Common Stock Code: 1467

TEX-RAY INDUSTRIAL CO.,LTD.

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Annual Report 2020

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This annual report is available at following websites:

1. M.O.P.S.: mops.twse.com.tw
2. Website of the Company: www.texray.com

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V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None

VI. Website of the Company: www.texray.com

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Chapter1. Report to Shareholders

Dear shareholders,

Thank you for your long-term support and encouragement to the Company. In 2020, coronavirus disease (COVID-19) raged. As a result, the year 2020 written in black under white background was crossed out in red on the cover of Time (a magazine of the United States). At the bottom of the cover, "THE WORST YEAR EVER" was indicated. However, the Company has grown up against the adversity despite full of thorns. It has not only hit a record high in revenues, but also turned losses it has suffered over the past years into profits and achieved outstanding performances. Without a doubt, the Company made profits in 2020 because of its big success in selling anti-epidemic products in large quantities. The Company clearly knew this success was attributable to the international situation, and selling anti-epidemic products was not a long-term solution. Hence, while profiting from selling the anti-epidemic products, the Company also devoted certain efforts to product R&D and innovation of production technologies. It adjusted its organizational structure in response to the changes in production and trading patterns and gradually segmented markets and customers with a view to going concern.

Dependent upon its previous superior capabilities of resource integration and OEM processing, flexible application of global supply chains in production and marketing, rapid response to risk control and strategic advantages of the Texray Seamless Value Added Chain (TSVAC) in corporate integration, the Company maintained stable and steady operations, having created innovative value creation models with its own characteristics. These years, highlighting functionality, environment-friendliness and innocuity has become a new trend in the global markets of textile products and apparels. The Company has developed patented environment-friendly wet prints in line with its production processes, and offers modern environment-friendly solutions to the most energy-consuming printing and dyeing industry. In terms of products, it has designed a roadmap for RAYS functional textile products. It aims to develop environment-friendly and energy-saving products with lower carbon emissions and technological functions, including ECO-LOR® series produced with dope dyeing technologies, T-Cool and T-Hot series thermo-regulating textile products. The marketing subsidiaries of the Company in New York and Los Angeles of the United States have vigorously promoted the Company's development of functional, environment-friendly and non-toxic advanced products. They have engaged partners to enhance their ODM businesses, effectively segmented markets, and increased value of their products and services.

Maintaining its competitive advantages in metal fiber technologies and markets, the Company expands application of its technologies in different types of products. In 2020, the Company completed its restructuring, and has been earning considerable revenues. On March 12, 2021, it organized its public offering. In addition, the Company has been actively engaged in new product development. With the emergence of electric vehicles and 5G communications, key MLCC and LTCC related additive manufacturing technologies must develop for high-precision printing and wire width micronization. The Monofilament Department cooperates with domestic terminal manufacturers to produce fine steel wires with advanced new-generation additive manufacturing processes.

In the markets of smart textile products, the demands for healthcare and fitness are increasing; on the other hand, the rapid development of information technologies and global internet of things have contributed to growing demands for smart wear. The Company has embarked on sports, fitness and long-term care since a long time ago. It has been taking the lead in technologies and patents. In combination with its advantages in electronics, textile and other related industries, it conducts cooperation across industries to develop products with new functions and promote application and development of textile products in diverse industries.

In 2020, the Company not only joined the national anti-epidemic delegations in response to COVID-19 and developed medical PPE products, but also sold its products abroad and made enormous profits.

In addition to developing new businesses according to new market trends, the Company will also restructure its existing businesses, technologically reduce or suspend production of its subsidiaries which make meager profits or suffer losses to alleviate losses. Having completed the restructuring in 2020, the Company will concentrate on regions or businesses where considerable profits have been made.

In the coming year, the Company will implement specific business policies and set particular goals. Apart from maintaining its profitability in existing businesses, it will continue developing and facilitating subsequent promising business, to create more benefits for all of its shareholders in accordance with pragmatic business concepts.

Best wishes for all of you!

Wish you all good health and fortune.

Chairman Lin Zui Yeh

I. 2020 Annual Business Report

(I) Business Results Based on the Business Plan

(1) The consolidated operating revenue in 2020 was NT$8,598,587,000, an increase of 23.73%, compared with that in 2019.

(2) In 2020, the consolidated net income after tax was NT$164,775,000, and the earnings per share was NT$0.72. Due to an increase in the operating revenue from that in the prior period in 2020, the operating profit increased, leading to an increase in profit for 2020.

(II) Budget Execution

The Company hasn't prepared financial forecasts.

(III) Analysis of Income/Expenditure and Profitability

1. Consolidated Statement of Income and Expenditure

Unit: NTD thousand

Items	2019	2020
Sales Revenue	6,949,284	8,598,587
Operating costs	5,770,797	6,382,107
Gross Profit	1,178,487	2,216,480
Operating Expenses	1,239,345	1,783,919
Operating Profit	(60,858)	432,561
Net Non-operating Income (Expenditure)	21,632	(166,059)
Net Pre-tax Profit	(39,226)	266,502
Net After-tax Profit	(172,458)	164,775
Earnings per Share (NT$)	(0.74)	0.72

2. Profitability Analysis

Items		2019	2020
Return on Assets Ratio (%)		(1.30)	3.21
Return on Equity Ratio (%)		(6.76)	5.58
Ratio to Paid-in Capital (%)	Operating Profit	(2.60)	18.52
	Net Pre-tax Profit	(1.68)	11.41
Net Profit Margin (%)		(2.48)	1.92
Retroactive Adjustment of Earnings per Share (NT$)		(0.74)	0.72

(IV) Research and Development Status

Please refer to Page 91.

II. Outline of 2021 Business Plan

(I) Guidelines for Management

With the fierce competition in the global textile industry, participation of emerging countries in the textile and garment ODM market, as well as the rise of new types of retail customers, the business environment of the textile industry has become increasingly challenging. In particular, the US-China trade war escalated in the fourth quarter of 2019, and the U. S. imposed punitive tariffs as a result. This has disrupted the production and shipment layout of the textile industry. In addition, the outbreak of the COVID-19 in early 2020 brought the global textile industry to a standstill or even paralyzed it in the first half of 2020. Fortunately, with the Company's flexible business strategy and strong textile capacity, it has quickly responded to the market demand for anti-pandemic products to facilitate performance and profit. In the future, the Company will continue to differentiate itself from competitors in the market for customers based on its production and transaction models in terms of product research and development as well as production technology innovation so as to achieve the goal of sustainable operation.

Dependent upon its previous superior capabilities of resource integration and OEM processing, flexible application of global supply chains in production and marketing, rapid response to risk control and strategic advantages of the Texray Seamless Value Added Chain (TSVAC) in corporate integration, the Company maintained stable and steady operations, having created innovative value creation models with its own characteristics. These years, highlighting functionality, environment-friendliness and innocuity has become a new trend in the global markets of textile products and apparels. In recent years, with a new trend focusing on functionality, environmental protection, and non-toxicity in the world's textile and garment market, the Company's marketing companies in New York and Los Angeles have vigorously promoted its functional high-end products and strengthened the ODM business to effectively differentiate its products in the market and improve the products and the service value. The efforts have paid off in the initial stage. Smart textile products are applied in sports, fitness, long-term care and other fields. Maintaining the leading position in technologies, they are being commercialized, which lays a foundation for the Company to become a leader in the field of high-tech textiles. In 2019, the Company cooperated with international famous brands and world-renowned surfers with its professional technologies for dynamic real-time monitoring of the whole body. These technologies are being tested and promoted for use. In terms of specialized motion analysis and recreational applications, the Company will bring different experiences to brands and consumers in the future. It has started to conduct cooperation in the field of extreme sports to develop new products.

Apart from developing new businesses according to new market trends, the Company also restructures its existing businesses, technologically reduces or suspends production of its subsidiaries which make meager profits or suffer losses to alleviate losses. It will concentrate on regions or businesses where considerable profits have been made. In 2020, due to the production of anti-pandemic products, the subsidiary Long An Plant in Vietnam turned to a profit from losses for the first time. As for China, as the fabric business fails to meet the economies of scale required for the production as a fabric factory, the Company has sufferered continuous losses. In 2020, the Company suspended the operation of the fabric factory and renovated it to sub-lease it to a local company in China for business. The Company also signed a lease and collaboration agreement with the company to reserve the production capacity required by the Company's fabric operations to the lessee. This will not only revitalize the idle capacity and generates rental income but also retain the production required for the fabric business due to the priority ODM agreement while significantly alleviating the impact of insufficient operating momentum in the fabric business on the Company.

Most of the adjustments to the Company's investment layout have been completed. In 2020, the global COVID-19 pandemic affected the operating performance of the first and second quarters. However, due to a significant shortage of anti-pandemic products on the market in the second half of the year, many countries made purchases as a strategic inventory. With this wave of shortages, the Company has not only made up for the operating deficit in the first half of the year but also made profits throughout the year due to a large quantity of shipments to customers. Benefiting from the profits created by the pandemic, the Company has sufficient resources to improve its foundation significantly, make adjustment, and improve its overall operating organization. The Company will continue to review the operating performance of manufacturing units in various regions. For units with poor efficiency and inability to create profits, it will adopt a stop-loss strategy and review the global layout in an overall manner to strive for business opportunities when appropriate.

(II) Expected Sales Volume, Its Basis, Important Production and Marketing Policies

(1) Expected sales volume and its basis: In accordance with the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company didn't prepare the financial forecasts for 2021, so no data on expected sales in 2021 is available.

(2) Important production and marketing policies:

1. Fabric business group: The Company will continuously develop functional fabrics, seek excellent fabric factories around the world to strengthen collaboration, develop its core technology, complete a global fabric supply network, enhance the sales ability of the fabric business and ODM design ability, and move towards niche textiles, such as high-end laminated and coated garment fabrics and industrial-grade fabrics.

2. Apparel business group: The Company will tap into its group’s global layout to reduce tariffs and costs, establish a Taiwan-based operating headquarters and a global network of suppliers in various production and sales sites, and develop localized business entities with independent domestic demand in various regions. As for marketing business, it will strengthen the ODM business to effectively differentiate its products in the market and enhance the value of its products and services in addition to the existing OEM business.

Looking into the future, the Company exhibits competitive advantages in its constant innovation and R&D, so it has built R&D and business centers in the Taiwan headquarters. It is devoted to development and design of smart clothing, ODM, and dope-dyed environment-friendly colored fibers, R&D of special functional fabric and environment-friendly laminated fabric as well as application of new technologies. It improves its independent design capability and creates higher profits by commercializing its outcomes. In the future, the Company will produce its products in an energy-saving manner with larger economies of scale, high added value and fewer wastes, to create the highest benefits.

(III) Future Development Strategy, and the Effect of External Competition, the Legal Environment, and the Overall Business Environment

The textile industry in Taiwan has significant impacts upon global economic climate. On one hand, it is subject to the impacts of worldwide price fluctuations of raw materials, rapid salary increase in countries of production bases and factors affecting exchange rate. As Trump took presidency in the United States, he has highlighted protectionism that the United States shall be the first. The successive enactment of laws and regulations unfavorable for regional economy, protectionist "fences" built by countries, laws and regulations restricting free trade have caused constant increase in manufacturing costs. On the other hand, development of the textile industry in Taiwan has slowed down by the economic growth momentum in developed countries. In addition, the main competitors of Taiwan, including Korea, Hong Kong and China, occupy market shares in saturated markets. As a result, the textile industry in Taiwan bears pressure from competitions for price reduction. In face of intensified global trade competitions, the significant factors impacting the textile industry in Taiwan are introduced as follows:

(1) Impacts of External Competitions:

In terms of the textile industry, the main rivals of Taiwan include Mainland China, Korea and Southeast Asian countries which have gradually developed over the past years. At present, the textile industry in Taiwan relies upon the strengths of "functional textile products", segments the market using products with high technical thresholds and occupies the leading position in the world with these products. The Company has been attaching great importance to creative R&D. Never falling behind in "functional textile products", it has primarily been profiting from its own functional products. Looking into the future global textile world, with the development of sciences and technologies, we have entered an era of "smart clothing". With years of experience in "smart finished textile clothes", it has been a leading manufacturer in this field. It has maintained its leading position in R&D, design, production and marketing of related products. Once market demands are stimulated, its products will become popular in the market.

(2) Impacts of Regulatory Environment

As to global trade environment of finished garments, since the quota limits were relieved, all areas and countries have successively sped up signing of free trade agreements (FTA) or given preferences. In that period, regional economy (e.g. TPP and RCEP) has developed well. However, since Trump took presidency in the United States, he firstly had the United States exited from the Trans-Pacific Strategic Economic Partnership Agreement. Afterwards, he released policies giving priority to the United States and further promulgated trade protection policies. Lately, it has formulated Special 301 to crack down upon China's export. All these factors have significantly impacted international trade practices. Lately, rapid increase in wages, growing environmental awareness and successive release of laws and regulations unfavorable for processing trade in Mainland China have caused finished garment manufacturers to successively take actions and look for new production bases. In addition, with continuous heated discussions of issues on environmental protection and green energies, practitioners of the textile industry are striving to explore new-generation environment-friendly and innoxious modes of production and textile products. In spite of increase in operation costs, it is the social responsibility of enterprises to do that. In face of such competitive pressure and changes in laws and regulations, the Company, which runs businesses all over the world, flexibly adjusts its business strategies from time to time, and figures out business strengths of each production zone. It maintains its existing competitive advantages with market fluctuations.

1. In Taiwan, the textile industry hardly benefits from competitive strengths of transnational cooperation due to political marginalization , so Taiwan, as operations center, strengthens creative R&D of "functional textile products" and "smart clothing", rapidly respond to competitive advantages, launch its own brands, pay continuous attention to market demands, enhance understanding of markets, offer feedback on businesses in different areas of the world, and better understand brand demands.

2. In Chinese production regions, RCEP and future development of the Belt and Road have created infinite space of imagination for growth.
3. In production regions of eSwatini, domestic markets have been successfully transformed and annually created substantial benefits for the parent company. In addition, the return of AGOA in 2018 may develop other financial resources for the parent company.
4. In North American production zones, the Company strengthens the connections between American marketing companies and Mexican production centers. In response to the American market which highlights rapid duty-free supply, it collaborates with brands to seize market opportunities more rapidly, and achieve balanced growth for profits through production and marketing. Besides, Mexico strengthens domestic market development and expands business operations.

(3) Impacts of Overall Business Environment:

Owing to trade wars of the United States, enterprises of the textile industry have successively gone out of Mainland China for production near Southeast Asian nations. As a consequence, wages have increased. Like other enterprises of finished garments and the textile industry, the Company has also suffered pressure. Compared with the profitability from reduced export of finished garments, the gross profits of the Company might decline. In face of the challenges under global economic circumstances, the external environmental changes are not controllable by the Company, so the Company is supposed to reinforce its internal business system. This year, the Company will be dedicated to improving production efficiency, bettering plant management, reducing operating costs, actively developing new customers, and diversifying operating risks of new markets.

In 2020, in response to the outbreak of the pandemic, the Company joined the national anti-pandemic team to develop medical-grade PPE products and sell them overseas, which has created huge profits for the Company. However, the Company is not complacent with this, and will continue to develop a variety of different textile products by means of a flexible business strategy to meet customers' needs as the Company's priority.

The Company will still endeavor to: 1. Strengthen the management of the global supply network to meet customers' demand for lower tariffs and rapid supply to reduce their costs. 2. Further develop the regional market and provide more diverse products in local domestic markets to achieve the regional economy in the operational goals. 3. Strengthen R&D and design capabilities and optimize market value and product quality to increase profits. 4. Strengthen the development of eco-friendly and functional textiles with the aim of achieving technological innovation and developing potential brands. 5. Continue to streamline the organizational structure and operating procedures, and counsel poorly managed units to effectively improve efficiency and reduce costs. 6. Expand investment and counsel companies with which the Company has positive relationship to expand their operating scale and create investment benefits

In the coming year, the Company will implement specific business policies and set particular goals. Apart from maintaining its profitability in existing businesses, it will continue developing and facilitating subsequent promising business, to create more benefits for all of its shareholders in accordance with pragmatic business concepts.

Chapter2. Company Profile

I. Establishment Date: August 18, 1978;Unified Company Code: 69559487

II. Company History

(I) Company History

In August 1978,	the Company was established and founded the Yarn Dyeing Division.
In December 1989,	the Company merged with Youyi Industry Co., Ltd., and founded the Fancy Yarn Spinning Business Unit.
In December 1995,	the Company publicly issued its shares.
In January 1996,	the Company set up the Woven Fabric Business Unit.
In November 1998,	the Company set up the Finished Garments Business Unit.
In December 1998,	the Company's stocks were formally listed.
In December 1998,	the Company invested in AMRAY S.A. DE C.V.
In October 1999,	the Company invested in the Mexican weaving plant, the dyeing and finishing plant.
In May 2000,	the Company invested in establishing the second finished garments plant in Mexico.
In June 2000,	the Company invested in the American marketing company TRLA GROUP INC.
In January 2001,	the Company invested in the American marketing company Z-PLY CORPORATION.
In April 2001,	the Company invested in King's Metal Fiber Technologies Co., Ltd.
In June 2001,	the Development Plan for Coordinated Digital Information System for Textile Production and Marketing, drafted by the Company for developing exemplary applications, was approved by the Ministry of Economic Affairs.
In October 2001,	the Company won the First Prize for industrial science and technology development awarded by the Ministry of Economic Affairs.
In November 2002,	King's Metal Fiber Technologies Co., Ltd., an affiliate of the Company, won the Merit Award for national innovations granted by the Ministry of Economic Affairs.
In January 2003,	the Company's products were evaluated by the 11th Taiwan Excellence Awards as Ultra Mercerized Cotton Color Yarn by the International Trade Administration, the Ministry of Economic Affairs.
In May 2003,	the Company cooperated with the Metal Industrial Research & Development Center and successfully developed supercritical carbon dioxide cleaning prototypes. It obtained technologically transferred pressure vessel design, cleaning system design and Raytheon's workpiece oil removal technology.
In November 2003,	the Company achieved outstanding performance among exemplary teams of environmental management system
	by the Industrial Development Bureau, Ministry of Economic Affairs.
In January 2004,	the Tainan dyeing and finishing plant passed environmental

certification by ISO 14001.

In November 2004,	the Company won the 2001 Industrial Sustainability Award granted by the Industrial Development Bureau, Ministry of Economic Affairs.
In March 2005,	the Industrial Development Bureau, Ministry of Economic Affairs granted special subsidy for the Environment-friendly and Streamlined Low-energy Cotton Yarn Development Technology in the traditional development plans for industrial technologies.
In April 2006,	the Company invested in Liming (Vietnam) Co., Ltd.
In September 2006,	the Company won the Award for the Best Industry-University-Research Collaboration in the Technical Plan for Industrial Development Industry from the Ministry of Economic Affairs.
In December 2007,	the Company invested in T.Q.M.
In December 2007,	the Company invested in Mingfang International Co., Ltd. (a eSwatini finished garments plant).
In January 2008,	the Company invested in Tex-ray (Shanghai) Industrial Co ., Ltd.
In January 2009,	the Company invested in founding Tryd Textile Technology (Jiangsu) Co., Ltd.
In December 2009,	the Company invested in founding Jiangsu Tex-ray Yueda Apparel Co., Ltd.
In November 2010,	KASUMI APPARELS SWAZLIAND (PTY),LTD. integrated with KARTAT and merged with TRS.
In November 2010,	the Company divided Gaoxiong 302 Plant and founded Gaoxiong No.302 Plant.
In July 2011,	Tryd Textile Technology (Jiangsu) Co., Ltd. was renamed Tryd Yueda Fiber Technology (Jiangsu) Co., Ltd.
In November 2011,	the Institute for Information Technology approved the Company's special subsidies for encouraging domestic enterprises to set up R&D centers in Taiwan.
In March 2012,	the Industrial Development Bureau, Ministry of Economic Affairs approved the Company's special subsidies for development of hollow lightweight textile products.
In February 2012,	the Company invested in the South African marketing company TEX-RAY SA.
In October 2012,	the eSwatini plant was integrated with the UK textile plant and merged with TQM.
In April 2013,	the Industrial Development Bureau, Ministry of Economic Affairs approved the Company's special subsidies for development of high-elasticity doped elastic products.
In June 2013,	TEXRAY (SA), a South African subsidiary of the Company, acquired 51% equity from KASUMI, planning the SA company as an order receiving center for domestic sales in South Africa, and positioning KS as a special finished garments plant for domestic sales.
In June 2013,	Taiwan Supercritical Technology Co., Ltd. merged with Minxin

	Machinery Industry Co., Ltd.
In June 2013,	the eSwatini plant was integrated with WEH and merged with TQM.
In July 2013,	the Company founded a Vietnam plant of finished garments.
In November 2013,	the Company founded T.R.C.A GARMENT CO., LTD.
In November 2014,	the Mexican production plant was integrated with MRM (a finished garments plant) and TRM (a knitting and dyeing plant)
In November 2014,	TEXRAY (SA), as a South African subsidiary, acquired 49% equity from KASUMI, and KS, a special finished garments plant for domestic sales.
In December 2015,	the Company increased its capital investment in Long An finished garments plants in Vietnam.
In January 2017,	the Company held 100% shares of the Yancheng fiber and garment plants.
In May 2018,	the dyeing and finishing plant TQM was fully held by the South African subsidiary TEXRAY (SA).
In August 2018,	the weaving plant was fully held by the South African subsidiary TEXRAY (SA).
In May 2020,	the production of the yarn dyeing plant in Tainan was suspended.
In March 2012,	the shares of King's Metal Fiber Technologies Co., Ltd were officially publicly listed.

