	-	-
	Director	Shu-Hsuan Tsai, Representative of Nien Hsing International (Samoa) Ltd.	100,000	100,000
	Executive	Chih-Ron Yuan	-	-
Glory International (Pty) Ltd.	Chairman	Wei-Han Chen	-	-
	Director	Shu-Hsuan Tsai, Representative of Phoenix Development & Marketing Co., Ltd.	100,000	100,000
Blue Star Corporation	Chairman	Rui-Chi Chang, Representative of Nien Hsing International (Samoa) Ltd.	100,000	100,000

Table 3

Nien Hsing Textile Co., Ltd. and subordinate companies
Operations overview of affiliates
2023

Unit: except for earnings (net losses) per share is NT\$, others are NT\$ thousand

Company	Capital	Total assets	Total liabilities	Net worth per share	Operating revenue	Operating (loss) profit	Net profit (loss)	EPS (NT\$)
Nien Hsing Textile Co., Ltd.	\$ 2,063,900	\$ 7,947,352	\$ 1,036,719	\$ 6,910,633	\$ 6,344,308	(\$ 425,865)	(\$ 362,912)	(\$ 1.83)
Nien Hsing International (B.V.I.) Ltd.	425,509	1,754,790	-	1,754,790	-	(122)	20,863	1,087.44
Nien Hsing International Investment Co., Ltd.	205,000	366,572	161	366,411	-	(128)	3,489	0.17
Nien Hsing Garment (Ninh Binh) Co., Ltd. (Note 2)	487,866	333,175	129,349	203,826	699,885	1,136	3,618	(Note 2)
Nien Hsing International (Bermuda) Ltd.	156,933	358,046	1,450	358,596	-	(1,410)	21,308	2,084.53
Nien Hsing International (Samoa) Ltd.	1,093,098	255,476	-	255,476	-	(26)	(51,563)	(1.45)
Phoenix Development & Marketing Co., Ltd.	30,705	1,086,207	32,541	1,053,666	39,113	(11,744)	46,539	46.54
Chih Hsing Garment (Cambodia) Co., Ltd.	138,173	80,292	1,636	78,656	-	-	1	0.29
Nien Hsing International (Victoria) Co., Ltd.	126,585	438,598	69,599	368,999	593,703	19,804	23,507	1,350.19
Nien Hsing Garment	95	1,046	12,034	(10,988)	-	-	(7)	(257.86)
C&Y Garments	165	-	-	-	-	-	-	-
Nien Hsing International Lesotho (Proprietary) Limited	935	306,493	74,315	232,178	471,647	(18,827)	(28,635)	(50.59)
Global Garments Company (Proprietary) Limited	165	-	-	-	-	-	-	-
Formosa Textile Company (Proprietary) Limited	165	280,172	252,142	28,030	955,176	(10,256)	(21,266)	(212.66)
Glory International (Pty) Ltd.	165	92,518	42,613	49,905	-	(500)	(22,463)	(224.63)
Blue Star Corporation	9,912	9,911	54	9,857	-	(55)	(55)	(0.01)

Note 1: the exchange rates of each currency are as follows: US\$1=NT\$30.705, Peso \$1=NT\$1.8176, ZAR\$1=NT\$1.652, VND\$1=NT\$0.00129

Note 2: a limited liability company

(2) Consolidated financial statements of the affiliates: please refer to Page 101

(3) Business report of affiliates: none.

2. Private placement of securities: none.

3. Holding or disposal of the Company's shares by subsidiaries: none.

4. Other Necessary Supplements: none.

Other material matters during the current year up to the date of publication of the annual report: none.

Nien Hsing Textile Co., Ltd.
Chairman: Wei-Han Chen