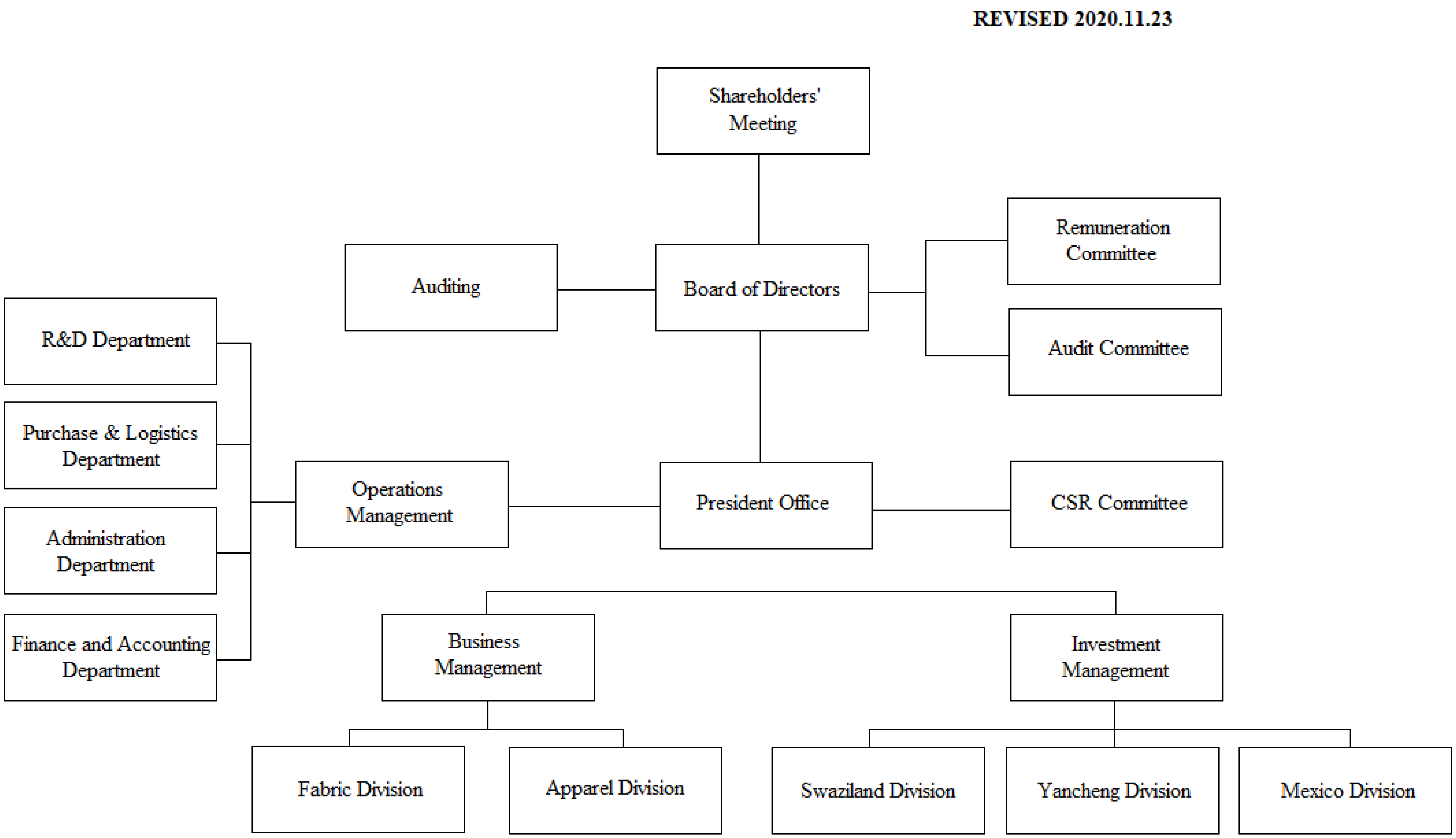
(II) Company Establishment, Merger, Acquisition, Reinvestment and Restructuring in the Most Recent Year and as of the Date of Annual Report: None

(III) Significant Transfer or Replacement and Changes in Management Rights of Directors, Supervisors or Majority Shareholders Holding over 10% Shares, Major Changes in Business Models or Businesses, and Effects of Other Important Maters with Significant Effects on Important Matters Affecting Shareholder Equity and the Company: None.

Chapter 3 Corporate Governance Report

I. Corporate Organization

(I) Organization Chart



(II) Business of Each Major Department

Department	Duties
Auditing Office	1. Implement the form audit work that promotes institutionalized management. 2. Establish, maintain and implement eight circular audit systems for internal control. 3. Audit eight internal control cycles, various management methods and internal relevant operations. 4. Undertake the inspection cases instructed and assigned by the superiors. 5. Tracking assessment and reporting of the Company’s business objectives, plans, and budget implementation performance. 6. Check and evaluate the completeness and correctness of relevant financial processing procedures.
Apparel Business Group	1. Orders for ready-made garments. 2. Coordination of manufacturer’s production operations. 3. Control of finished product quality and delivery.
Fabric Business Group	1. Weaving orders. 2. Coordination of manufacturer’s production operations. 3. Control of finished product quality and delivery.
Finance and Accounting Department	4. Fund coordination and financial planning. 5. Consolidated financial report preparation and accounting management. 6. Global transfer pricing reports and tax planning. 7. Investment management and strategy planning. 8. Stock affairs services and management. 9. Maintenance of investor relations.
Administration Department	1. Human resource management and organizational development 2. Planning, execution and control of general affairs and physical security control 3. Plan, establish, execute and maintain computer information system
Purchase & Logistics Department	1. Review letter of credit. 2. Integrate, compare and treat in a unified manner all export expenses, and the price is based on quantity to reduce export costs. 3. Cooperate with the overseas factory establishment plan and plan the export of machinery and equipment. 4. Raw materials, product export, triangular trade opening and shipping arrangements. 5. Check and request for export expenses. 6. Inquiry/comparative price/negotiation with supplier.
R&D Department	1. Fabric technology development and production. 2. Plan and implement science and technology projects. 3. Implement Tex-Ray’s R&D management system. 4. Plan and implement textile marketing plan. 5. Exhibition planning, DM design. 6. Integrate popular information and provide it to the demanders. 7. Plan and establish the Company’s various copywriting.

II. Information on Directors, Supervisors, President, Deputy Presidents, Assistant Manager, Supervisors of Various Departments and Branches

(I) Information on directors and supervisors

2021.04.26

Position	Nationality/Place of Registration	Name	Gender	Date Elected (Assumed)	Tenure	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Chairman	R.O.C.	Lin Zui Yeh	Male	2018.6.26	3	1997.11.03	6,000,000	2.67%	6,120,000	2.62%	14,280,000	6.11%	-	-	Master of Science in Management (MSM), Baker University, USA	Legal Representative of Reinvestment Business of Tex-Ray Industrial Co., Ltd.	-	-	-	
Director	R.O.C.	Sen-Yao Lin	Male	2018.6.26	3	1979.05.05	1,462,016	1.03%	1,491,256	0.64%	283,592	0.12%	-	-	Graduate from Tainan Normal University Manager of Dexing Enterprise	Legal Representative of Reinvestment Business of Tex-Ray Industrial Co., Ltd.	-	-	-	
Director	R.O.C.	Yao Wan Kuei	Male	2018.6.26	3	1996.05.14	3,755,137	1.58%	3,830,239	1.64%	93,945	0.04%	-	-	Business Economics Class of National Chengchi University Special Assistant to the President of China Man-made Fiber Corporation	Legal Representative of Reinvestment Business of Tex-Ray Industrial Co., Ltd.	-	-	-	
Director	BVI	B.V.I Yue Da Textile Holdings Limited		2018.06.26	3	2014.06.27	42,052,440	20.00%	42,052,440	18.00%	-	-	-	-	-	-	-	-	-	
Representative	China	Wang Lianchun	Male	2018.06.26	2	2016.05.27	-	-	-	-	-	-	-	-	Postgraduate of Party School of C.P.C Jiangsu Committee Director of Yueda Group, Jiangsu	-	-	-	-	
Representative	China	Wang Shengjie (Note)	Male	2018.06.26	2	2016.03.22	-	-	-	-	-	-	-	-	Master of Business Administration, Shanxi University of Finance and Economics Director of Yueda Textile Group	-	-	-	-	
Representative	China	Dai Jun (Note)	Male	2020.09.08	1	2020.09.08	-	-	-	-	-	-	-	-	Chairman of Yueda Textile Group Co., Ltd., Jiangsu	-	-	-	-	
Director	R.O.C.	Wu Ching Feng	Male	2018.6.26	3	2000.06.02	1,970,000	1.22%	2,009,400	0.86%	1,000,000	0.43%	-	-	High school graduate Business Manager of Tex-Ray Industrial Co., Ltd.	-	-	-	-	
Director	R.O.C.	Ho Yu	Male	2018.06.26	3	2000.06.02	51,912	0.00%	80,912	0.03%	-	-	-	-	Graduated in International Business Administration from John F. Kennedy University, California Chairman of Chi Chiang Enterprise Co., Ltd. Chairman of Qijia	-	-	-	-	

Position	Nationality/Place of Registration	Name	Gender	Date Elected (Assumed)	Tenure	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
															Optics					
Director	R.O.C.	Serendipity Co., Ltd.		2019.06.12	2	2019.06.12	23,362,466	9.99%	23,362,466	9.99%	-	-	-	-	-	-	-	-	-	
Representative (Note)	R.O.C.	Yang Chia Yin	Female	2019.06.12	2	2019.06.12	-	-	-	-	-	-	-	-	Chairman, Serendipity Co., Ltd. Director of Suzhou Degao Company	-	-	-	-	
Independent Director	R.O.C.	Lee Mu Jung	Male	2018.06.26	3	2015.06.26	409	0.00%	409	0.00%	24	0.00%	-	-	Chinese CPA Vice President Shiquan Real Estate Development Co., Ltd., Putian	-	-	-	-	
Independent Director	R.O.C.	Chao-Yuan Chang	Male	2018.06.26	3	2016.06.21	0	0.00%	0	0.00%	-	-	-	-	Graduated from Department of Economics, Chinese Culture University President of Roo Hsing Garment Factory	-	-	-	-	
Independent Director	R.O.C.	Tsai Chao Lun	Male	2018.12.04	3	2018.12.04	0	0.00%	0	0.00%	-	-	-	-	Chairman of Formostar Garment Co., Ltd. Director of BES Engineering Corporation	-	-	-	-	

Note: B.V.I Yue Da Textile Holdings Limited re-appointed Mr. Dai Jun to replace Mr. Wang Shengjie as the B-level director on September 8, 2020.

Table 1: Major Shareholders of Institutional Shareholders

April 26, 2021

Name of Institutional Shareholders	Major Shareholders among Institutional Shareholders
B.V.I Yue Da Textile Holdings Limited	Yueda Group (Hong Kong) Limited 100%
Serendipity Co., Ltd.	Suzhou Degao Trading Co., Ltd. 100%

Table 2: Major Shareholders of Institutional Shareholders with Corporations as Their Major Shareholders

April 26, 2021

Name of Legal Persons	Major Shareholders among Legal Persons
Yueda Group (Hong Kong) Limited	Yueda Group Co., Ltd., Jiangsu 100%
Suzhou Degao Trading Co., Ltd. 60%	Yang Chia Yin

(II) Information on qualifications and independence of directors (including independent directors)

Information on directors and supervisors (II)

April 26, 2021

Qualifications / Name	Meeting One of the Following Professional Qualification Requirements, Together with At Least Five Years of Work Experience			Independence Criteria (Note)												Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business	1	2	3	4	5	6	7	8	9	10	11	12	
Lin Zui Yeh			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	
Sen-Yao Lin			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Yao Wan Kuei			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	
Wang Lianchun			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		
Dai Jun			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		
Wu Ching Feng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Yang Jiali			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		
Ho Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Lee Mu Jung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chao-Yuan Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Tsai Chao Lun			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1. Please check "✓" the corresponding boxes if the directors meet the following conditions during the two years prior to the nomination and during the term of office.✓

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, president, or person holding an equivalent position of the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11) Not been a person of any conditions defined in Article 30 of the Company Act.

(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Note 2. B.V.I Yue Da Textile Holdings Limited re-appointed Dai Jun to replace Wang Shengjie as the B-level director on September 8, 2020.

(III) Information on the President, deputy presidents, assistant managers, supervisors of various departments and branches

Position	Nationality	Name	Gender	Date Elected (Assumed)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Chairman & CEO	ROC	Lin Zui Yeh	Male	1997.11.03	6,120,000	2.62	14,280,000	6.11	-	-	Master of Science in Management (MSM), Baker University, USA	Legal representative of reinvestment business	Vice President Vice President Vice President	Feng-Ying Yeh Tsung-Han Lin Tsung-I Lin	Spouse Father and son Father and son	Note
Director & Deputy CEO	ROC	Sen-Yao Lin	Male	1979.05.05	1,491,256	0.64	283,592	0.12	-	-	Graduate from Tainan Normal University Manager of Dexing Enterprise	Legal representative of reinvestment business	-	-	-	
Vice Chairman & Deputy CEO	ROC	Yao Wan Kuei	Male	1996.05.14	3,830,239	1.64	93,945	0.04	-	-	Business Economics Class of National Chengchi University Special Assistant to the President of China Man-made Fiber Corporation	Legal representative of reinvestment business	-	-	-	
President	ROC	Wei-Han Yang	Male	2015.07.08	234,000	0.10%	0	0.00%	-	-	Master of Industrial Economy, Stirling University, UK Master of Business Administration, University of South Australia Director of Clothing Industry Training Authority	Supervisor of reinvestment business	-	-	-	
Vice President	ROC	Feng-Ying Yeh	Female	2001.01.01	14,280,000	6.11%	6,120,000	2.62%	-	-	Graduated from National Keelung Commercial & Industrial Vocational Senior High School	-	Chairman	Lin Zui Yeh	Spouse	
Vice President of Clothing Division	ROC	Chin-Hui Chang	Male	2019.08.12	981	0.00%	-	-	-	-	Private Guangwu Technical College	-	-	-	-	
Vice President of Fabric Division	ROC	Tsung-Han Lin	Male	2012.06.05	4,459,000	1.91%	-	-	-	-	U.S.A. University of New Hampshire	-	Chairman	Lin Zui Yeh	Father and son	

Position	Nationality	Name	Gender	Date Elected (Assumed)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Deputy GM of Operations	ROC	Tsung-I Lin	Male	2018.05.11	4,451,000	1.91%	-	-	-	-	University of New Haven, Connecticut, USA	-	Chairman	Lin Zui Yeh	Father and son	
Yancheng District President	ROC	Hung-Hsu Lin	Male	2005.07.14	315,884	0.14%	75,480	0.03%	-	-	Department of Accounting, Providence University Audit Associate, KPMG	Representative	-	-	-	
Chief Financial Officer Chief Accountant Officer	ROC	Chien-Chung Wu	Male	2018.05.11	0	0.00%	-	-	-	-	Accounting Department, Chung Yuan University Audit Associate, KPMG Senior Manager of Radium Life Tech. Co., Ltd.	Supervisor of reinvestment business	-	-	-	

Note: Where the Chairman of the Board of Directors and the President or the highest level manager are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto. Four members of the Company's Chairman's family have held key positions in the Company. The Chairman passes on practical experience to his sons to take over the management. Four of them are the Company's top ten shareholders. The two managers started at the Company's grassroots level. They have been stationed overseas and have considerable understanding on the Company's overall business operations, and it is reasonable and necessary for them to hold important positions. Currently, there are only three concurrent directors or managers, namely the Chairman, director Sen-Yao Lin and Deputy Chairman Yao. There are no more than half of the concurrent positions. The remaining directors and independent directors all participate in the Company's operations in the professional field.

III. Remuneration Paid During the Most Recent Fiscal Year to Directors (Including Independent Directors), President and Vice Presidents

(I) Compensation to directors (including independent directors)

Unit: NT$ Thousands; December 31, 2020

Position	Name		Remuneration Paid to Directors: Base Compensation (A) (Note 2): The Company	Base Compensation (A) (Note 2): All companies included into the financial statement (Note 7)	Severance Pay and Pension (B): The Company	Severance Pay and Pension (B): All companies included into the financial statement (Note 7)	Remuneration of Directors (C) (Note 3): The Company	Remuneration of Directors (C) (Note 3): All Companies in Financial Statements (Note 7)	For Services (D) (Note 4): The Company	For Services (D) (Note 4): All Companies in Financial Statements (Note 7)	The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 10): The Company	The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 10): All Companies in Financial Statements (Note 7)	Relevant Remuneration Received by Directors who Are Also Employees: Salaries, bonus and special subsidies (E) (Note 5): The Company	Salaries, bonus and special subsidies (E) (Note 5): All Companies in Financial Statements (Note 7)	Severance Pay and Pension (F): The Company	Severance Pay and Pension (F): All companies included into the financial statement (Note 7)	Remuneration of Employee (G) (Note 6): The Company: Cash Amount	Remuneration of Employee (G) (Note 6): The Company: Stock Amount	Remuneration of Employee (G) (Note 6): All Companies in Financial Statements (Note 7): Cash Amount	Remuneration of Employee (G) (Note 6): All Companies in Financial Statements (Note 7): Stock Amount	Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income after Tax (Note 10): The Company	Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income after Tax (Note 10): All companies included into the financial statement (Note 7)	Whether or not to receive remuneration from a non-subsidiary investment business (Note 11)
Chairman	Lin Zui Yeh		1,000	1,000	0	0	647	748	42	42	1.02	1.08	2,442	3,406	0	0	0	0	0	0	2.50	3.15	0
Director	Sen-Yao Lin		700	700	0	0	430	430	42	42	0.71	0.97	1,932	1,932	0	0	0	0	0	0	1.88	1.88	0
Director	Yao Wan Kuei		700	700	0	0	430	430	42	42	0.71	0.97	2,802	2,802	152	152	0	0	0	0	2.50	2.50	0
Director	Wang Lianchun	Representative of B.V.I Yue Da Textile Holdings Limited	0	0	0	0	216	216	37	37	0.15	0.15	0	0	0	0	0	0	0	0	0.15	0.15	0
Director	Dai Jun (Note)		0	0	0	0	216	216	37	37	0.15	0.15	0	0	0	0	0	0	0	0	0.15	0.15	0
Director	Wu Ching Feng		0	0	0	0	216	216	42	42	0.15	0.15	0	0	0	0	0	0	0	0	0.15	0.15	0
Director	Ho Yu		0	0	0	0	216	216	42	42	0.15	0.15	0	0	0	0	0	0	0	0	0.15	0.15	0
Director	Yang Chia Yin, Representative of Serendipity Co., Ltd.		0	0	0	0	216	216	42	42	0.15	0.15	0	0	0	0	0	0	0	0	0.15	0.15	0
Independent Director	Lee Mu Jung		360	360	0	0	216	216	30	30	0.36	0.36	0	0	0	0	0	0	0	0	0.36	0.36	0
Independent Director	Chao-Yuan Chang		360	360	0	0	216	216	42	42	0.37	0.37	0	0	0	0	0	0	0	0	0.37	0.37	0
Independent Director	Tsai Chao Lun		360	360	0	0	216	216	42	42	0.37	0.37	0	0	0	0	0	0	0	0	0.37	0.37	0
Subtotal			3,480	3,480	0	0	3,235	3,336	441	441	4.29	4.18	7,176	8,140	62	62	0	0	0	0	8.73	9.38	0

* Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: None.

Note: B.V.I Yue Da Textile Holdings Limited re-appointed Dai Jun to replace Wang Shengjie as the B-level director on September 8, 2020.

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included into the financial statement (Note 9) H	The Company (Note 8)	All companies included into the financial statement (Note 9) I
Less than NT$1,000,000	Wu Ching Feng, Ho Yu, Wang Lianchun, Dai Jun, Yang Chia Yin, Lee Mu Jung, Chao-Yuan Chang, Tsai Chao Lun	Wu Ching Feng, Ho Yu, Wang Lianchun, Dai Jun, Yang Chia Yin, Lee Mu Jung, Chao-Yuan Chang, Tsai Chao Lun	Wu Ching Feng, Ho Yu, Wang Lianchun, Dai Jun, Yang Chia Yin, Lee Mu Jung, Chao-Yuan Chang, Tsai Chao Lun	Wu Ching Feng, Ho Yu, Wang Lianchun, Dai Jun, Yang Chia Yin, Lee Mu Jung, Chao-Yuan Chang, Tsai Chao Lun
NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive)	Lin Zui Yeh, Sen-Yao Lin, Yao Wan Kuei	Lin Zui Yeh, Sen-Yao Lin, Yao Wan Kuei		
NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive)			Sen-Yao Lin	Sen-Yao Lin
NT$3,500,000 (inclusive)~NT$5,000,000 (exclusive)			Lin Zui Yeh, Yao Wan Kuei	Lin Zui Yeh, Yao Wan Kuei
NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive)				
NT$10,000,000 (inclusive)~NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive)~NT$30,000,000 (exclusive)				
NT$30,000,000 (inclusive)~NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive)~NT$100,000,000 (exclusive)				
Over NT$100,000,000				
Total	11	11	11	11

Note 1. Directors Wang Lianchun and Wang Shengjie are representatives of the B.V.I Yue Da Textile Holdings Limited.

Note 2. Remunerations to the directors in the current year include director's salary, directors' allowances, severance pay, various bonuses, incentive payments, etc.

Note 3. The remuneration to directors approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year.

Note 4. Professional service fees paid to the director (including traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc.). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.

Note 5. It means the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) in the most recent year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. Any salary listed under IFRS 2 Share-Based Payment, including employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.

Note 6. If the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) received employee bonus (including stock dividend and cash dividend) in the most recent year, please disclose the employee bonus approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year, and please also specify the table 1-3.

Note 7. The aggregate of the remuneration to directors in the Company from the companies included into the consolidated financial reports (including the Company) should be disclosed.

Note 8. The aggregate of the remuneration to each director by the Company shall include the director's name disclosed in the relevant space of the following table.

Note 9. The aggregate of the remuneration paid to each of the Company's directors by the companies included into the consolidated financial reports (including the Company) shall include the director's name disclosed in the relevant space of the following table.

Note 10. The earnings after tax refers to the earnings after tax in the most recent year. If IFRSs is adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

Note 11. a. This column shall clearly state the amount of remunerations received by the Company's directors from non-subsidiary reinvestment business.

b. If the directors of the Company receive relevant remuneration from the non-subsidiary reinvestment business, the remuneration received by the Company directors from the non-subsidiary reinvestment business shall be incorporated into I column of the remuneration scale table, and the column shall be renamed "All reinvestment businesses".

c. Remuneration refers to the remuneration, compensation (including the compensation to employees, directors and supervisors) and business execution expenses and other relevant remunerations received by the directors of the Company as directors, supervisors or managerial officers of investees other than subsidiaries.

* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

(II) Remunerations for President and Vice Presidents:

Unit: NT$1,000

Position	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonuses and Special Disbursement (C)(Note 3)		Employee Compensation (D) (Note 4)				The sum of A, B, C and D in proportion to net profit after tax (%) (Note 8)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company (Note 9)
		The Company	All companies included into the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	The Company		All companies included into the financial statement (Note 5)		The Company	All Companies in Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman & CEO	Lin Zui Yeh	12,737	12,737	615	615	7,580	9,534	0	0	0	0	12.70	13.89	0
Director & Deputy CEO	Sen-Yao Lin													
Vice Chairman & Deputy CEO	Yao Wan Kuei													
President	Wei-Han Yang													
Vice President	Feng-Ying Yeh													
Vice President	Chin-Hui Chang													
Vice President	Tsung-Han Lin													
Vice President	Tsung-I Lin													
Yancheng District President	Hung-Hsu Lin													

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All companies included into the financial statement (Note 7) E
Less than NT$1,000,000		
NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive)	Sen-Yao Lin, Feng-Ying Yeh, Chin-Hui Chang, Tsung-Han Lin, Hung-Hsu Lin	Sen-Yao Lin, Feng-Ying Yeh, Chin-Hui Chang, Tsung-Han Lin, Hung-Hsu Lin
NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive)	Lin Zui Yeh, Yao Wan Kuei, Tsung-I Lin	Lin Zui Yeh, Yao Wan Kuei, Tsung-I Lin
NT$3,500,000 (inclusive)~NT$5,000,000 (exclusive)	Wei-Han Yang	Wei-Han Yang
NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive)		
NT$10,000,000 (inclusive)~NT$15,000,000 (exclusive)		
NT$15,000,000 (inclusive)~NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive)~NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive)~NT$100,000,000 (exclusive)		
Over NT$100,000,000		
Total	9	9

Note 1. Remunerations to the managers in the current year include manager's salary, managers' allowances, and severance pay.

Note 2. The figures show payments that include bonuses, incentive payment, traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc.. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. Any salary listed under IFRS 2 Share-Based Payment, including employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.

Note 3. The amount of employee compensation (including stocks and cash) approved by the Board of Directors for the distribution of the President and deputy presidents in the most recent year. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year. Please also specify the attached Table 1-3. Net income refers to that for the most recent fiscal year; if the IFRS are adopted, net income refers to that in the latest parent-only or individual financial statements.

Note 4. Total remuneration paid to the Company's president and vice presidents by all companies (including the Company) listed in the consolidated financial statements shall be disclosed.

Note 5. The name of the president or vice presidents to whom the total remuneration is paid by the Company shall be disclosed in the corresponding remuneration range.

Note 6. The name of the president or vice presidents to whom the total remuneration is paid by all companies (including the Company) listed in the consolidated financial statements shall be disclosed in the corresponding remuneration range.

Note 7. Net income refers to that for the most recent fiscal year; where the IFRS Standards are adopted, net income refers to that in the latest parent-only or individual financial statements.

Note 8. a. This column shall clearly indicate the amount of remuneration received by the President and deputy presidents of the Company from the invested companies other than subsidiaries.

b. If the President and deputy presidents of the Company receive relevant remuneration from the investees beyond subsidiaries, the remuneration received by the Company’s President and deputy presidents from the non-subsidiary reinvestment business shall be shall be incorporated into Column E of the remuneration scale table, and the column shall be renamed “All reinvestment businesses”.

c. The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's presidents and vice presidents who acted as the directors, supervisors or managerial officers of investees other than subsidiaries.

* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

(III) The remuneration of the top 5 remuneration executives of TWSE/TPEx listed companies (individual disclosure of names and remuneration methods) (Note 1)

Unit: NT$ Thousand

Position	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonuses and Special Disbursement (C)(Note 3)		Employee Compensation (D) (Note 4)				The sum of A, B, C and D in proportion to net profit after tax (%) (Note 6)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company (Note 7)
		The Company	All companies included into the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	The Company		All companies included into the financial statement (Note 5)		The Company	All Companies in Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Wei-Han Yang	2,460	2460	108	108	1,000	1,991	-	-	-	-	2.17		-
Deputy CEO	Yao Wan Kuei	1,802	1,802	152	152	1,000	1,000	-	-	-	-	1.79		-
Vice President	Tsung-I Lin	1466	1466	85	85	1,000	1,000					1.55		
CEO & Chairman	Lin Zui Yeh	1,442	1,442	-	-	1,000	1,964	-	-	-	-	1.48		-
Deputy CEO	Sen-Yao Lin	932	932	-	-	1,000	1,000	-	-	-	-	1.17		-

Note 1. The "top five managerial officers with the highest remuneration" refer to the Company's managerial officers; the definition of managerial officers is based on the Ministry of Finance Official Letter No. Zheng-San 0920001301 regarding the scope of managerial officers issued by the former Securities and Futures Commission, Ministry of Finance on March 27, 2003. As for the principle of determining the “top five highest remuneration amounts, it is based on the aggregate amount of the salary, pension, bonus and special fee received by managerial officers of the Company from all companies in the consolidated financial statements, as well as the total amount of employee bonus (that is, A + B + C + D); after sorted by amount, and the top five remuneration amounts are determined. If the director also serves as the above supervisor, this table and the above table (1-1) shall be filled in.

Note 2. Please specify the salary, duty allowance, and severance paid to the top 5 highest remuneration executives in the most recent year.

Note 3. Please specify the amount of various bonuses, rewards, transportation allowances, special allowances, various allowances, and provision of such tangible objects as dormitory and car, as well as other remunerations, received by the top 5 highest remuneration executives in the most recent year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. Any salary listed under IFRS 2 Share-Based Payment, including employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.

Note 4. Please specify the employee bonus (including stocks and cash) to be allocated to the top 5 highest remuneration executives as approved by the Board of Directors prior to the motion for allocation of earnings submitted to the board meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year, and please also specify the Table 1-3.

Note 5. Please disclose the aggregate of the remuneration paid to the Company's top 5 highest remuneration executives by all companies included into the consolidated financial reports (including the Company).

Note 6. The earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

Note 7. a. To specify whether the Company's presidents and vice presidents have received remuneration from investees beyond subsidiaries (If there is none, please fill in "none").

(IV) The name of the managerial officers who are distributed with employee bonuses and the distribution situation

December 31, 2020

	Position (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
Managerial Officer	Chairman & CEO	Lin Zui Yeh	0	0	0	0
	Director & Deputy CEO	Sen-Yao Lin				
	Vice Chairman & Deputy CEO	Yao Wan Kuei				
	President	Wei-Han Yang				
	Vice President	Feng-Ying Yeh				
	Vice President	Chin-Hui Chang				
	Vice President	Tsung-Han Lin				
	Vice President	Tsung-I Lin				
	Yancheng District President	Hung-Hsu Lin				

(V) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company-only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements During the Past Two Fiscal Years to Directors, Supervisors, the President, and Vice Presidents, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Link

Position	2019		2020	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	(4.81)	(5.02)	4.29	4.18
President and deputy presidents	(11.12)	(11.79)	12.70	13.89

In summary, the salary structure of directors and business group managerial officers includes basic salary, meal allowance, post allowance and bonus. Their salaries vary according to their experience, performance, working years and liability of guaranty. The difference in the ratio between the two years was due to losses, and the amount did not differ much.

IV. Implementation of Corporate Governance:

(I) Operations of the Board of Directors

A total of 5 (A) Board meetings were held in the most recent year. The attendance of the directors was as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) [B)/A]	Note
Chairman	Lin Zui Yeh	5	0	100	
Director	Sen-Yao Lin	5	0	100	
Director	Yao Wan Kuei	5	0	100	
Director	Wang Lianchun	5	0	100	Representative of B.V.I Yue Da Textile Holdings Limited
Director	Wang Shengjie	4	0	100	
Director	Dai Jun	1	0	100	
Director	Ho Yu	5	0	100	
Director	Yang Chia Yin	3	0	100	Representative of Serendipity Co., Ltd.
Director	Wu Ching Feng	5	0	100	
Independent Director	Lee Mu Jung	5	0	100	
Independent Director	Chao-Yuan Chang	5	0	100	
Independent Director	Tsai Chao Lun	5	0	100	

Other matters to be recorded:

1. With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:

   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: The independent directors have dissenting opinions or qualified opinions to the proposals.

Date	Term	Major Resolutions	All Independent Directors' Opinions	The Company's handling of independent directors' opinions
2020.03.26	15th Session 11th	Deliberated and approved the proposal for changing financial report CPAs	No objection	None
		Deliberated and approved the proposal for assessing the independence of CPAs	No objection	None
		Deliberated and approved the proposal for bank credit loan	No objection	None
		Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None
		Deliberated and approved the proposal for providing fund loans for affiliated enterprises	No objection	None
		Deliberated and approved the 2018 Statement of Internal Control System	No objection	None
		Deliberated and approved 2019 Business Report and financial statements	No objection	None
		Deliberated and approved the proposal for the appropriation of capital to cover loss for 2019	No objection	None
		Deliberated and approved the operations associated with the drafting of the regular shareholders' meeting proposals	No objection	None
		Deliberated and approved the amendments to the "Rules of Procedure for Shareholders' Meeting" and "Rules for Election of Directors"	No objection	None
		Deliberated and approved the amendments to the "Audit Committee Charter"	No objection	None
		Deliberated and approved the amendments to the "Rules of Procedure for Board of Directors Meetings", "Corporate Social Responsibility Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct"	No objection	None
		Deliberated and approved the date of holding the 2020 regular shareholders' meeting and proposals	No objection	None
		Deliberated and approved the proposal for the compensation to directors and managerial officers in 2019, and the annual award quota.	No objection	None
2020.05.12	15th Session 12th Meeting	1. The Company's consolidated financial statements for the first quarter of 2020	No objection	None
		2. Deliberated and approved the proposal for bank credit loans	No objection	None
		3. Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None

Date	Term	Major Resolutions	All Independent Directors' Opinions	The Company's handling of independent directors' opinions
		4. Deliberated and approved the amendments to the Company's Articles of Incorporation	No objection	None
		5. Deliberated and approved the planning of Taiwan Yarn Dyeing Division	No objection	None
		6. Deliberated and approved the amendments to the Company's "Corporate Governance Best Practice Principles" and "Remuneration Committee Charter"	No objection	None
2020.06.16	15th Session 13th Meeting	1. Deliberated and approved the proposal for bank credit loans	No objection	None
		2. Deliberated and approved the provision of fund loans for affiliated enterprises	No objection	None
		3. Deliberated and approved the proposal for integrating the organization structure of eSwatini production area	No objection	None
		4. Deliberated and approved the proposal of reappointing the Remuneration Committee	No objection	None
		5. Deliberated and approved the proposal for listing Tainan factory as an investment real estate	No objection	None
		6. Deliberated and approved the proposal for changing the Company's business address	No objection	None
2020.08.12	15th Session 14th Meeting	1. Deliberated and approved the proposal for bank credit loans	No objection	None
		2. Deliberated and approved the provision of fund loans for affiliated enterprises	No objection	None
		3. Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None
		4. Deliberated and approved the proposal for changing spokesperson	No objection	None
		5. Deliberated and approved the amendments to the "Rules of Procedure for Board of Directors Meetings", "Measures for the Performance Evaluation of the Board of Directors and (Functional Committees)" and "Audit Committee Charter"	No objection	None
		6. Deliberated and approved the amendments to the "Code of Ethical Conduct"	No objection	None
		7. Deliberated and approved the amendments to/formulation of the "Remuneration Committee Charter" and "Management Guidelines for the Operation of Remuneration Committee"	No objection	None
2020.11.12	15th Session 15th Meeting	1. Deliberated and approved the proposal for bank credit loans	No objection	None
		2. Deliberated and approved the provision of fund loans for affiliated enterprises	No objection	None
		3. Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None
		4. Deliberated and approved the audit plan for	No	None

Date	Term	Major Resolutions	All Independent Directors' Opinions	The Company's handling of independent directors' opinions
		2021	objection	
		5. Deliberated and approved the amendments to the Company's management operation of financial statement preparation process	No objection	None
		6. Deliberated and approved the proposal for formulating the "Rules Governing Financial and Business Matters between the Company and its Affiliated Enterprises"	No objection	None
2021.03.26	15th Session 16th Meeting	Deliberated and approved the proposal for bank credit loan	No objection	None
		Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None
		Deliberated and approved the proposal for providing fund loans for affiliated enterprises	No objection	None
		Deliberated and approved the proposal for assessing the independence of CPAs	No objection	None
		Deliberated and approved the 2019 Statement of Internal Control System	No objection	None
		Deliberated and approved the proposal for distributing remuneration for employees and directors for 2020	No objection	None
2021.03.26	15th Session 16th Meeting	Deliberated and approved the 2020 Business Report and financial statements	No objection	None
		Deliberated and approved the distribution of earnings for 2020	No objection	None
		Deliberated and approved the amendment to the "Procedures for Making of Endorsements/Guarantees"	No objection	None
		Deliberated and approved the re-election of directors at the shareholders' meeting	No objection	None
		Deliberated and approved the proposal of the regular shareholders' meeting and the nomination of director candidates	No objection	None
		Deliberated and approved the proposal for the list of director candidates nominated by the Board of Directors	No objection	None
		Deliberated and approved the proposal for lifting the sixteenth director's non-competition	No objection	None
		Deliberated and approved the date of the 2021 regular shareholders' meeting and the proposals	No objection	None
		Deliberated and approved the remuneration to directors and managerial officers and annual awards quota	No objection	None
		Deliberated and approved the proposal for appointing corporate governance director	No objection	None
2021.05.11	15th Session 17th meeting	Approved the proposal for bank credit loans	No objection	None
		Approved the proposal for provision of funds as loans to affiliates	No objection	None
		Approved the proposal for provision of guarantees	No	None

Date	Term	Major Resolutions	All Independent Directors' Opinions	The Company's handling of independent directors' opinions
		for credit loans granted by banks to affiliates	objection	
		Approved the proposal for change of the chief auditor be submitted for discussion	No objection	None
		Approved the proposal for 2020 earnings allocation	No objection	None
		Approved the proposal for overseas indirect investment	No objection	None

(2) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.

2. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of voting shall be specified. All directors have attended each board meeting in accordance with the Rules of Procedure for Board of Directors Meetings, and the discussions and proposals were relevant to the Company or affiliated enterprises. All directors have no personal conflicts of interests, and have no need to evade various discussions.

3. TWSE/TPEx listed companies shall disclose the evaluation cycles, evaluation periods, scope and method of evaluation, and contents of evaluation for evaluating the performance of the board members (on themselves or peers), and fill in the implementation of evaluation for the Board of Directors. The Company has established and implemented the performance evaluation of the Board of Directors in 2020.

   The Company has formulated the Board of Directors Performance Evaluation Regulations on August 12, 2020, and distributed the Board Performance Self-evaluation Questionnaire, "Board Member Performance Evaluation Self-evaluation Questionnaire" and "Functional Committee Performance Evaluation" at the end of the year, which were completed in the first quarter of 2021. The Company’s 2020 board performance evaluation results were submitted to the Board of Directors on May 11, 2020, and the overall board (functional committee) performance evaluation results showed that operation was up to standard. Refer to page 37 for details.

4. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation. The descriptions are as follows:

   (1) The Company has formulated and implemented the “Rules of Procedure for Board of Directors Meetings” in accordance with the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”.

   (2) The Company has formulated the “Rules for Performance Evaluation of Board of Directors” in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”, and conducts the performance evaluation for the Board of Directors and functional committees on a regular basis.

Frequency	Period	Scope	Method	Content	Rating
Once a year	2020	Board of Directors	Internal self-evaluation	A total of 45 items, including participation in the operation of the Company, the quality of the Board of Directors’ decision making, the composition and structure of the Board of Directors, the election and continuing education of the directors, and internal control	Good

		Individual board members	Self-evaluation by the directors	A total of 23 items, including the alignment of the goals and missions of the Company, the awareness of the duties of a director, the participation in the operation of the Company, the management of internal relationship and communication, the director's professionalism and continuing education, and internal control	Good
		Functional Committees	Internal self-evaluation	A total of 26 items, including the participation in the operation of the Company, the awareness of the duties of the functional committee, the quality of decisions made by the functional committee, the composition of the functional committee and election of its members, and internal control	Good

(3) In order to assist the directors in performing their duties and improve the effectiveness of the Board of Directors, the Company has formulated and implemented the "Standard Operating Procedures for Handling Directors' Requirements" in accordance with the "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers".

(4) During the term of office, the current directors continued to participate in the continuing education courses on corporate governance organized by the institutions designated in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies".

(5) The Company set up its Remuneration Committee and Audit Committee on October 29, 2011 and June 26, 2015, and established relevant organizational procedures to assist the Board of Directors in performing its supervisory duties.

(6) The Company has formulated and implemented the "Ethical Corporate Management Best Practice Principles" and "Corporate Governance Best Practice Principles", in order to strengthen the Company's ethical corporate management and corporate governance effectiveness.

Supervisors' participation in the operation of the Board of Directors: Not applicable, the Company has established an Audit Committee

(II) Operation of the Audit Committee:

Information on the operational status of the Remuneration Committee

The Audit Committee held 5 meetings (A) in the most recent year, and the attendance of independent directors is as follows:

Position	Name	Actual Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note)	Note
Independent Director	Lee Mu Jung	5	-	100.00%	
Independent Director	Chao-Yuan Chang	5	-	100.00%	
Independent Director	Tsai Chao Lun	5	-	100.00%	

Other matters to be recorded:

1. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act: None.

Date	Term	Major Resolutions	Resolution result of the Audit Committee	The Company's handling of the Audit Committee's opinions
2020.03.26	The 2nd Audit Committee The 9th Meeting	Deliberated and approved the proposal for changing financial report CPAs	No objection	None
		Deliberated and approved the proposal for assessing the independence of CPAs	No objection	None
		Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None
		Deliberated and approved the proposal for providing fund loans for affiliated enterprises	No objection	None
		Deliberated and approved the 2020 Statement of Internal Control System	No objection	None
		Deliberated and approved the financial statements	No objection	None
		Deliberated and approved the proposal for the appropriation of capital to cover loss for 2019	No objection	None
		Deliberated and approved the amendments to the "Procedures for Ethical Management and Guidelines for Conduct"	No objection	None
2020.05.12	The 2nd Audit Committee 10th Meeting	Deliberated and approved the consolidated financial statements for the first quarter of 2020	No objection	None
		Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None
		Deliberated and approved the amendments to the Company's Articles of Incorporation	No objection	None
		Deliberated and approved the planning of Taiwan Yarn Dyeing Division	No objection	None
2020.06.16	The 2nd Audit Committee 11th	Deliberated and approved the proposal for providing fund loans for affiliated enterprises	No objection	None
		Deliberated and approved the proposal for integrating the organization structure of eSwatini production area	No objection	None
2020.08.12	The 2nd Audit Committee 12th Meeting	Deliberated and approved the consolidated financial statements for the second quarter of 2020	No objection	None
		Deliberated and approved the proposal for providing fund loans for affiliated enterprises	No objection	None
		Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None

Date	Term	Major Resolutions	Resolution result of the Audit Committee	The Company's handling of the Audit Committee's opinions
2020.11.12	The 2nd Audit Committee 13th Meeting	Deliberated and approved the consolidated financial statements for the third quarter of 2020	No objection	None
		Deliberated and approved the proposal for providing fund loans for affiliated enterprises	No objection	None
		Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None
		Deliberated and approved the proposal for providing fund loans for affiliated enterprises	No objection	None
		Deliberated and approved the audit plan for 2021	No objection	None
2021.03.26	The 2nd Audit Committee 14th Meeting	Deliberated and approved the proposal for providing fund loans for affiliated enterprises	No objection	None
		Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises	No objection	None
		Deliberated and approved the proposal for assessing the independence of CPAs	No objection	None
		Deliberated and approved the 2019 Statement of Internal Control System	No objection	None
		Deliberated and approved the proposal for distributing remunerations to employees and directors for 2020	No objection	None
		Deliberated and approved the financial statements	No objection	None
		Deliberated and approved the distribution of earnings for 2020	No objection	None
		Deliberated and approved the amendments to the “Procedures for Making of Endorsements/Guarantees”	No objection	None
2021.05.11	The 2nd Audit Committee 15th Meeting	Approved the proposal for loans provided to affiliates	No objection	None
		Approved the proposal for provision of guarantees for credit loans granted by banks to affiliates	No objection	None
		Approved the proposal for change of the chief auditor be submitted for discussion	No objection	None
		Approved the proposal for 2020 earnings allocation.	No objection	None
		Approved the proposal for overseas indirect investment.	No objection	None

(2) Except as otherwise disclosed above, any other proposals which failed to obtain the approval of the Audit Committee, but were approved by two-thirds of the directors: None.

2. Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusals, and results of voting shall be specified: The most recent annual audit committee meeting issues did not involve the recusals of directors from voting due to conflicts of interest.

3. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances and operations)

(1) The chief internal auditor communicates with the Audit Committee in regards to the audit report on a regular basis, submits the internal audit report to the audit committee meeting convened in each quarter, and informs the President and senior executives of important discussions and resolutions. The chief internal auditor attended the meetings and reported on the implementation of the audit business and major internal control and internal audit matters, and completes the implementation, reporting and tracking of the instructions of the independent directors. For special cases, the CPAs report to the Audit Committee immediately.

Summary of previous communications between independent directors and chief internal auditor:

Date	Communication Methods	Communication Items	Communication Results
2020.03.26	The 9th Meeting of the 2nd Audit Committee	1. The implementation of the audit business in the fourth quarter of 2019 2. Judge the effectiveness of 2019 internal control system 3. Statement of Internal Control System in 2019	All independent directors present agreed to discuss
2020.05.12	The 10th Meeting of the 2nd Audit Committee	The implementation of audit business in the first quarter of 2020	All independent directors present agreed to discuss
2020.06.16	The 11th Meeting of the 2nd Audit Committee	Deliberated the proposal for integrating the organization structure of eSwatini production area	All independent directors present agreed to discuss
2020.08.12	The 12th Meeting of the 2nd Audit Committee	The implementation of audit business in the second quarter of 2020	All independent directors present agreed to discuss
2020.11.12	The 13th Meeting of the 2nd Audit Committee	The implementation of the audit business in the third quarter of 2020	All independent directors present agreed to discuss
2021.03.26	The 14th Meeting of the 2nd Audit Committee	The implementation of the audit business in the fourth quarter of 2020 2. Judgment on the effectiveness of the internal control system in 2020 3. Statement of Internal Control System in 2020	All independent directors present agreed to discuss
2021.05.11	The 15th Meeting of the 2nd Audit Committee	The implementation of the audit business in the first quarter of 2021	All independent directors present agreed to discuss

(2) The Company’s CPAs reported the results of the quarterly audit or review of the financial statements and other communications required by relevant laws and regulations at the quarterly audit committee meetings. If there are special circumstances, they will report to the Audit Committee. There were no above special circumstances in 2020, and the Company’s Audit Committee has maintained good communication with the CPAs.

Date	Communication Methods	Communication Items	Communication Results
2021.03.26	The 14th Meeting of the 2nd Audit Committee	1. Explain and discuss the audit results of the Company’s 2020 financial report and consolidated financial report. 2. 2020 key audit items- Revenue recognition, assessment of accounts receivable. 3. Group inventory management 5. Important decree update - Corporate Governance 3.0 Sustainable Development Roadmap	All attending independent directors fully understood the communication matters

(III) Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
I. Does the company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		With reference to the framework of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, the Board of Directors has formulated the Company's "Corporate Governance Best Practice Principles" in 2020, and also formulated the "Rules of Procedure for Board of Directors Meetings" and "Rules for the Election of the Board of Directors", so as to ensure that its operation has a comprehensive and independent supervision function. The results of the Board of Directors' discussions are also fully and transparently fed back to the business decision-making level to ensure that the Company's sustainable operation is based on mutual trust and smooth communication. In addition, the Company has strengthened the corporate governance system and structure, and disclosed them on the Company's website and MOPS for compliance.	Same as the description on the left.
II. Shareholding structure & shareholders' rights				
(I) Does the Company establish internal operating procedures or policies to handle shareholder suggestions, doubts disputes and lawsuits and implemented such procedures or policies?	✓		(I) The Corporate Governance Best Practice Principles has stipulated that the spokesperson or deputy spokesperson shall coordinate the handling of shareholders' doubts and other matters.	Same as the description on the left.
(II) Does the Company possess a list of major shareholders and list of ultimate owners of these major shareholders?	✓		(II) Through stock affairs agencies and insiders, regularly report the changes in the shares of directors, supervisors and managerial officers, understand and grasp the structure of major shareholders, and report the changes in accordance	Same as the description on the left.

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
(III) Has the company established and enforced risk control and firewall systems with its affiliate companies?	✓		with the regulations of listed company information reporting operations. (III) The management rights and responsibilities between the Company and the affiliated enterprises are clearly divided. The Company has formulated the “Regulations Governing Transactions with Affiliates” and “Subsidiary Supervision and Management Measures”, and affiliated enterprises all operate independently their financial, business, and accounting. The mutual risk control mechanism and firewall have been properly established, and are subject to the Company’s control and audit.	Same as the description on the left.
(IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		(IV) The Company has formulated the “Code of Ethical Conduct”, “Ethical Corporate Management Best Practice Principles” and “Procedures for Handling Material Inside Information”, whose applicable targets include the Company’s directors, managerial officers, and employees and more. The Company’s insiders are prohibited from using non-disclosed public information on the trading of securities in the market, and relevant information is updated and publicized from time to time.	Same as the description on the left.
III. Composition and responsibilities of the Board of Directors (I) Is the composition of the Board of Directors determined by taking appropriate policy based on diversity and ensure the actual implementation?	✓		(I) The Company has 11 directors (three are independent directors), of which one is female. In accordance with the Company’s “Rules for Election of Directors”, directors with professional	

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
(II) In addition to the Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?	✓		knowledge, skills and experience in finance, business, and legal affairs necessary for the Company's operation are recommended and elected. Refer to #page 46# Succession plan for board members and senior management: The succession plan shall be based on the management team and development, and agrees with the Company's business philosophy and cultural management talents and managerial officers. The succession candidates are composed of managerial officers from various professional fields. They are discussed and decided through the Operating Decision Committee, and the development status of the candidates shall be discussed regularly. Also, the succession ability shall be improved by taking the following methods: A. Senior coach: The senior coach conducts face-to-face interviews with candidates on a regular basis, and uses case and deep structure guidance to cultivate their comprehensive thinking mode B. Management course: Focus on flexibility and responsibility development course planning (II) In addition to the Remuneration Committee, the Company has established an Operating Decision Committee to enhance the Group's core competitiveness, formulated and implemented the Company's development strategies and plans, and	Same as the description on the left.

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
			improved the quality and efficiency of decision-making. In terms of the preventive mechanism, the Audit Office operates as an independent unit under the Board of Directors. The main purpose of the Audit Office is to implement the internal control system through audit operations and to promote internal audit-relevant businesses with an objective and fair standpoint. The Audit Office draws up the next annual audit plan at the end of each year, and implements it after submitting it to the Board of Directors for approval. In addition to routine audit operations, it also performs irregular audits for specific audit items. In addition, each department is required to perform internal control self-evaluation every year, and use questionnaires to learn about compliance with various management regulations, self-evaluation of managerial officers' ethics, and violations of human deficiencies. Since the audit is designed to measure the effectiveness and compliance of current policies and procedures, all audit and self-evaluation results will be reported to the Board of Directors and the President as the main basis for evaluating the effectiveness of the internal control system, operating results and efficiency. If it is a major improvement issue, relevant personnel will be convened to form an inter-departmental task force.	
(III) Does the Company establish standards to measure	✓		(III) The Company has formulated the Rules for	Same as the description on

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
the performance of the Board and implement such annually? Does the Company submit the results of performance assessments to the Board of Directors and use them as reference in determining remuneration for individual Directors, their nomination and additional office term.			Performance Evaluation of Board of Directors and its evaluation methods. Each year, the Board of Directors and the board secretary perform an annual performance appraisal through internal self assessment in five aspects (including the participation in the operation of the Company, the improvement of the quality of the Board of Directors' decision making, the composition and structure of the Board of Directors, the election and continuing education of the directors; and internal control, etc.), so as to improve corporate governance gradually. The self-evaluations of the Company's Board of Directors, functional committees and directors for 2020 will be completed in January 2021 and reported to the Board of Directors on May 11, 2021. The evaluation results will be used as a reference for future remuneration and nomination of individual directors. Refer to #Page48#	the left.
(IV) Does the company regularly evaluate the independence of the CPAs?	✓ ✓		(IV) The Board of Directors regularly reviews the independence of CPAs in accordance with the "CPA Code of Professional Ethics". The independence and competence of the CPAs in 2020 have been assessed by the Board of Directors on March 26, 2021. CPAs have no conflict of interest or kinship relation with the Company, and maintain an impartial and objective attitude when providing professional services. The independence statement issued by the CPAs has been obtained. Independence and	Same as the description on the left.

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
			qualification requirements have been met. Refer to #Page 46#	
IV. Does the company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	✓		The Company has appointed Chien-Chung Wu as the corporate governance supervisor on March 26, 2021, taking charge of corporate governance-related businesses, including providing directors with necessary information for performing their business, handling matters associated with meetings of the Board of Directors, Audit Committee, Remuneration Committee, and shareholders' meeting in accordance with the law, handling the Company's registration and change registration, preparing Board of Directors and shareholders' meeting minutes and other materials, releasing regular and non-scheduled financial business information announcements, formulating or amending internal control and internal audit systems associated with changes in regulations, etc. In order to effectively achieve the CSR goals, the committee has set up three work implementation groups, namely the "Business Governance Group", "Social Participation Group" and "Environmental Sustainability Group". Each group is led by a member of the relevant responsible unit, responsible for reporting and implementation CSR issues. The Company expects to vigorously promote corporate governance-related matters in the second quarter of 2021.	Same as the description on the left.
V. Does the company establish communication channels and a dedicated section on the company website for stakeholders (including but not	✓		The Company has a special area for stakeholders on the Company's website, as well as contact information for spokespersons and various business windows to establish	Same as the description on the left.

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?			communication channels between shareholders and stakeholders and relevant units of the Company. All stakeholders can contact relevant departments and units of the Company at any time if they have needs. In the special area for stakeholders, an e-mail box is set up and handled by a dedicated person to properly respond to related issues including corporate social responsibility that the stakeholders are concerned about. At the same time, it will be announced on the MOPS and the Company’s website to establish a good communication channel with investors.	
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has designated Jih Sun Securities Co., Ltd. to act as a professional stock affairs agency to assist in handling relevant affairs of the shareholders meeting.	Same as the description on the left.
VII. Information disclosure				
(I) Has the Company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status?	✓		(I) The Company has set up a website (http://www.texray.com.tw) to disclose financial business and corporate governance relevant information, and designated a specially-assigned person to maintain the website and update data.	Same as the description on the left.
(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)?	✓		(II) Each department of the Company has designated personnel to collect the Company's information and submit it to the information department for immediate disclosure on the Company's official website, and the Company adopts a spokesperson system for timely announcement while placing the information regarding the investors' conferences on the Company's website for investors' reference.	Same as the description on the left.

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
(III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year? Does it announce and declare the first, second and third quarter financial reports and operating conditions of each month as soon as possible before the prescribed period?	✓		(III) The Group's affiliated enterprises span four continents (Europe, Asia, America, Africa) and its subsidiaries are not able to announce relevant information in advance due to compliance with local laws and regulations. Relevant matters shall be completed as soon as possible after the Group's system is unified in the future.	Same as the description on the left.
(VIII) Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors and Supervisors)?	✓		(VIII) Employee rights and employee care: The Company has set up special processing windows for all types of stakeholders. For example, the Human Resource Department specifically handles the rights and interests of employees, and an Employee Welfare Committee has been established to care for the needs of employees. The operation is currently smooth. Investor relations: The Company has established a communication channel for the spokesperson and deputy spokesperson system to respond to relevant questions from shareholders. Supplier relations: The Company maintains a good relationship with its suppliers. Stakeholders' rights: The Company respects and safeguards the legitimate rights and interests of stakeholders, maintains good communication channels with customers, employees, and suppliers, handles and provides relevant company information and announcements in a timely manner in accordance with the regulations of the competent authority. The continuing education of directors and supervisors:	Same as the description on the left.

Evaluation Item	Operation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
			Each director and supervisor has relevant practical experience and professionalism, and the Company has not established continuing education system. Implementation of risk management policies and risk measurement standards: The Company’s major operational policies, investment proposals, endorsements, capital loans, bank financing and other major proposals have been evaluated and analyzed by the appropriate authorities and implemented in accordance with the resolutions of the Board of Directors. The Audit Office also draws up its annual audit plan based on the results of the risk assessment, and implements it accurately, so as to implement the supervision mechanism and control the implementation of various risks. Implementation of customer policies: The Company has a dedicated customer service department to handle the implementation of customer policies, and the implementation is smooth. The Company’s purchase of liability insurance for directors and supervisors and social responsibility: The Company has purchased liability insurance for directors and managerial officers, and has completed the renewal this year. Relevant information has also been published on the Market Observatory Post System (MOPS) and the Company's official website. Refer to #page47# for relevant negotiation performance	

IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved.

The Company has established a cross-departmental task force to re-examine the corporate governance appraisal project. On March 26, 2021, the Board of Directors appointed Chien-Chung Wu, the chief accountant, as the corporate governance supervisor, responsible for supervising corporate governance-related matters, and providing investors with real-time and transparent information. The Company plans to vigorously promote corporate governance-related operations in the second quarter of this year.

X. Environmental, Social and Corporate Governance Risk Assessment and Management Strategies

The Company has formulated the "Corporate Social Responsibility Best Practice Principles", which is disclosed on the Company's website, and conducts risk assessment based on the principle of materiality, and formulates relevant risk management strategies in accordance with various aspects.

Risk assessment items		Risk management strategy
Environment	Environmental pollution management Energy resource use and management Occupational safety and health	● An "Environmental Sustainability Team" has been established under the CSR Committee to implement management measures such as environmental risk assessment, regulatory trend updates, various environmental management goals and program implementation, and assist factories at home and abroad to implement environmental management. ● The factory has set up a full-time unit for environmental safety and health to regularly review the effectiveness of the implementation, and implement the promise of a sustainable environment through cyclic management.
Society	Talent development and education Salary and Welfare	● Formulate the "Education and Training Management Measures" based on the Company's overall development strategy, and integrate the internal and external resources of the Company to build the capabilities that employees need for future development and promotion. ● Establish and improve multi-faceted labor-management communication channels and management policies. ● Provide good employee benefits.
Corporate Governance	Legal Compliance Supply chain management	● Ensure all the personnel and their operations in line with the relevant laws and regulations by establishing and implementing the internal control and audit systems. ● Sign contracts with suppliers in accordance with the "Supplier Management Policy", ensure that suppliers comply with various laws and regulations and relevant specifications, and conduct management mechanisms for suppliers before cooperation, pre-contract evaluation, and daily evaluation.

XI. Evaluation of Professional Knowledge, Skills and Experience of Members of the Board of Directors

	Gender	1 Operational judgment	2 Business Administration	3 Finance and Accounting	4 Business economics	5 Crisis treatment	6 Industrial Knowledge	7 Global market viewpoint	8 Decision-Making
Lin Zui Yeh	Male	V	V	V	V	V	V	V	V
Sen-Yao Lin	Male	V	V	V	V	V	V	V	V
Yao Wan Kuei	Male	V	V	V	V	V	V	V	V
Wang Lianchun	Male	V	V	V	V	V	V	V	V
Dai Jun	Male	V	V	V	V	V	V	V	V
Wu Ching Feng	Male	V	V	V	V	V	V	V	V
Ho Yu	Male	V	V	V	V	V	V	V	V
Yang Chia Yin	Female	V	V	V	V	V	V	V	V
Lee Mu Jung	Male	V	V	V	V	V	V	V	V
Chao-Yuan Chang	Male	V	V	V	V	V	V	V	V
Tsai Chao Lun	Male	V	V	V	V	V	V	V	V

XII. Evaluation Standards for the Independence of CPAs

Evaluation Item	Rating	Independence of the CPAs
1. Whether the CPAs have direct or significant indirect financial interest with the Company	No	Yes
2. Whether the CPAs have financing or guarantees with the Company or the Company’s directors	No	Yes
3. Whether the CPAs have close business relationships or potential employment with the Company	No	Yes
4. Whether the CPAs and their audit team members currently serve or in the last two years have served as directors, managerial officers or hold or held positions that have a significant impact on audit work in the Company	No	Yes
5. Whether the CPAs provide non-audit services for the Company that may directly affect the audit work	No	Yes
6. Whether the CPAs have intermediary of the stocks or other securities issued by the Company	No	Yes
7. Whether the CPAs act as the defender of the Company or coordinate conflicts with other third parties on behalf of the Company	No	Yes
8. Whether the CPAs have a kinship relation with the Company’s directors or managerial officers or a person who has a significant influence on the audit case	No	Yes

XIII. Stakeholder Engagement Performance

Stakeholder	Importance[1]	Meaning for the Company	Routine Communication Channels Responsible Unit	Communication Channel / Frequency[2]	Concerned about issues
Customers	Key	Downstream business partners, a key driving force for the growth of Tex-Ray	Business units	Regular meetings/2-3 times a year Customer visits/multiple times a year Customer's evaluation of factories/multiple times a year	Product quality and service, business performance, workplace safety and health
Employee	Key	The core personnel for stable daily operations, the main driver of sustainable operations	Administrative unit	EIP anonymous appeal platform/irregular Performance interview/2 times a year Year-end employee symposium/once a year Various working meetings/irregular Education and training/multiple times a year	Talent cultivation and development, salary and benefits, workplace safety and health, economic performance
Supplier / Contractor	Key	A key partner for supplying operations and product integrity	Purchase unit Quality assurance unit	Supplier visits/multiple times a year Supplier business communication/multiple times a year Supplier evaluation/Once a year	Business performance, business strategy and sustainable development, supply chain management
Shareholders/ Investors	Importance	Operational performance, co-creating the key core objects of profit maximization	Financial unit	Shareholders' meeting /once a year Board of Directors meeting/at least once a quarter Corporate website & spokesperson/irregular	Business performance, business strategy and sustainable development, compliance with laws and regulations
Government/ competent authority	Importance	Relevant regulatory units of the government and public departments, decision-making impacts the industry and the future development of Tex-Ray	Administrative unit Financial unit	Government seminars, public hearings/irregular	Legal Compliance
Industry/trade association	Importance	Textile-relevant industry associations or organizations, technology and various resource sharing platforms	R&D unit	Annual exhibition/multiple times a year Industry, economics and trade, technology, trend seminars/more than 1 to 2 sessions per season Industrial inspections at home and abroad/more than 2 times a year	R&D and Innovation
Consumers	Necessity	Product end consumers, the demand impacts the growth direction of the Company	Business units R&D unit	Customer or market analysis/monthly	Product safety, product quality and service
Public welfare organization	Necessity	External non-profit/non-governmental organizations that pay attention to social performance and evaluate the key role of corporate reputation	Administrative unit Quality assurance unit	Lectures and exchange meetings/irregular Seminar: occasionally	Environmental pollution management, toxic substance management, workplace safety and health

1. The degree of importance is based on the "Dependency", "Responsibility", "Influence" and "Diverse Perspectives" and "Tension" in the AA1000 Stakeholder Engagement Standard, and decided after discussion by senior executives and approval by the Chairman.
2. In 2020, in response to COVID-19 epidemic, customer and supplier meetings, visits and evaluations were mainly conducted through online video conferences.

Tex-ray Industrial Co., Ltd.
2020
Performance evaluation of the Board of Directors and functional committees

To implement corporate governance and enhance the functions of the Company's Board of Directors, the Company has formulated the Board of Directors Performance Evaluation Regulations as approved by the Board of Directors as per the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the Board of Directors performance evaluation shall be conducted annually.

I. Evaluation cycle and period

The Company shall conduct the performance evaluation of the Board of Directors in accordance with the evaluation procedures and evaluation indicators as in said regulations every year, and complete it by the end of the first quarter of the following year.

II. Evaluation items and aspects

1. The Board of Directors: Degree of participation in the Company's operations, improvement of the board's decision-making quality, composition and structure of the board, election of directors and continuing education, and internal control.
2. Directors: Keeping abreast of Company's goals and missions, understanding of directors' responsibilities, participation in the Company's operations, internal relationship management and communication, directors' professional and continuing education, and internal control.
3. 3. Functional committees: Charter, composition of members, committee powers and responsibilities and convening of meetings, and degree of participation in the committees.

III. Evaluation results

Party evaluated	Overall evaluation results
Board of Directors	4.3
Individual directors	4.3
Audit Committee	3.8
Remuneration Committee	3.8

Evaluation options: Very agree (5 points); agree (4 points); neutral (3 points); disagree (2 points); strongly disagree (1 point)

(IV) Information on Remuneration Committee:

(1) Information on the Members of the Remuneration Committee

Title (Note 1)	Qualifications / Name	Meeting One of the Following Professional Qualification Requirements, Together with At Least Five Years of Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Note
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lee Mu Jung		V	V	V		V	V	V	V	V	V	V	V		
Independent Director	Chao-Yuan Chang			V	V		V	V	V	V	V	V	V	V		
Independent Director	Tsai Chao Lun			V	V		V	V	V	V	V	V	V	V		

Note 1. For the title, please fill in director, independent director, or others.

Note 2. Please check "✓" the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or

more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(6) Not a director, supervisor or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(7) Not a director, supervisor, or employee of another company or institution who, or whose spouse, is a chairman, president, or person holding an equivalent position of the Company (except for an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not under any of the categories stated in Article 30 of the Company Act.

(2) Operations of the Remuneration Committee

I. There are three members in the Remuneration Committee of the Company.

II. The term of office of the current members: From August 13, 2018 to June 25, 2021. A total of 2 (A) Remuneration Committee meetings were held in the most recent year, and the qualifications and attendance of the members are as follows:

Position	Name	Actual Attendance in Person (B)	Attendance by Proxy	Attendance rate (%) (B/A) (Note)	Note
Convener	Lee Mu Jung	2	-	100	
Committee Member	Tsai Chao Lun	2	-	100	Newly-appointed on January 16, 2020
Committee Member	Chao-Yuan Chang	2	-	100	Elected (independent director) on March 25, 2019
Other matters to be recorded: I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified). None II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion. None					

Note: (1) If a member of Remuneration Committee resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of Remuneration Committee meetings held during his or her tenure and number of such meetings attended.

(2) Where an election may be held for filling the vacancies of committee member before the end of the fiscal year, please list out both the new and the discharged committee members, and specify if they are former members or newly elected, re-elected, and the date of the reelection. His or her attendance rate (%) will be calculated on the basis of number of Remuneration Committee meetings held during his or her tenure and number of such meetings attended.

III. During 2020, the agenda and resolutions of the Company's Remuneration Committee are as follows:

Date/Time	Major Resolutions
The 1st Meeting in 2020 September 11, 2020 (Friday)	1. The resolution on remuneration to managerial officers in 2019. 2. The method of distributing the notice of the remuneration meeting and the minutes of proceedings has been changed to electronic form.
	The Chairman consulted all the members present, and they voted in favor of the resolution without objection.
The 2nd time in 2020 December 30, 2020 (Wednesday)	1. The remuneration to managerial officers in 2020 2. If major adjustments are made to the positions and remuneration of the Company's managerial officers, and a temporary salary committee meeting can be convened
	The Chairman consulted all the members present, and they voted in favor of the resolution without objection.

(V) Corporate Social Responsibility:

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
I. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 3)	V		The Company has performed risk assessments on environmental, social and corporate governance issues associated with its operations on the principle of materiality, and formulated relevant risk management strategies in accordance with various aspects. For risk assessment and management strategies, please refer to #page 45# (Attached Table) of this Annual Report and the CSR section of Tex-Ray's official website.	Same as the description on the left.
II. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		In accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", the Company has established a "Tex-Ray CSR Committee" to promote and implement corporate social responsibility. The chairman of the CSR Committee represents the CSR Committee and reports to CSR relevant policies, planning and implementation results to the Board of Directors. The Group's President serves as the chairman of the CSR Committee, the director general is elected from among the members, the heads of various business divisions/units serve as members, and the chairman of the Welfare Committee serves as an ex officio member. Please refer to the CSR Zone of Tex-Ray's official website for "Tex-Ray CSR Committee".	Same as the description on the left.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
III. Environmental issues (I) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(I) The Company has established an "Environmental Sustainability Team" under the CSR Committee, responsible for implementing environmental risk assessment, regulatory trend updates, various environmental management goals and program implementation, and other management practices, and assisting factories at home and abroad to implement environmental management. In addition, the factory holds a management review meeting every year to regularly review the effectiveness of the implementation, and implement the promise of a sustainable environment through cyclic management.	Same as the description on the left.
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(II) The Company is committed to promoting environmental sustainability: 1. With the Long An Garment Factory in Vietnam as a demonstration base, the Company has introduced Higg Index to continuously improve and enhance the efficiency of energy resource utilization by implementing the recycling management system of planning, execution, inspection and improvement. 2. The Company stays committed to creating high-value products and services with innovative thinking. At present, we have developed a number of functional textiles with	Same as the description on the left.
				Same as the description on the left.
				Same as the description on the left.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
			environmentally friendly connotations and high added value, such as ECO-lor eco-friendly colored yarn and ECO-RECYCLE bottle recycled yarn. 3. The factory implements the recycling and utilization in the production process, and the relevant units are responsible for recycling and sorting to reduce resource consumption and waste generation. 4. Promote energy-saving programs in an all-round manner. The main improvement methods are to purchase and replace energy-consuming equipment or install power-saving devices to reduce the power consumption generated by production activities.	
(III) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		(III) There are currently no relevant assessments and countermeasures.	
(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management ?	V		(IV) The Company's factories have formulated the "Environmental and Energy Management Communication Procedures". Environmental relevant policies, recent three-year data, and energy-saving reduction results are disclosed in the annual corporate social responsibility report.	
IV. Social issues (I) Does the company formulate appropriate	V		(I) The Company has established management	Same as the description on the left.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
management policies and procedures according to relevant regulations and the International Bill of Human Rights?			measures in accordance with the "Labor Standards Law", the "Gender Equality in Employment Act" and the corresponding law production areas, complies with the International Labor Conventions, relevant local laws and headquarters management systems, and has set up a labor union to sign agreements in an effort to safeguard the rights and interests of local employees.	Same as the description on the left.
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V		(II) The Company has established relevant personnel management measures, covering working hours, vacations, etc., which are in compliance with the relevant provisions of the "Labor Standards Law". Establish an Employee Welfare Committee to handle various welfare matters; the Company's remuneration policy reflects position contribution, personal ability, business performance, which is positively correlated with operating performance.	Same as the description on the left.
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(III) In order to maintain the health and safety of employees' working environment, the Company has established an Occupational Safety and Health Management Committee, which is composed of both employer and employees, with supervisors above the managerial level serving as the chairperson, and the managerial level or above is a normal setting, so as to ensure the efficiency	

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
			of decision-making and handling of safety and health issues, environmental safety independent management mechanism. The Company also takes the following measures: (1) Headquarters: 1.1 Discuss and review issues concerning the maintenance of employees' working environment from time to time. 1.2 Inspect regularly the buildings in accordance with fire protection regulations. 1.3 Maintain the building elevators and car elevators monthly. 1.4 The buildings are cleaned daily by specially-assigned person. 1.5 Regularly disinfect the buildings. 1.6 Implement access control, hourly disinfection of floors, elevators, and door handles in response to statutory infectious diseases. (2) The factory has an environmental safety and health management unit that regularly inspects the implementation level of various health and safety protections on the production line every week. If any missing items occur, environmental safety and health management unit will immediately notify the responsible unit to make immediate improvements, and tracks these improvements, in an effort to ensure that employees' working environment	Same as the description on the left. Same as the description on the left.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
			complies with regulations. (3) Taipei Headquarters regularly organizes employee health check-ups every year to let employees know their personal health status. (4) Health check-ups and lectures: Employee health is the Company's greatest asset. Tex-Ray cooperates with regional hospitals to provide health check-ups and physician consulting services for employees once a year, continues to hold relevant health promotion activities and lectures, and invites professional nurses or coaches to deliver speeches in the Company.	
(IV) Does the company provide its employees with career development and training sessions?	V		(IV) Through the job rotation mechanism, the Company cultivates employees' professional abilities, encourages employees to continue to study, and strengthens professional English skills, projects, general education, management and other fields, so as to effectively enhance their competitiveness in the workplace. In order to enhance the knowledge, attitudes and skills required by employees to cope with the transformation of the enterprise and industry, and to drive the Company's innovation and growth, we have formulated the "Education and Training Management Measures", which is based on the Company's overall development strategy	

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
			and refers to the employee career development in the job descriptions and special task needs, etc. We plan the employee's learning blueprint curriculum, integrate the Company's internal and external resources, and construct the abilities that employees need for future development and promotion. The on-the-job staff training courses are divided into management, common knowledge and professional courses. Various courses are mainly offered through on-the-job training, corporate internal training, and the use of external training agency resources (such as the Taiwan Textile Research Institute and other cooperative units).	
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' rights and consumer appeal procedures?	V		(V) In order to maintain a high level of production quality, the Company has established "Quality Management Procedures", which specifies the sampling inspection of raw materials, the operation of production machines, the calibration of quality inspection equipment, and the verification of finished and semi-finished products, etc. Also, the Company establishes standard operating procedures, performs internal audits to ensure the effectiveness of the quality inspection mechanism, and responds to customer	

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
			expectations for Tex-Ray with the best quality. At the same time, in view of the environment and product safety, the Company strictly abides by various laws and regulations, international standards and customer requirements, so as to ensure satisfactory manufacturing process and product connection.	
(VI) Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised its implementation?	V		(VI) The Company has established supplier management policies. The contracts are signed based on whether the suppliers meet local regulations, quality and delivery time. Also, the Company has formulated supplier specifications, requiring suppliers to commit themselves to complying with relevant regulations concerning environmental protection, occupational safety and health, and labor rights. We practice the management mechanism of pre-cooperation visits, pre-contract evaluation and daily evaluation of suppliers. In case any non-compliance incident is found, the supplier fails to make improvements within the time limit, and the communication between the two parties is invalid, the supplier will be removed from the list of qualified manufacturers. Although the supplier contract does not clearly stipulate the clauses, such as environmental	

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
			protection, occupational safety and health, and labor rights, the Company will communicate before collaboration in such a spirit to comply with its commitment to relevant social responsibility policies.	
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	V		The Company's CSR reports are drafted based on the "Core Options" of the "GRI Sustainability Reporting Standards" (GRI Standards) published by the Global Reporting Initiative (GRI) in 2016. At this stage, no third-party verification unit is convinced that all the contents are released after approval by the Tex-Ray's CSR Committee and Chairman to ensure accuracy and satisfaction of stakeholders' expectations before release.	Same as the description on the left.
VI. If the company has established corporate social responsibility best-practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies," describe the implementation and any deviations from such principles:	V		The Company has formulated the "Corporate Social Responsibility Best Practice Principles" with reference to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and operates in accordance with these Principles.	Same as the description on the left.
VII. Other important information to facilitate a better understanding of corporate social responsibility practices:	V		The Company voluntarily published the first CSR report starting from 2018, and published CSR reports regularly in each year. CSR reports can be downloaded from Tex-Ray's official website - CSR Zone.	Same as the description on the left.

(6) The Company's implementation of ethical corporate management and the measures adopted:

Implementation of ethical corporate management

Evaluation Item	Operation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
I. Establishment of ethical corporate management policies and programs				
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	V		(I) The Company has formulated the "Ethical Corporate Management Best Practice Principles", which has been approved by the Board of Directors and disclosed on the Company's website and MOPS. Also, the Company actively implements the ethical corporate management policies, which are also in line with the basic principles of the Company's operation. Both the Board of Directors and senior management emphasize the importance of ethical corporate management and set themselves an example to others. The Company's vision is to become a sustainable and innovative happy enterprise. Integrity is the cornerstone of sustainability. In terms of education and trainings, we deepen the vision and oath taking for new recruits and employees, hold annual consensus camp and the cultural activities of Tex-Ray people, arrange the vision and sustainable management value in these activities, and continue to update and swear.	Same as the description on the left.
(II) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher	V		(II) A plan to prevent dishonest behavior and its behavior guidelines has been formulated, and the punishment system has been clearly defined in the rewards and punishment measures, and the punishment of	Same as the description on the left.

Evaluation Item	Operation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? (III) Has the Company provided any solutions to prevent the unethical conducts, stipulate the definite procedures, conduct guidelines, punishment for violation as well as appeals system and put into practice, and review and revise on a regular basis the aforesaid solutions?	V		violators has been clearly stated. (III) The Company strictly prohibits bribery and receipt of bribes on the principle of good faith management, and explicitly prohibits illegal political contributions.	Same as the description on the left.
II. Fulfillment of ethical corporate management (I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I) The Company has formulated the “Ethical Corporate Management Best Practice Principles”, which has been approved by the Board of Directors and disclosed on the Company’s website and MOPS. Also, the Company actively implements the ethical corporate management policies, which are also in line with the basic principles of the Company’s operation.	Same as the description on the left.
(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs	V		(II) The Company has designated the management department as the dedicated unit (hereinafter referred to as the dedicated unit) under the Board of Directors, and the dedicated unit is allocated with sufficient resources and staffed with qualified personnel to be responsible for the amendment to,	Same as the description on the left.

Evaluation Item		Operation Status (Note)				Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
		Yes	No	Summary Description		
	against unethical conduct?				implementation, interpretation, consulting services, filing, registration, and archiving in respect of the operating procedures and the codes of conduct, and supervision of the implementation. Meanwhile, the unit has included "ethical corporate management and code of conduct" in the training and consensus camp for new employees, and the implementation status is reported to the Board of Directors before the end of each year.	
(III)	Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	V		(III)	The Company adheres to the principle of good faith management, prohibits bribery and acceptance of bribes, and explicitly prohibits illegal political contributions.	Same as the description on the left.
(IV)	Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V		(IV)	The Company has established a sound accounting system and internal control system, and formulated an audit plan to perform the audit according to the level of risk through the internal control self-assessment process.	Same as the description on the left.
(V)	Does the company regularly hold internal and external educational trainings on operational integrity?	V		(V)	The Company’s employees continue to participate in relevant education and trainings.	Same as the description on the left.
III.	Operation of the whistle-blowing system					
(I)	Does the Company establish both a	V		(I)	The Company has established a smooth risk control	Same as the description

Evaluation Item	Operation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?			notification mechanism. In case of any potential or actual violation of the Code of Ethical Conduct, the internal reporting mechanism can be adopted, and the managerial officers of each department can notify the audit room for inspection. Also, the Audit Office can perform external inspections through the dedicated line for investors or interested parties, and the cross-departmental information integration system. If it is found that there is a violation, it will be dealt with in accordance with the law or the relevant internal regulations of the Company, and the relevant information of the person who violates the Code of Ethical Conduct will be disclosed at the MOPS to ensure the transparency and openness of the information. Internal whistleblowing channel http://trcom.texray.com/UOF/Discussion/Suggestions & feedback to the Group External whistleblowing channels E-mail: informer@texray.com Whistleblowing telephone number: +8862-25215155 ext.6590 In addition to work rules stipulating rewards and punishments, the Company has formulated rules concerning the implementation of the rewards and punishments, so as to prevent, and deal with violations of laws and regulations, infringement of the Company's interests or frauds.	on the left.

Evaluation Item	Operation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	V		(II) In terms of the preventive mechanism, the Audit Office operates as an independent unit under the Board of Directors. The main purpose of the Audit Office is to implement the internal control system through audit operations and to promote internal audit-relevant businesses with an objective and fair standpoint. The Audit Office draws up the next annual audit plan at the end of each year, and implements it after submitting it to the Board of Directors for approval. In addition to routine audit operations, it also performs irregular audits for specific audit items. In addition, each department is required to perform internal control self-evaluation every year, and use questionnaires to learn about compliance with various management regulations, self-evaluation of managerial officers' ethics, and violations of human deficiencies. Since the audit is designed to measure the effectiveness and compliance of current policies and procedures, all audit and self-evaluation results will be reported to the Board of Directors and the President as the main basis for evaluating the effectiveness of the internal control system, operating results and efficiency. If it is a major improvement issue, relevant personnel will be convened to form an inter-departmental task force.	Same as the description on the left.
(III) Does the Company provide proper whistleblower protection?	V		(III) In 2020, the Company did not have any instances of corruption or fraud that violated ethical corporate	Same as the description on the left.

Evaluation Item	Operation Status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
			management. In order to completely eliminate any incidents that will damage the sustainable operation of the Company, Tex-Ray implements education and training for all new and management personnel, explaining the Code of Ethical Conduct and anti-corruption procedures. In the future, the Company will also carefully evaluate and increase the number of legal personnel, which not only strengthens the existing reporting channels, but also can be used as an effective resource for preventing illegalities such as legal consultation, advocacy of laws and regulations, and prevention of corruption.	
IV. Enhanced disclosure of ethical corporate management information Does the company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS?	V		Relevant information has also been published on the Market Observatory Post System (MOPS) and the Company's official website.	Same as the description on the left.
V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has established the “Ethical Corporate Management Best Practice Principles”, and its daily operations are in compliance with these Principles.				
VI. Other important information that helps to understand the Company’s ethical corporate management operations: The Company has amended the “Ethical Corporate Management Best Practice Principles” at the board meeting dated of August 12, 2019 and the “Procedures for Ethical Management and Guidelines for Conduct” at the board meeting dated of March 26, 2020, and implemented them in accordance with the relevant operating procedures.				

(7) Please disclose access to the Company's Corporate Governance Best Practice Principles and related rules and regulations, if

any:

Under the “Corporate Governance Best Practice Principles for TWSE/TPEx TWSE/TPEx Listed Companies”, the Company successively set up the “Rules of Procedure for Meetings of the Board of Directors”, “Rules and Procedures of Shareholders’ Meetings”, “Remuneration Committee Charter”, “Procedure for Prevention of Insider Trading”, “Procedure for Online Information Disclosure”, “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Code of Ethical Conduct and Corporate Social Responsibility Best Practice Principles”. For details, please visit the Company’s website http://www.texray.com/

(8) Other information enabling better understanding of the Company’s corporate governance:

Succession plan for board members and senior management:

The succession plan shall be based on the management team and development, and agrees with the Company’s business philosophy and cultural management talents and managerial officers. The succession candidates are composed of managerial officers from various professional fields. They are discussed and decided through the Operating Decision Committee, and the development status of the candidates shall be discussed regularly. Also, the succession ability shall be improved by taking the following methods:

A. Senior coach: The senior coach conducts face-to-face interviews with candidates on a regular basis, and uses case and deep structure guidance to cultivate their comprehensive thinking mode

B. Management course: Focus on flexibility and responsibility development course planning

(9) Implementation of internal control system

1. Statement on Internal Control System

Statement on Internal Control System

Date: March 26, 2021

Based on the self-assessment findings, the Company states the following with regard to its internal control system during the year 2019.

I. I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1)control environment, (2)risk assessment, (3)control activities, (4)information and communication, and (5)monitoring activities. Each key component includes several items. Please refer to the Regulations for the aforementioned items.

IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.

V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.

VI. This statement is an integral part 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.

VII. This statement was approved by the Board of Directors on March 26, 2021, and none of the nine Directors in attendance objected to it and all consented to the content expressed in this statement.

Tex-Ray Industrial Co., Ltd.

Chairman of the Board: Lin Zui Yeh (Signature& Seal)

President: Wei-Han Yang (Signature & Seal)

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(10) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system policy, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report:NONE

(11) Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report:

(I) Major Resolutions of Shareholders' Meeting and Implementation Status:

Date	Major resolutions	Implementation Status
June 16, 2020 Regular shareholders' meeting	1. Ratified the 2019 final statement	Resolution passed
	2. Ratified the allocation of 2019 loss allowances	Resolution passed
	3. Deliberated and approved the Company's Articles of Incorporation	Resolution passed
	4. Deliberated and approved the amendments to the "Rules of Procedure for Shareholders' Meeting"	Resolution passed
	5. Deliberated and approved the amendments to the "Rules for Election of Directors"	Resolution passed

(II) Major Resolutions of the Board of Directors:

Date	Important resolutions and implementation
2020.03.26	Deliberated and approved the proposal for changing financial report CPAs Deliberated and approved the proposal for assessing the independence of CPAs Deliberated and approved the proposal for bank credit loan Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises Deliberated and approved the proposal for providing fund loans for affiliated enterprises Deliberated and approved the 2018 Statement of Internal Control System Deliberated and approved 2019 Business Report and financial statements Deliberated and approved the proposal for the appropriation of capital to cover loss for 2019 Deliberated and approved the operations associated with the drafting of the regular shareholders' meeting proposals Deliberated and approved the amendments to the "Rules of Procedure for Shareholders' Meeting" and "Rules for Election of Directors" Deliberated and approved the amendments to the "Audit Committee Charter" Deliberated and approved the amendments to the "Rules of Procedure for Board of Directors Meetings", "Corporate Social Responsibility Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" Deliberated and approved the date of holding the 2020 regular shareholders' meeting and proposals Deliberated and approved the proposal for the compensation to directors and

Date	Important resolutions and implementation
	managerial officers in 2019, and the annual award quota.
2020.05.12	Ratified the Company's consolidated financial statements for the first quarter of 2020 Deliberated and approved the proposal for bank credit loan Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises Deliberated and approved the amendment to the Company's Articles of Incorporation Deliberated and approved the planning of Taiwan Yarn Dyeing Division Deliberated and approved the amendments to the Company's "Corporate Governance Best Practice Principles" and "Remuneration Committee Charter"
2020.06.16	Deliberated and approved the proposal for bank credit loan Deliberated and approved the proposal for providing fund loans for affiliated enterprises Deliberated and approved the proposal for integrating the organization structure of eSwatini production area Deliberated and approved the proposal of reappointing the Remuneration Committee Deliberated and approved the proposal for listing Tainan factory as an investment real estate Deliberated and approved the proposal for changing the Company's business address
2020.08.12	Deliberated and approved the proposal for bank credit loan Deliberated and approved the proposal for providing fund loans for affiliated enterprises Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises Deliberated and approved the proposal for changing spokesperson Deliberated and approved the amendments to the "Rules of Procedure for Board of Directors Meetings", "Measures for the Performance Evaluation of the Board of Directors and (Functional Committees)" and "Audit Committee Charter" Deliberated and approved the amendments to the "Code of Ethical Conduct" Deliberated and approved the amendments to/formulation of the "Remuneration Committee Charter" and "Management Guidelines for the Operation of Remuneration Committee"

Date	Important resolutions and implementation
2020.11.12	Deliberated and approved the proposal for bank credit loan Deliberated and approved the proposal for providing fund loans for affiliated enterprises Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises Deliberated and approved the audit plan for 2021 Deliberated and approved the amendments to the Company's management operation of financial statement preparation process Deliberated and approved the proposal for formulating the "Rules Governing Financial and Business Matters between the Company and its Affiliated Enterprises"
2020.03.26	Deliberated and approved the proposal for providing fund loans for affiliated enterprises Deliberated and approved the provision of guarantees through bank credit loans from affiliated enterprises Deliberated and approved the proposal for assessing the independence of CPAs Deliberated and approved the 2019 Statement of Internal Control System Deliberated and approved the proposal for distributing remunerations to employees and directors for 2020 Deliberated and approved the financial statements Deliberated and approved the distribution of earnings for 2020 Deliberated and approved the amendments to the "Procedures for Making of Endorsements/Guarantees"
2021.05.11	Approved the proposal for bank credit loans Approved the proposal for provision of funds as loans to affiliates. Approved the proposal for provision of guarantees for credit loans granted by banks to affiliates Approved the proposal for change of the chief auditor be submitted for discussion Approved the proposal for 2020 earnings allocation. Approved the proposal for overseas indirect investment.

(12) In the most recent year and as of the publication date of the annual report, directors or supervisors have different opinions on major resolutions passed by the Board of Directors and have records or written statements: None

(13) A summary of resignations and dismissals of the Company's relevant persons (including the Chairman, President, Chief Accountant Officer, Chief Financial Officer, Chief Internal Auditor, or R&D Officer during the most recent fiscal year and up to the date of publication of the Annual Report:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Termination
Chief Auditor	Chang, Chia-Huan	100.02.16	110.05.11	Transferred to be the Vice President of a subsidiary

Note: The relevant persons of the Company refer to the Chairman, President, Chief Accountant Officer, Chief Financial Officer, Chief Internal Auditor, or R&D Officer.

V. Information on CPA Professional Fees

(I) Information on accountants

Name of CPA Firm	Name of CPA		Audit Period	Note
KPMG	TSENG, Kuo Yang	Ti-Nuan Chien	2020/01/01~2020/12/31	

(II) Breakdown of CPA Professional Fee

Unit: NTD Thousands

Range	Category of Fees	Audit Fees	Non-audit Fees	Total
1	Under NT$2,000 thousand		✓	0
2	NT$2,000 thousand (inclusive) - NT$4,000 thousand	✓		4,156
3	NT$4,000 (inclusive) - NT$6,000 thousand			
4	NT$6,000 (inclusive) - NT$8,000 thousand			
5	NT$8,000 (inclusive) - NT$10,000 thousand			
6	NT$10,000 (inclusive) and above			

(III) When Non-audit Fees Paid to the CPAs, to the CPA Firm, and/or to Any Affiliate of the CPA Firm Are One Quarter or More of the Audit Fees Paid Thereto: None.

Unit: NTD Thousands

Name of CPA Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Note
			System Design	Company Registration	Human Resources	Others	Total		
KPMG	TSENG, Kuo Yang Ti-Nuan Chien	4,156	0	30	0	0	0	20200101 ~ 20201231	

(IV) The Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.

(V) Audit fees were reduced by more than 15% compared with the previous year: None.

VI. Information on Replacement of CPAs: None.

VII. Chairman, President, or Any Managerial Officer in Charge of Finance or Accounting Matters Holding a Position at the CPA Firm in the Most Recent Fiscal Year: None.

VIII. Shareholding transfer and pledge changes of directors, supervisors, managerial officers and shareholders holding more than 10% of the shares in the most recent year and as of the publication date of the Annual Report

1. Share changes by directors, supervisors, managerial officers, and major shareholders:

Position	Name	2020		As of April 26, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Lin Zui Yeh	–	-	-	-
Director	Sen-Yao Lin	–	-	-	-
Director	Yao Wan Kuei	–	-	-	-
Director	B.V.I Yue Da Textile Holdings Limited	–	-	-	-
Representative	Wang Lianchun (Note 1)	–	-	-	-
Representative	Dai Jun (Note 1)	–	-	-	-
Director	Wu Ching Feng	–	-	-	-
Director	Serendipity Co., Ltd.	–	-	-	-
Representative	Yang Chia Yin (Note 1)	–	-	-	-
Director	Ho Yu	-10,000	-	-	-
Independent Director	Lee Mu Jung	-	-	-	-
Independent Director	Chao-Yuan Chang	-	-	-	-
Independent Director	Tsai Chao Lun	-	-	-	-
Managerial Officer	Wei-Han Yang	10,000	-	-	-
Managerial Officer	Feng-Ying Yeh	-	-	-	-
Managerial Officer	Chin-Hui Chang	-	-	-	-
Managerial Officer	Tsung-I Lin	315,000	-	-	-
Managerial Officer	Tsung-Han Lin	323,000	-	-	-
Managerial Officer	Hung-Hsu Lin	-	-	-	-
Managerial Officer	Chien-Chung Wu	-	-	-	-
10% Major Shareholder	B.V.I Yue Da Textile Holdings Limited	-	-	-	-
10% Major Shareholder	Hsien-Yu Kuo	-	-	-	5,220,000

Note 1: Legal representative serves as director

Mr. Hsien-Yu Kuo has been a 10% Major Shareholder of the Company since 2020.12.11

IX. Top ten shareholders are a related party, spouse or a relative within the second degree of kinship of another as defined in the Statement of Financial Accounting Standards (SFAS) No. 6.

Relationship among the 10 Largest Shareholders

Name (Note 1)	Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Among 10 largest shareholders, name and relationship with anyone who is a related party under no. 6 of the financial and accounting standards or a relative within the second degree of kinship		Note
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Designation (or Name)	Relationship	
B.V.I Yue Da Textile Holdings Limited	42,052,440	18.00	-	-	-	-	-	-	Corporate Director
Hsien-Yu Kuo	23,680,000	10.14	-	-	-	-			
Serendipity Co., Ltd.	23,362,466	9.99	-	-	-	-			Corporate Director
Feng-Ying Yeh	14,280,000	6.11	6,120,000	2.62	-	-	Lin Zui Yeh	Spouse	-
Hsiang-Jung Tung	8,199,000	3.51	-	-	-	-			
Lin Zui Yeh	6,120,000	2.62	14,280,000	6.11	-	-	Feng-Ying Yeh	Spouse	Chairman
Tsung-Han Lin	4,459,000	1.91	-	-	-	-	Lin Zui Yeh	Children	-
Tsung-I Lin	4,451,000	1.91	-	-	-	-	Lin Zui Yeh	Children	-
Yao Wan Kuei	3,830,239	1.64	93,945	0.04	-	-	-	-	Director
范玉香	3,111,000	1.33	-	-	-	-			

Note: Represetative of the B.V.I Yue Da Textile Holdings Limited is Li Biao
Represetative of Serendipity Co., Ltd. is Ms. Yang Chia Yin

X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

March 31, 2021 Unit: Share; %

Investee business	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Shareholding	Shareholding Ratio (%)	Shareholding	Shareholding Ratio (%)	Shareholding	Shareholding Ratio (%)
TEX-RAY INDUSTRIAL CO., LTD. (BELIZE)	32,348,213	100.00	—	—	32,348,213	100.00
TEX-RAY INDUSTRIAL CO., LTD. (CAYMAN)	34,542,722	100.00	—	—	34,542,722	100.00
FLYNN INTERNATIONAL LTD.	9,100,000	100.00	—	—	9,100,000	100.00
TEX-RAY (BN) INDUSTRIAL CO., LTD.	60,579,330	100.00	—	—	60,579,330	100.00
TEXRAY (SA) PTY LTD.	39,651,722	100.00	—	—	39,651,722	100.00
Mingtex International Co., Ltd.	4,500,000	100.00	—	—	4,500,000	100.00
Zhengwei Industrial Co., Ltd.	500,000	100.00	—	—	500,000	100.00
King's Metal Fiber Technologies	13,217,428	60.56	3,055,773	14.48	16,273,201	74.55
Taiwan Supercritical Technologies Co., Ltd.	7,487,381	75.63	779,508	8.22	8,266,889	83.85
Wei Li Textile Co., Ltd.	2,744,000	68.60	—	—	2,100,000	70.00
AiQ Smart Clothing Inc.	4,015,112	63.43	988,601	15.62	5,003,713	79.05

Chapter 4 Capital Overview

I. Capital and Shares

(I)Sources of Capital

The share capital formation process in the most recent year and as of the publication date of the Annual Report

Unit: Shares; NT$

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	AMOUNT	Number of Shares	AMOUNT	Source of Capital	Capital Increase by Assets Other than Cash	Others
2006/03	10.62	194,900,000	1,949,000,000	138,723,092	1,387,230,920	7,532,940 convertible bonds	None	
2006/06	10.62	194,900,000	1,949,000,000	140,229,679	1,402,296,790	15,065,870 convertible bonds	None	
2006/09	10.06	194,900,000	1,949,000,000	142,416,554	1,424,165,540	21,868,750 convertible bonds	None	
2006/12	10.06	194,900,000	1,949,000,000	156,024,860	1,560,248,600	136,083,060 convertible bonds	None	
2007/03	10.06	194,900,000	1,949,000,000	164,911,530	1,649,115,300	88,866,700 convertible bonds	None	
2012/8	10	194,900,000	1,949,000,000	168,209,761	1,682,097,610	32,981,310 earnings allotment	None	
2014/4	12.8	300,000,000	3,000,000,000	210,262,201	2,102,622,010	42,052,440 private placement subscription	None	
2018/12	10.16	300,000,000	3,000,000,000	233,624,667	2,336,246,670	23,362,466 private placement subscription	None	

Note: MOEA’s official letter No. 10701160130 on January 3, 2019.

Unit: Share

Share Type	Authorized Capital			Note
	Issued Shares (Listed)	Unissued Shares	Total	
Common stock	233,624,667 Including 65,414,906 private placements	66,375,333	300,000,000	-

(II)Shareholder Structure:

April 26, 2021 Unit: shares

Shareholder Structure / Item	Government Agencies	Financial Institutions	Other Institutional Shareholders	Designated trust fund	Individual Shareholders	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	0	24	1	17,014	43	17,082
Shares Held	0	0	24,764,082	23,580	164,279,499	44,557,506	233,624,667
Shareholding ratio%	0.00	0.00	10.60	0.01	70.32	19.07	100.00

Note: The Company’s mainland capital which holds 18% of the shares is the B.V.I Yue Da Textile Holdings Limited.

(III)Shareholding Distribution Status

April 26, 2021

Range of Shares	Number of Shareholders	Shares Held	Shareholding ratio%
1 ~ 999	7,634	395,796	0.17
1,000 ~ 5,000	7,165	14,776,562	6.32
5,001 ~ 10,000	1,073	8,826,749	3.78
10,001 ~ 15,000	315	3,952,192	1.69
15,001 ~ 20,000	245	4,669,068	2.00
20,001 ~ 30,000	220	5,738,139	2.46
30,001 ~ 40,000	104	3,750,722	1.61
40,001 ~ 50,000	64	3,004,435	1.29
50,001 ~ 100,000	124	8,818,330	3.77
100,001 ~ 200,000	71	9,704,555	4.15
200,001 ~ 400,000	30	8,075,380	3.46
400,001 ~ 600,000	7	3,585,201	1.53
600,001 ~ 800,000	3	2,224,000	0.95
800,001 ~ 1,000,000	6	5,667,574	2.43
Over 1,000,001	21	150,435,964	64.39
Total	17,082	233,624,667	100

(IV)List of Major Shareholders

April 26, 2021

Shareholding / Name of Major Shareholders	Shares Held	Shareholding Ratio
B.V.I Yue Da Textile Holdings Limited	42,052,440	18.00
Hsien-Yu Kuo	23,680,000	10.14
Serendipity Co., Ltd.	23,362,466	9.99
Feng-Ying Yeh	14,280,000	6.11
Hsiang-Jung Tung	8,199,000	3.51
Lin Zui Yeh	6,120,000	2.62
Tsung-Han Lin	4,459,000	1.91
Tsung-I Lin	4,451,000	1.91
Yao Wan Kuei	3,830,239	1.64
范玉香	3,111,000	1.33

(V)Information on the market price, net worth, earnings and dividends per share in the last two years:

Item \ Year			2020	2019	The current year ends on March 31, 2021 (Note 8)
Market Price Per Share (Note 1)	Highest		10.95	37.45	20.8
	Lowest		8.00	6.03	16.65
	Average		9.06	16.17	19.03
Net Worth per Share (Note 2)	Before distribution		10.47	13.65	13.59
	After distribution		10.47	12.95	13.59
Earnings per Share	Weighted Average Shares (thousand shares)		233,625	233,625	233,625
	Earnings per Share (Note 3)		(0.74)	0.72	(0.1)
Dividends Per Share	Cash dividends		—	0.70	—
	Free allocation Share	Stock dividends appropriated from earnings	—	—	—
		Stock dividends appropriated from capital surplus	—	—	—
	Accrued Unpaid Dividends (Note 4)		—	—	—
Return on Investment	P/E Ratio (Note 5)		(12)	22	(190)
	Price/Dividend Ratio (Note 6)		—	23	—
	Cash Dividend Yield (Note 7)		—	0.04	—

Note 1. Please identify the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2. Please apply the quantity of shares already issued at the end of the year and identify the status of distribution according to the resolution made by the shareholders' meeting held in the following year.

Note 3. If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 4. If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 5. Price-Earnings Ratio=Average Closing Price Per Share in current year/Earnings Per Share

Note 6. Dividend Yield=Average Closing Price Per Share in current year/Cash Dividend Per Share

Note 7. Cash Dividend Yields=Cash Dividend Per Share/Average Closing Price Per Share in current year

Note 8. Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

(VII) Dividend Policy and Its Implementation

1. The Company's dividend policy

If the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends in accordance with a proposal for appropriation of earnings as approved by the Board of Directors and submit it to the shareholders' meeting for distribution of shareholder dividends.

The Company is still in the growth stage and adopts a residual dividend policy. Measure future annual funding demands based on the Company's future budget planning, firstly reserve the funds needed for surplus financing. In order to avoid excessive dilution, stock dividends shall not be higher than 50% of the current year's dividends, and the rest can be distributed by cash dividends.

2. Distribution of dividends proposed at the current shareholders' meeting

The Company's loss pending to be offsetted at the beginning of 2020 was NT$61,263,411 (the same below). The net profit for the period was NT$168,119,512 and other comprehensive losses NT$1,621,417. The total undistributed earnings for the period was NT$105,234,684. After the Company set aside 10% of the balance for the legal reserve of NT$10,523,468 and reversed the special reserve of NT$201,749,194 as per the Company's Articles of Incorporation. Thus, the earnings available for distribution for this year was NT$296,460,410.

(VIII) It is proposed to distribute a cash dividend of NT$0.7 per share for this year's annual shareholders' meeting, which has yet to be approved by the shareholders' meeting on June 24, 2021. After the aforesaid cash dividend is approved by the shareholders' meeting, the Chairman is authorized to set the ex-dividend record date for allocation.

(VIII) Effect of the proposed free allotment of shares this year on the Company's operating performance and earnings per share: Not applicable.

(IX) Employee dividends and remuneration to directors and supervisors:

1. Percentage or range of employee dividends and remuneration to directors and supervisors as set forth in the Articles of Incorporation:

In accordance with the Company's Articles of Incorporation: If the Company makes a profit for the year, 2% shall be allocated as employee compensation, which shall be distributed in stock or cash by the resolution of the Board of Directors, and the distribution objects may include employees of subsidiaries who meet certain conditions; The Company can increase the amount of profit, and the Board of Directors resolution will allocate no more than 2% as directors' remuneration; employee remuneration and directors' remuneration distribution shall be reported to the shareholders' meeting, but if the Company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate employee remuneration and directors' remuneration in proportion to the preceding paragraph.

2. The estimated basis for employee dividends and the remuneration of directors and supervisors in the current period, the calculation basis for the number of shares of the allotted stock dividend, and the accounting treatment if the actual allotted amount differs from the estimated amount:

(A) The estimated amounts as proposed by the board and amounts recognized are as follows:

Allocation (Unit: NTD)	The amount actually distributed as resolved by the shareholders' meeting	Proposed amount as resolved by the Board of Directors	Difference
Employee cash dividend	3,235,188	3,235,188	None
Director remuneration	3,235,188	3,235,188	None

(B) Reason for the difference: Not applicable.

(C) Treatment of the difference: Where there is a difference between the amount approved by the shareholders' meeting and the amount of proposed by the Board of Directors, the difference will be recognized as changes in accounting estimates after the shareholders' meeting is approved

3. Remuneration distribution approved by the board of directors:

In accordance with Article 31 of the Articles of Incorporation, the Company's net income before tax before deducting the remuneration to employees and directors shall be used to make up for aggregated losses. No less than 2% of any remainder shall be allocated as the employees' remuneration and no more than 2% shall be allocated as the directors' remuneration.

(A) The annual estimated amounts are as follows:

Allocation (Unit: NTD)	The amount actually distributed as resolved by the shareholders' meeting	Proposed amount as resolved by the Board of Directors	Difference
Employee cash dividend	3,235,188	3,235,188	None
Director remuneration	3,235,188	3,235,188	None

(B) Reason for the difference: Not applicable.

(C) Treatment of the difference: Where there is a difference between the amount approved by the shareholders' meeting and the amount of proposed by the Board of Directors, the difference will be recognized as changes in accounting estimates after the shareholders' meeting is approved.

The net loss after tax for this year, employee dividends and directors' remuneration will not be distributed.

4. Actual distribution of remunerations to employees, directors and supervisors in the previous year: No distribution

(X) Share Repurchases: None.

II. Handling of corporate bonds (including overseas corporate bonds)

(I) Corporate bonds outstanding and in process: None.

(II) Corporate bonds maturing within one year: None.

(III) Issued corporate bonds convertible into ordinary shares, overseas depository shares or other negotiable securities: None.

(IV) Issued exchangeable corporate bonds: None.

(V) Companies that raise and issue ordinary corporate bonds in a shelf registration method:

None.

(VI) Issued corporate bonds with warrants: None.

(VII) The handling of private placement corporate bonds in the last three years: None.

III. The handling of special shares: None.

IV. Circumstances for the issuance of Global Depository Receipts (GDRs): None.

V. Employee stock options and restricted stocks for employee: None

VI. Mergers and acquisitions, or as assignee of new shares issued by another company: None.

VII. Implementation of capital utilization plan: None.

Chapter5. Operational Highlights

I. Business Activities

(I) Business Scope

1. Principal businesses of the Company

(1) Weaving, chemical finishing, printing, dyeing and trading of cotton fabrics and different types of fiber.

(2) Processing, trading and export of ready-to-wear garments

(3) Trading and export of cotton yarn and artificial fiber as agent.

(4) Manufacturing, processing and trading of ramie and flax.

(5) Manufacturing, processing, dyeing, finishing and trading of various textile products and natural fiber.

2. Proportion of major products to businesses in 2020

Unit: NT$ thousand

Product Name	Proportion	Percentage (%)
Knitting and Dyeing	677,253	7.88%
Metal Fiber	351,523	4.09%
Ready-to-wear garments	7,400,802	86.07%
Others	169,009	1.96%
Total	8,598,587	100%

3. Current main products of the Company

A. Knitted fabric: PK fabric, double-sided fabric, single-sided fabric, fleece, fancy yarn, elastic fabric, tencel cotton, laminated fabric, functional fabric and environment-friendly fabric.

B. Woven fabric: fabric interwoven with long/short fiber, elastic fabric, tencel cotton fabric and functional fabric.

(1) Metal fiber: metal fiber, yarn blended with metal fiber, and hi-tech anti-electromagnetic cloth

(2) Ready-to-wear garments: T-shirts, Polo shirts, Western-style clothes, skirts, trousers, pyjamas, coats, sportswear and casual wear.

(3) Home textile: sheets, pillow cases and quilts.

4. New products to be developed

(1) Functional sportswear and fabric

(2) Intelligent garments.

(3) All-weather functional clothing and fabric.

(4) Casual functional sportswear and fabric.

(5) High-temperature resistant and conductive fabric.

(6) High-vision functional ready-to-wear garments and fabric.

(7) Pressure garments and related functional fabric.

(8) Lightweight wear-resistant textiles under greenhouse effects.

(II) Overview of the Industry

1. Current status and development

The Taiwan textile industry faces fierce competitions from China, Korea and emerging Southeast Asian countries. Due to increased costs of raw materials, depreciation of US dollars, restrictions on environmental and trade rules..., high-value products must be developed. With the deepening of global multilateral trade and expansion of regional economic cooperation, Regional Comprehensive Economic Partnership (RCEP) was formally concluded on November 15, 2020 after the Comprehensive Progressive Trans-Pacific Partnership formally entered into force on December 30, 2019, which tested the ability of the Taiwan textile industry to manage its business operations on a worldwide basis.

Value of Taiwan export to RCEP nations and export commodity structure in 2019:

Ranking	Nations	Export Value in 2019	Export Proportion	Export Commodity Structure				
		(US$ million)		Fiber	Yarn	Fabric	Ready-to-wear garments	Others
1	Vietnam	2,224.80	24.20%	5%	11%	79%	2%	2%
2	Mainland China	1,583.70	17.30%	6%	28%	61%	2%	3%
3	Indonesia	481.20	5.20%	2%	5%	86%	3%	3%
4	Cambodia	374.80	4.10%	0%	1%	94%	3%	2%
5	Japan	338.60	3.70%	8%	39%	37%	8%	8%
6	Thailand	311.10	3.40%	9%	19%	66%	2%	2%
7	Philippines	203.30	2.20%	1%	21%	71%	3%	4%
8	Korea	102.10	1.10%	12%	39%	43%	4%	3%
9	Myanmar	68.80	0.70%	0%	1%	96%	1%	1%
10	Malaysia	65.50	0.70%	21%	12%	53%	7%	6%
11	Australia	54.10	0.60%	22%	9%	37%	14%	18%
12	Singapore	30.80	0.30%	2%	16%	47%	20%	15%
13	New Zealand	12.80	0.10%	52%	6%	32%	5%	6%
14	Laos	4.60	0.10%	0%	0%	99%	0%	1%
15	Brunei	0.10	0.00%	0%	4%	72%	5%	19%
	Total	5,856.30	63.70%	6%	17%	71%	3%	3%

Source: summarized by Taiwan Textile Federation

Global political and economic environment is subject to many uncertainties. TEXRAY will flexibly coordinate global supply chains for production and marketing, rapidly respond to risk control and prudently evaluate development likelihoods of potential production zones according to its customer requirements, in order to enhance overall competitiveness of the industry.

In 2020, COVID-19 significantly impacted the global apparel industry. The global epidemic resulted in economic lockout and downturn, creating substantial uncertainties in markets.

Total national export value in 2020:

Industry Type	Textile	Machinery and Motor Equipment	Basic Metals and Corresponding Products	Precision Instruments, Clocks, Watches and Musical Instruments	Plastic Rubber and Corresponding Products	Mineral Products	Chemicals
Export Value (USD billion)	75.33	2,181.68	254.9	169.93	212.6	73.48	166.6
Proportion to Total Export Value	2.20%	63.20%	7.40%	4.90%	6.20%	2.10%	4.70%
Peer Comparison	18%	15%	-8%	6%	-6%	-48%	-11%

Source: Market Development Office of Taiwan Textile Federation

From January to December 2020, the export value of textiles in China amounted to USD7.533 billion, accounting for 2.2% of the total export value (USD345.276 billion) and declining by 18% on a year-on-year basis compared with that in 2019.

Main export textiles of Taiwan in 2020:

Items	Export Value	Proportion	Peer Comparison	Export Volume	Peer Comparison	Unit Price	Peer Comparison
	(USD billion)	(%)	(%)	(Thousand Tons)	(%)	(USD/kg)	(%)
1. Fiber	4.82	6	-20	40.11	-8	1.2	-13
2. Yarn	10.24	14	-29	39.83	-25	2.57	-6
3. Fabric	50.6	67	-19	62.47	-20	8.1	2
4. Ready-to-wear garments and accessories	4.12	6	-13	2.06	-16	19.93	4
5. Other textiles	5.55	7	27	7.08	-15	7.85	50
Total	75.33	100	-54	151.55	-84	4.97	1

Source: Market Development Office of Taiwan Textile Federation

Of textile export, fabric export is still dominant and its value was up to USD5.060 billion, accounting for 67% of total export value and declining by 19% on a year-on-year basis compared with that in 2019; the export volume was 624.7 thousand tons and declined by 20%; but the unit export price grew by 2%.

Places of delivery in export orders of Taiwan textiles in 2020:

Places	Statistics on Places of Delivery in Export Orders of Taiwan Textiles						
	Total	U.S.A.	ASEAN Nations	Hong Kong	Europe	Japan	Others
Export Orders (USD Billion)	103.10	38.12	18.03	14.54	11.46	4.59	16.36
Proportion to Textile Export Orders	100%	37%	18	14	11	5	16
Annual Growth (%)	-12	-4	-13	-22	-7	-9	-22

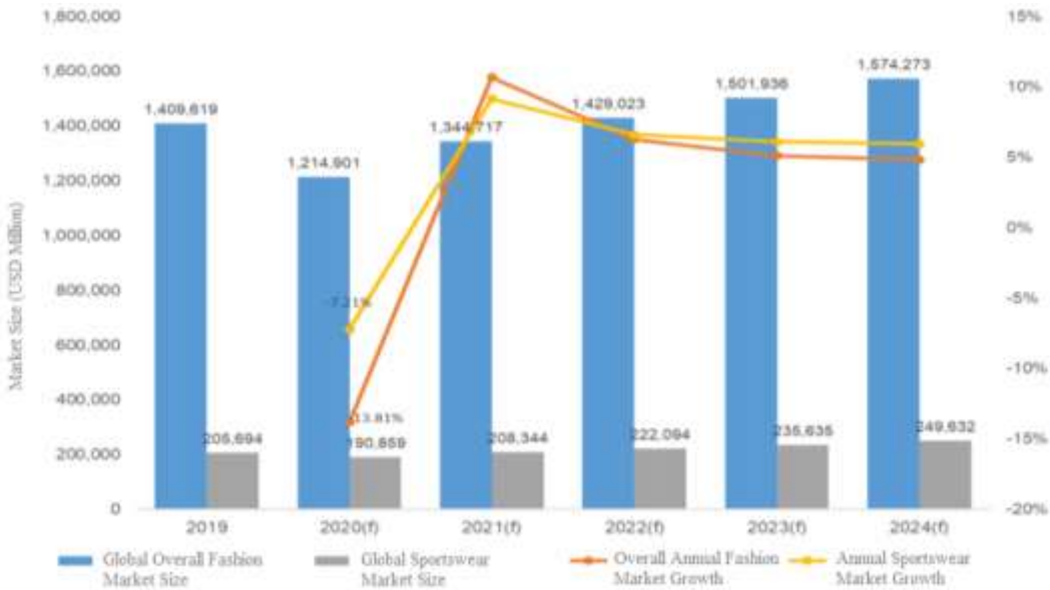
Source: Market Development Office of Taiwan Textile Federation

According to statistics of the Statistics Department, Ministry of Economic Affairs, the orders of textiles amounted to USD1.020 billion in December 2020, which increased by 6% on a year-on-year basis compared with that in 2019. The cumulative amount of orders received from January to December 2020 was

USD10.310 billion, which declined by 12%.

The spread of the epidemic to Europe and America also imposed significant impacts upon fashion brands. Many orders were canceled after placement and lots of companies went bankrupt. Lots of cities were even locked down, and enterprises promoted remote office work at home. As a result, local market consumption came to a sudden halt. Attention was shifted from offline channels to online ones. Consumer behaviors tended to be conservative and cautious. As people spent more time at home, their lifestyles changed. The products "worth their prices, with multiple functions and satisfying the needs for health protection" will exhibit advantages. Companies of the textile industry have successively turned to produce anti-epidemic products. Meanwhile, significant growth has been achieved in pajamas, sportswear and casual wear under the adverse situation. Lounge wear ever made a hit.

Forecast of global overall fashion market size from 2019 to 2024:



Source: Euromonitor(2020/09)

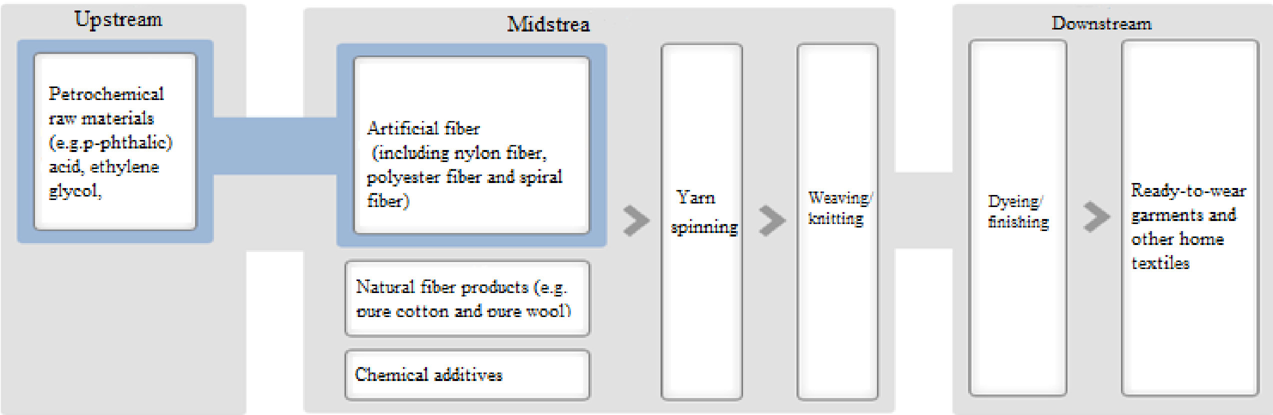
The sportswear market hasn't declined a lot compared with the entire fashion market, and it will revive faster than the whole fashion market.

Although practitioners had no choice but to consider the fashion industry and new phenomena because of the epidemic, it still shall take 1 to 2 years to observe before market maturity, which will depend upon consumers' long-term acceptance. In the future, more functional, waterproof and protective clothes will outperform, but in a long term, their development will be dependent upon when the epidemic will be controlled. During the epidemic, the textile industry and its customers have adjusted the supply chain. The practitioners of Taiwan textile industry have been occupying more market shares owing to their advantages of responsiveness and scale.

2. Relationships among Upstream, Midstream and Downstream of the Industry

The relationships among upstream, midstream and downstream of the textile and ready-to-wear garment industries are as follows. In the upstream of the industry chain, there are petrochemical raw materials. After such raw materials are used for production of artificial fiber such as polyester fiber, rayon fiber and carbon fiber, the fiber is further spun into yarn and then woven into fabric. After bleaching, dyeing, printing, coating and finishing, the fabric is cut and tailor-made into ready-to-wear garments or other related textile products. The main products of the Company and its subsidiaries are woven and dyed products as well as ready-to-wear garments, which are in the midstream and upstream of the industry value chain.

In face of competitions from the global textile industry and with the emergence of the technological society, the Company actively integrates internal and external resources, continuously enhances its competitive advantages, enhances its supply chains for production and marketing, and develops environment-friendly functional textiles.



Source: information platforms of industry value chains

3. Development trends of products

Global population structure tends to be urbanized and aged. Climate changes make environmental sustainability become a great concern. The epidemic has caused global economic recession, and the brands in a majority of channels are on the verge of bankruptcy. Under the global situation, the Company focuses on technology innovations, safety protection, comfortable functions and environmental sustainability in developing products.

(1) Increase health awareness and optimize functional lives: In 2020, the Company jointed the national anti-epidemic delegation, developed medical PPE products, and synchronously launched new non-medical and anti-epidemic living textiles in line with fashion concepts. In face of the global health crisis, the consumers have proposed protection requirements, to build a sense of security when health is uncertain. Having seized the new health business opportunities, the Company developed new series T-FRESH® C&C (Cooling & Cleaning) photocatalytic and metal fiber anti-epidemic products as optimal life solutions for the post-epidemic era.

(2) Strategies for environmental sustainability and circular economy: As environmental protection and green energy have been arousing great concerns in different parts of the world, global famous brands have successively made green declarations. They are more concerned about whether practitioners of the textile industry have the R&D potential for developing environment-friendly and non-toxic production processes an textiles. Having developed patented environment-friendly wet prints according to its production processes, the Company provides modern environmental solutions to the most energy-consuming printing and dyeing industry. In terms of products, it has drawn up a map of Rays functional textiles and developed

environment-friendly energy-saving products with lower carbon emissions and technological functions, including ECO-LOR® series, T-Cool and T-Hot series textiles for climate control produced by dyeing with primary liquid. In the future, the Company will continue investing resources and focus on developing sustainable environment-friendly products.

(3) Digitization of high-end intelligent clothing: With the aging of global population and increase of health awareness, the market demands for health care and bodybuilding have increased. On the other hand, the rapid development of information technologies and global internet of things have contributed to growing demands for intelligent clothing. The Company has been engaged in bodybuilding and long-term care since a long time ago. Maintaining its leading positions in technologies and patents, it has conducted cooperation across industries to develop products with new functions and facilitate application and development of diverse industrial textiles in combination with advantages of electronics, textiles and other industries.

4. Competitions

Export of ready-to-wear garments is the principal business of the Company, which faces competitions from manufacturers of China, Korea, HK, India and other areas in addition to fierce competitions from competitors who conduct the same businesses as the Company in Taiwan.

Global competitions

(1) In Taiwan: Due to political marginalization , the textile industry rarely enjoys competitive advantages in transnational cooperation, so with Taiwan as its operation center, the Company strengthens innovation and development of high-value products, including functional textiles and smart clothing. Meanwhile, it gives play to its competitive advantages dependent upon its high responsiveness through its global network. Apart from development from OEM to ODM, the Company has made more efforts to launch its own brands over the past years. It keeps itself informative about market demands and deepens its knowledge about markets, in order to get feedback on its businesses in different parts of the world and better understand needs of brands.

(2) China: In addition to powerful markets with demographic dividends, RCEP and the Belt and Road have also aroused great concerns of the Company. The Company continuously integrates internal resources, focuses on promoting development of local brands, and creating infinite space for growth of economic trade.

(3) Southeast Asia: The labor costs are low in Southeast Asia, where policy support is available from governments of different nations, population dividends and economy grow fast, trade agreements and foreign cooperation are expanded. The Company has identified the niche for development in South Asia, so it has invested in building a flagship plant there, which has become the major place for the Company to export ready-to-wear garments.

(4) eSwatini: Having successfully transformed the domestic markets, the Company annually creates substantial profits for the parent company. In 2018, with the re-enactment of AGOA, it crated another financial source for the parent company.

(5) North America: The Company strengthens connections between the American marketing company and the Mexican production center. In consideration that

the American market highlights rapid duty-free supply, it collaborates with brands to seize market opportunities more rapidly, and makes profits from balanced growth of production and marketing. In Mexico, the Company enhances domestic market development and expands business operations.

(III) Overview of Technologies and R&D Work

1. R&D expenditures in the most recent year

Unit: NT$ thousand

Items/Year	2019	2020	As of March 31, 2021
R&D Expenses	72,392	57,702	13,999
Sales Revenue	6,949,284	8,598,587	1,624,326
Percentage (%)	1.04	0.67	0.86

2. R&D outcomes

In response to growing trend of environmental protection in global industries, the Company is committed to developing new high-value products and services with creative thinking. At present, it has built multiple brands of environment-friendly and high-value functional textiles. Over the past years, its R&D has focused on application of upstream yarn and raw materials, in hope of effectively realizing the core value of sustainable development.

(1) Metal fiber, yarn interwoven with stainless steel metal fiber, anti-electromagnetic products, conductive and high temperature resistant products.

(2) The stainless steel metal fiber technologies and products are granted the awards in the Open Championships of the National Innovation and Entrepreneurship Awards.

(3) The Company was evaluated as National Excellent Manufacturer in catalytic preparation among enterprise R&D alliances by the Technology Office, Ministry of Economic Affairs.

(4) The top mercerized cotton dyed yarn was granted the 11th Taiwan Excellence Award.

(5) Tainan yarn dyeing mill of the yarn dyeing business office passed the ISO 14001 environmental protection.

(6) The Company was evaluated extraordinary for using the Information System for Coordinating Textile Production and Marketing in the demonstrative information application development program of the Ministry of Economic Affairs.

(7) The Company successfully developed LCO2 super-critical liquid CO2 based industrial commercial cleaning machines.

(8) The Ministry approved the special subsidies for the Company's "development plan for super-critical CO2 disinfection and cleaning equipment".

(9) The Company won the award for the best industry-university-research collaboration in the industry technology development program within the industry by the Ministry of Economic Affairs.

(10) The Institution for Information Industry approved the special subsidy for encouraging domestic enterprises to build a R&D center.

(11) The Industrial Development Bureau, Ministry of Economic Affairs approved the special subsidy for the development plan for hollow lightweight heat-generating textiles.

(12) Developed environment-friendly colored fiber dyed with primary liquid and built the yarn brand Eco-lor.

(13) Developed energy-saving cool raw materials with lower carbon emissions and independently built the brand Tcool.

(14) Developed energy-saving heat-generating raw materials with lower carbon emissions and built the brand Thot.

(15) Developed energy-saving night luminescent fabric with lower carbon emissions and built the brand RayS 21.

(16) Developed intelligent wool blended fabric and built the brand Wool miracle.

(17) Developed moisture wicking fabric for moisture control and built the brand Dry Switch.

(18) Developed energy-saving cool fabric with lower carbon emissions and built the brand Coolitol.

(19) Developed tight ready-to-wear garments and built the brand Tmapping.

(20) Integrated the product map of functional textiles and developed RAYS functional fabrics, including Cooling, Dry, Mapping, Heating, Shield, Green, Plus and Neo series.

(21) Developed moisture-permeable and waterproof foam-based coated fabric lamination technology, and built the brand Breath Light, to which RAYS Shield was added.

(22) Developed high-breathability, windproof and warm-keeping sandwich fabric, and built the brand Air Buffer, to which RAYS Heating series was added.

(23) Developed environment-friendly and high-resolution digital printing technology and built the brand HD Eco Print, to which RAYS Green series was added.

(24) Developed photo-catalytic and metal-ion antibacterial deodorant fiber series and built the brand TFresh, to which RAYS Shield was added.

According to product attributes and its unique technologies, the Company integrates its products into a map of RAYS functional textiles, including HEATING, SHIELD, MAPPING, GREEN, DRY, COOLING, PLUS and NEO. This map systematically presents the Company's outcomes in developing environment-friendly and energy-saving products with lower carbon emissions and scientific functions.

(IV) Long- and Short-Term Business Development Plans

(1) Identify positions of the Company and its products in market economy according to actual situation; put forward objectives of and proposals for technology advancement, upgrading, restructuring and product upgrading as more valuable weapons for business marketing.

(2) Use new raw materials, study new technologies, develop new products, constantly make creative products available and supply products to international brands for joint upgrade and growth.

(3) Attach importance to utilization of information technologies and enhance the abilities to effectively conduct businesses.

(4) Employ diverse marketing channels, including cross-border and active e-commerce.

(5) Apart from American markets where the Company has accumulated substantial strengths, the Company also strengthens its efforts for entering the mature European and Japanese markets. It plans southern market operations promoted by the Taiwan government.

(6) Gradually increase the ratio of ODM through OEM businesses, to increase the gross interest.

(7) Establish good and friendly supply chain partnerships, to jointly develop businesses and create a win-win situation.

(8) Promote improvement of human resources and continuing education/training, and introduce excellent project talents to support the improvement, to improve overall operational efficiency of the Company.

(9) Constant review and improvement better quality and effectively reduce costs, thus leading to an increase in the overall gross interests.

(10) Improve image of the Company, visibility of its products and international marketing capabilities; develop niche markets.

(11) Optimize and perfect product development procedures and speed up customers' order placement.

(12) Improve services of the new retail era, the abilities to customize services for enterprises, deepen customer relationships, position corporate products/services and integrate marketing.

(13) Develop creative environment-friendly, functional and technological high-value products; collaborate with enterprises within the industry and from other industries to drive upgrade and development of Taiwan textile industry.

II. Analysis of Market and Production and Marketing Situation

(I) Market analysis:

1. Distribution and ratio of main products in the past two years

Unit: NT$ thousand

Year		2019		2020	
Sales Areas		Sales	%	Sales	%
Foreign Sales	Africa	1,603,541	23.07	1,359,986	15.82%
	America	3,084,728	44.39	2,183,491	25.39%
	Asia	1,475,651	21.24	4,198,587	48.83%
	Others	273,926	3.94	222,025	2.58%
Subtotal		6,437,846	92.64	7,964,089	92.62%
Domestic Sales		511,438	7.36	634,498	7.38%
Total		6,948,284	100.00	8,598,587	100.00%

Note: The sales listed in this form are net operating revenue

2. Future market supply, demand, growth and competitive niche

(1) Future market supply and demand

From the perspective of global demands for ready-to-wear garments, we can see that per capita income is increasing in different countries, so is global population. Clothing is necessary for people, so the demands for ready-to-wear garments have been growing steadily, and in the future, people will gradually have demands for more exquisite products instead of basic clothing demands.

For global supply of ready-to-wear garments, the Taiwan textile industry has been facing challenges from emerging countries, including China, Korea and Southeast Asia since complete cancellation of the global quota system. In face of these areas' competitive advantages in production costs, it has had no choice but to gradually withdraw from the low price markets. Because of political factors, Taiwan is usually excluded from various reciprocal duties. In particular, since Trump took the presidency in the United States, the withdrawal from the Trans-Pacific Partnership Agreement and unfavorable factors of trade competitions have posed more threats to business environment of the Chinese textile industry. In addition, international brands have progressively made supply chains electronic and digital. They have gradually reduced their suppliers. As a result, the space for development of domestic textile traders, small and medium-sized enterprises has been greatly narrowed.

In face of unfair supply competitions from the global textile industries, the Taiwan textile industry must develop mid to high-end functional textiles. Dependent upon R&D and innovation capabilities and advanced manufacturing technologies of the Taiwan textile industry, China will become the main country for international brands to purchase functional textiles. In addition, to respond to globalization and development trends of regional economy, strengthen "product differentiation" to effectively segment markets, and avoid low price competitions, the Taiwan textile industry promotes "industry digitization" and "industry globalization". It has joined the global supply chain system for industry digitization, in hope of cooperating with big international plants for building "best-selling brands".

The Company integrates its strategic advantages, maintains steady business operations, creates its own characteristic creative business models and deploys global productions through Texray Seamless Value Added Chain (TSVAC). It has modestly diversified competing risks for market supply and demand. In addition, the Company will continuously deepen designs with market value, study development and market development, and develop more new valuable products and services.

(2) Future market growth

With the constant increase of global GDP and population as mentioned above, the global clothing demands maintain long-term steady growth. However, in face of competitions from emerging countries such as China, Korea and Southeast Asia, Taiwan has had no choice but to gradually withdraw from the low price markets and additionally explore profit models. Over the past 7 years, the Taiwan textile industry has successfully been transformed into an international brand with R&D power, and China has become the foremost choice for purchasing functional textiles. It has occupied more than 50% market shares in the global market. In particular, its global market shares in laminated and coated fabric have exceeded 70% and are still increasing.

The Company specializes in sportswear, especially functional textiles, laminated and coated fabric. As one of the leading manufacturers in the textile industry, it is still constantly developing functional ready-to-wear sportswear and fabric. Intelligent wearables. All-weather functional ready-to-wear garments and fabric. Functional casual ready-to-wear sportswear and fabric. High temperature resistant and conductive cloth High-vision functional ready-to-wear garments and fabric. Pressure garments and related functional fabric. Lightweight wear-resistant textiles under greenhouse effects.

(3) Future competitive market niches

In China, a complete range of objective and accountable quality verification and labeling mechanisms have been established for functional textiles. The Company has been certified by China National Laboratory Attestation (CNLA) system. Now, it is actively striving to pass certification of China National Accreditation Board (CNAB). The establishment of this attestation system has enabled Taiwan to sign letters of intent with more than 60 international famous brands/big ready-to-wear garment traders, including Jansport and SaraMax. Through this verification system, information on suppliers of functional textiles and products can be collected. Set up special zones for image promotion of Taiwan functional textiles in international textile exhibitions and impel domestic practitioners to build strategic alliances with international famous sportswear brands (including Nike and NEXT). Plan integration/application of international business information on textiles, take measures to facilitate trade and create favorable trade environment, in hope that Taiwan will become "the world's best purchase center of functional textiles". This is the competition and growth niche shared by the Taiwan textile industry over the past years. As mentioned above, in terms of its main products, the Company will share this opportunity with the Taiwan textile industry in Taiwan, an area with niches and competitions.

In the future, the global textile industry will enter the era of "intelligent clothing", which is not only a common view of practitioners in the Taiwan textile industry, but also the future development trend of the industry.

Engaging in the field of "intelligent clothing", the Company is a leading manufacturer recognized in the world. It takes the lead in R&D, design, production and marketing. Once the era of "intelligent ready-to-wear garments" comes, the Company will inevitably bring its capabilities into full play and make all competitors of the textile industry regard it with special respect.

3. Positive/negative factors of development visions and responses

(1) Positive factors

A. In the Taiwan textile industry, the value chain tends to focus on midstream and upstream R&D and innovations. Successively developing textiles with creative complex functions or functional textiles has become the focus for development of the textile industry. Having become an international brand with independent R&D capacity, the Company is recognized for its high-quality and competitive products. It has occupied over 50% market shares in the global textile market. In this field, China still technologically falls behind the Taiwan textile industry 3 to 5 years. The Company's products can be niche products for practitioners of the Taiwan textile industry.

B. The Taiwan textile industry is complete. The upstream, midstream and downstream practitioners can be integrated through strategic alliances or regional clusters. With extraordinary responsive mechanisms, the industry promotes development of textiles with added value in combination with interdisciplinary technologies. With advantages in quality and price of functional textiles, the Taiwan textile industry has been internationally certified and promoted, which is helpful for significantly increasing added value of textiles and favorable for promoting cultivation of the industry's value advantages.

C. Over the past years, it has been quite prevalent that enterprises have successively built their own brands in the domestic textile and ready-to-wear garment industries. Several clothing plants have engaged in the retail industry. Dependent upon super quality for which international brands have stringent requirements, they have gradually expanded domestic markets. Efforts will be first made to enhance Taiwan's own brands and cooperate with international brands as their agents. In the future, Taiwan will plan to build its own brands in Mainland China. By coordinating retail and design terminals, Taiwan will cut manufacturing costs of ready-to-wear garments and improve its product quality to increase added value of its own brands and product profitability.

(2) Negative factors

A. Chinese textiles and ready-to-wear garments are mainly exported at US dollars. These years, the exchange rate between the US dollars and new Taiwan dollars has fluctuated significantly. As a result, the practitioners of the textile and clothing industries face enormous exchange rate risks.

B. In the past years, the Taiwan industries have paid more attention to the electronics industry, so domestic talents and academic institutions have competitively and successively turned to study the electronics industry. As textile and trade resources have always been excluded, it is hard to introduce talents into the textile industry.

C. In exporting textiles and ready-to-wear garments, Taiwan faces competitions from low production costs of emerging textile industries of other countries. As a consequence, there are fierce market competitions for low prices, which pose great threats to trade performances of the Taiwan textile industry.

(3) Countermeasures

In face of fierce competitions from emerging textile producing countries, the marketing strategies shall first exclude international brands and channels making purchases at low prices. The product development strategies are required to focus on "functional textiles" and future star products, the "intelligent clothing". Internally, active efforts shall be made to reduce costs, improve efficiency and enhance competencies. Externally, it is necessary to continuously develop products with competitive advantages for Taiwan, create diverse business opportunities, develop emerging markets, supply more diversified products, and increase added value of products. In addition, the Company is supposed to speed up its global integration and deployment. It will produce its products in competitive production zones, coordinate order distribution and customer services, include China and emerging South Asian countries in its supply chain resources and fully integrate its resources. Dependent upon abundant human resources of China and Southeast Asian countries, it will develop global textile markets in combination with advanced technologies and trade experience of Taiwan. It can definitely create favorable business conditions.

(II) Usage and Manufacturing Processes for Main Products

Divisions	Major Products	Product Descriptions		Main Purposes
Weaving Division	Fabric	Woven Fabric Knitted Fabric	1. Trade. 2. Purchase greige and sell them after processing. 3. Purchase greige yarn for selling after knitting, dyeing and finishing.	Various materials of ready-to-wear garments
Ready-to-wear Garment Division	Ready-to-wear garments	Various knitted and woven garments	Purchase finished fabric and sell them after processing and stitching.	T-shirts, POLO shirts, casual pants and Western style clothes.

(III) Supply of Major Raw Materials

Divisions	Product Name	Major Raw Materials	Main Sources	Status
Weaving Division	Weaving/knitting	Greige and greige yarn	Dong Da Sheng, Nan Guang, Guan Jie	Good
Ready-to-wear Garment Division	Ready-to-wear garments	Different types of knitted and woven fabric	Weaving Division	Good

(IV) Customers with 10% or More of Total Procurement/Distribution, Amount and Percentage in Any Given Year within the Most Recent Two Years

1. Information on major suppliers in the past two years

	2019				2020				As of Q1 of 2021			
Items	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Issuer	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Issuer	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Issuer
1	Manufacturer A	248,897	8.53	-	Manufacturer A	1,099,743	25.34	-	Formosa	72,500	10.53	-
	Others	2,669,210	91.47	-	Others	3,240,757	74.66	-	Others	616,240	89.47	-
	Net Purchase	2,918,107	100.00		Net Purchase	4,340,500	100.00		Net Purchase	688,740	100.00	

2. Major customers in the past two years

	2019				2020				As of Q1 of 2021			
Items	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Issuer	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Issuer	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Issuer
1	Alfred Dunner Inc	648,470	9.33	-	Manufacturer B	3,130,492	36.41	-	Manufacturer C	152,243	9.38	-
	Others	6,300,814	90.67	-	Others	5,468,095	63.59	-	Others	1,472,083	90.62	-
	Net sales	6,949,284	100		Net sales	8,598,587	100		Net sales	1,624,326	100	

In 2020, the Company's major portion of orders was for anti-pandemic products, and suppliers and customers were all related to the anti-pandemic products.

Note: Changes in market environment have caused variations in purchase and sales amount and proportion of the customers.

(V) Yield in the Past Two Years

Unit: kg; thousand dozens; NTD thousand

Year / Yield and Output / Main Products	2019			2020		
	Production Capacity	Yield	Output	Production Capacity	Yield	Output
Fabric (kg)	Note 2	11,214,478	2,466,924	Note 2	10,176,918	1,184,726
Ready-to-wear garments (thousand dozens)	Note 2	3,433	4,267,520	Note 2	3,930	6,107,696
Total	-		6,734,444	-		7,292,423

Note: 1. The Company produces and sells fancy yarn, woven fabric and ready-to-wear garments by OEM/ODM. Its woven fabric and knitted products are outsourced for production by orders. They are measured in multiple units, including yard, kilogram and piece, so the production volume cannot be statistically measured. Besides, the products vary in unit and type, so their total yield cannot be measured.

2. The finished products for the Company's own use or OEM/ODM are excluded from the yield and output. The information on production capacity cannot be disclosed because the woven fabric and ready-to-wear garments are outsourced for production.

(VI) Sales Quantity and Value in the Past 2 Years

Unit: NT$ thousand

Year / Sales Quantity / Products	2019				2020			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Fabric (kg)	2,939,327	335,677	10,941,193	1,265,693	3,934,559	449,334	13,693,596	1,584,095
Ready-to-wear garments (thousand dozens)	4.62	15,331	3,331	4,852,779	6.18	20,522	4,169	6,073,560
Others (Note 2)		160,430		319,374		164,642		306,434
Total		511,438	Note 1	6,437,846		634,498	Note 1	7,964,089

Note: 1. The Company has a great variety of products, so the total sales cannot be measured. The Company has its woven fabric and knitted products outsourced for production. It uses multiple units including yard, kilogram and piece, so the sales cannot be measured.

2. Other revenues are from selling greige yarn, dyeing additive and greige, etc.

III. Information on Employees in the Past 2 Years

Year		2019	2020	2021 as of (March 31, 2021)
Number of Employees	Managerial Officer	55	51	48
	Production Line Staff	129	0	0
	General Employees	214	194	193
	Total	398	245	241
Average Age		40.5	44	44.7
Average Years of Employment		8.9	10.9	11
Educational Attainment	Ph.D. Degree	-	1	1
	Master's Degree	22	21	22
	Bachelor's Degree	209	173	169
	High School Diploma	82	39	38
	Below	85	11	11

IV. Environmental Protection Expenditure

1. The Company has suffered no loss from environmental pollution in the most recent year and as of the date of the annual report: None.
2. Countermeasures: The Company operates all of its existing equipment for pollution prevention and control in accordance with inspection standards of environmental agencies. The HQ implements measures for saving energy and reducing carbon emissions. In 2019, it replaced all of its lighting equipment with LED lights, and turns lights off at noon. Internally, it gives priority to purchase products labeled green, and carries out activities for reducing water consumption.

   For equipment in production zones, more importance is attached to their electric power and balance between process water and daily water usage, in order to effectively save energy and use water resources.

V. Labor Relations

1. The Company's Employee Benefits, Continuing Education, Training, Retirement Plan and Its Implementation, Labor Contracts and Measures for Safeguarding Employee Rights and Interests

   (1) Personnel system

   Recruit talents who recognize core value of the Company and grant employees referral rewards; improve the new employee care system: The personnel of the HR Department introduce core value, general information, rules, department heads, products, customers and internal procedures, etc of the Company to the new employees, in order that all new employees of the Company can better integrate themselves into the Company. The Company has appropriate performance, reward and punishment systems. It clarifies its development visions for its employees in combination with organizational and individual objectives.

   (2) Employee benefits

   I. Set up an employee welfare committee and set aside 1% employee welfare fund, 0.1% turnover, 40% sales from scraps and 0.5% employee contributions to effectively implement employee benefit programs.

   II. Send gifts and cash gifts on May Day, Dragon Boat Festival, Mid-Autumn Festival and other festivals; carry out activities such as lottery drawing for

Traditional Chinese Spring Festival, monthly birthday celebration and birthday book;

III. Annually pay employees year-end bonus.

IV. Buy and maintain labor insurance, national health insurance, foreign business travel insurance and group insurance for employees.

V. Annually organize two-day travel for employees and encourage employees to travel with their family members, who are given travel discounts.

VI. Implement bonus system for long employment. Offer employees with over 10 years of seniority extra bonuses every 5 years.

VII. Annually select employees who have made contributions to the Company, pay and issue bonuses and medals to them. Encourage other employees through public praise and reward mechanisms to create positive atmosphere for joint growth inside the Company.

VIII. Annually organize physical examinations for employees according to related rules and regularly care about employees' health.

IX. Organize sample garment auctions and irregularly offer employees discounts to buy the Company's products.

(3) Continuing education and training

The Company implements complete and effective education and training programs. In combination with its management system, it conveys its management concepts to constantly improves its employees work skills and human resources, to better their work performances and enhance core competencies of the Company.

To improve employees' knowledge, attitudes and skills necessary for transformation of the Company and the industry to drive its innovative growth, the Company has drafted Education and Training Management Procedures. Based on its overall development strategies and provisions of its job specifications on employees' career development and requirements for special missions, it has prepared learning blueprint and timetable for its employees. By integrating its internal and external resources, the Company fosters employees' capabilities necessary for their future development and promotion. Its on-the-job training programs for employees are divided into three major categories, which about management, general knowledge and fields of expertise. The programs are mainly delivered together through on-the-job training and internal training by introducing resources from external training organization, including comprehensive textile institutes and other partners.

(4) Implementation of retirement system

The Company has formulated retirement regulations for its regular employees. For hose employees to which the pension provisions of the Labor Standards Act, the Company monthly sets aside 6% of their monthly salary as their retirement fund, which is paid to the Employee Retirement Fund Supervisory Committee, and the committee will transfer the fund to the special accounts created in the Bank of China in its own name. Each employee with a seniority shorter than 15 years (inclusive) may be granted two base salaries every year of employment, and those with a seniority of more than 15 years will be given a base salary whenever they further work for the Company for another year, but they will be granted no more than 45 base salaries at maximum. The payment of an employee's pension is based on the seniority and the average salary (base salary) of 6 months before the approved retirement date. For employees to which the Labor Pension Act applies, 6% of their monthly salary will be set aside and paid to their individual pension accounts created at the Bureau of Labor Insurance.

(5) Labor disputes and measures for safeguarding employees' rights and interests

A. Quarterly hold a labor meeting, where the employees and the employer's representatives will jointly discuss issues on labor.

B. Set an anonymous discussion zone in the portal of the Company, where all employees can convey their opinions at liberty.

C. The Employee Welfare Committee handles matters about employee benefits.

D. The employer accepts employees' opinions or complaints.

E. The employees irregularly report their opinions to their immediate supervisors in any form.

F. Hold a symposium at the end of each year to enhance interactions between senior managers and employees. Apart from presenting management strategies of the Company, employees' advices on enterprise management will also be taken. Besides, positive two-way communication mechanism is established to shape friendly workplace cultures.

2. Losses from Labor Disputes in the Most Recent Year and as of the Date of the Annual Report, Estimated Amount of Current and Future Losses, and Responses: None.

VI. Important Contracts

Major Agreements

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Syndicated loan contract	11 banks including Chang Hwa Bank	5 years calculated from January 8, 2020	Loan amount: NT$2 billion	None

Chapter 6. Financial Information

I. Balance Sheet and Statement of Comprehensive Income

(I) Consolidated condensed balance sheet - IFRSs

Unit: NT$ thousand

Items \ Year		Financial information of the past 5 years (Note 1)					Financial information from current year to March 31, 2021
		2016	2017 (After restatement)	2018	2019	2020	
Current assets		3,825,039	3,824,938	4,223,367	3,766,623	4,274,305	4,066,808
Property, plant and equipment, net		2,351,559	2,364,498	2,248,269	2,268,622	2,074,710	2,092,371
Intangible assets, net		273,923	253,957	262,892	254,665	262,983	265,663
Other assets		305,822	629,518	372,106	695,209	1,500,922	1,488,018
Total assets		6,756,343	7,072,911	7,106,634	6,985,119	8,112,920	7,912,860
Current liabilities	Before distribution	2,971,581	2,798,664	3,047,731	2,726,369	3,020,975	2,934,814
	After distribution	2,971,581	2,798,664	3,047,731	2,726,369	Note 3	Note 4
Non-current liabilities		1,393,370	1,797,948	1,523,799	1,689,587	1,759,945	1,638,907
Total liabilities	Before distribution	4,364,951	4,596,612	4,571,530	4,415,956	4,780,920	4,573,721
	After distribution	4,364,951	4,596,612	4,571,530	4,415,956	Note 3	Note 4
Equity attributable to owners of parent		2,289,221	2,365,281	2,412,607	2,445,524	3,188,038	3,175,050
Share capital		2,102,622	2,102,622	2,336,247	2,336,247	2,336,247	2,336,247
Capital surplus		231,746	231,746	235,155	235,155	234,052	234,272
Retained earnings	Before distribution	368,404	288,860	228,457	307,142	473,640	449,157
	After distribution	368,404	288,860	228,457	307,142	Note 3	Note 4
Other equity		(413,551)	(257,947)	(387,252)	(433,020)	144,099	155,374
Treasury stock			-	-	-	-	-
Non-controlling interest		102,171	111,018	122,497	123,639	143,962	164,089
Total equity	Before distribution	2,391,392	2,476,299	2,535,104	2,569,163	3,332,000	3,339,139
	After distribution	2,391,392	2,476,299	2,535,104	2,569,163	Note 3	Note 4

Note 1. The financial information listed above has been audited, reviewed and attested by accountants.

Note 2. The figures listed above after distribution are based on the resolution of the general shareholders' meeting of the following year.

Note 3. The plan for earings appropriation for 2020 is to be resolved by the shareholders' meeting.

Note 4. Inapplicable to Q1 of 2021.

(II) Consolidated condensed balance sheet - IFRSs

Unit: NT$ thousand

Items \ Year		Financial information of the past 5 years (Note 1)					Financial information from current year to March 31, 2021
		2016	2017 (After restatement)	2018	2019	2020	
Current assets		823,714	897,797	1,591,971	1,149,187	1,870,397	N/A
Property, plant and equipment (Note 2)		717,090	643,551	547,726	536,906	436,000	N/A
Intangible assets, net		3,481	3,817	9,846	5,387	17,732	N/A
Other assets (Note 2)		3,525,055	3,783,176	2,946,760	3,089,191	3,656,406	N/A
Total assets		5,069,340	5,328,341	5,096,303	4,780,671	5,980,535	N/A
Current liabilities	Before distribution	1,526,925	1,480,059	1,383,941	1,018,455	1,138,028	N/A
	After distribution	1,526,925	1,480,059	1,383,941	1,018,455	Note 3	N/A
Non-current liabilities		1,253,194	1,483,001	1,299,755	1,316,692	1,654,469	N/A
Total liabilities	Before distribution	2,780,119	2,963,060	2,683,696	2,335,147	2,792,497	N/A
	After distribution	2,780,119	2,963,060	2,683,696	2,335,147	Note 3	N/A
Share capital		2,102,622	2,102,622	2,336,247	2,336,247	2,336,247	N/A
Capital surplus		231,746	231,746	235,155	235,155	234,052	N/A
Retained earnings	Before distribution	368,404	288,860	228,457	307,142	473,640	N/A
	After distribution	368,404	288,860	228,457	307,142	Note 3	N/A
Other equity		(413,551)	(257,947)	(387,252)	(433,020)	144,099	N/A
Treasury stock		-	-	-	-	-	N/A
Total equity	Before distribution	2,289,221	2,365,281	2,412,607	2,545,524	3,188,038	N/A
	After distribution	2,289,221	2,365,281	2,412,607	2,545,524	Note 3	N/A

Note 1. The financial information listed above has been audited, reviewed and attested by accountants.

Note 2. The figures listed above after distribution are based on the resolution of the general shareholders' meeting of the following year.

Note 3. The plan for earnings appropriation for 2020 is to be resolved by the shareholders' meeting.

(III) Consolidated condensed income statement-IFRSs

Unit: NTD thousand (excluding earnings per share)

Items \ Year	Financial information of the past 5 years (Note 1)					Financial information from current year to March 31, 2021
	2016	2017 (After restatement)	2018	2019	2020	
Sales Revenue	7,109,396	7,259,347	7,417,890	6,949,284	8,598,587	1,624,326
Gross Profit	1,270,704	1,425,576	1,314,695	1,178,487	2,216,480	355,510
Operating Income	55,850	76,870	(63,188)	(60,858)	432,561	38,461
Non-operating income and expenses	(126,775)	(53,068)	113,582	21,632	(166,059)	(14,280)
Profit before income tax	(70,925)	23,802	50,394	(39,226)	266,502	24,181
Income from Continuing Operations	(162,643)	(70,166)	(43,749)	(172,458)	164,775	(22,627)
Loss from Discontinued Operations	-	-	-	-	-	-
Net Income (Loss)	(162,643)	(70,166)	(43,749)	(172,458)	164,775	(22,627)
Other comprehensive income (loss) for the current period (net amount after tax)	(55,783)	152,578	(132,912)	201,547	575,900	11,206
Total comprehensive income for the year	(218,426)	82,412	(176,661)	29,089	740,675	(11,421)
Net Income Attributable to Shareholders of the Parent	15,269	(76,597)	(60,527)	(171,877)	168,120	(24,483)
Net Income Attributable to Non-controlling Interests	(177,912)	6,431	16,778	(581)	(3,345)	1,856
Comprehensive Income Attributable to Owners of the Parent	(13,298)	76,060	(190,157)	32,979	743,617	(13,208)
Comprehensive Income Attributable to Non-controlling Interests	(205,128)	6,352	13,496	(3,890)	(2,942)	1,787
Earnings per Share	0.07	(0.36)	(0.29)	(0.74)	0.72	(0.10)

Note 1: The financial information listed above has been audited, reviewed and attested by accountants.

(IV) Consolidated Condensed Income Statement - IFRSs

Unit: NTD thousand (excluding earnings per share)

Items \ Year	Financial information of the past 5 years (Note 1)					Financial information from current year to March 31, 2021
	2016	2017 (After restatement)	2018	2019	2020	
Sales Revenue	2,946,715	3,066,133	3,550,765	2,581,433	5,626,250	N/A
Gross Profit	470,049	412,014	445,852	444,662	1,318,976	N/A
Operating Income	121,200	13,154	29,322	60,555	405,436	N/A
Non-operating income and expenses	(80,069)	(67,890)	(76,715)	(196,650)	(187,262)	N/A
Profit before income tax	41,131	(54,736)	(47,393)	(136,095)	218,174	N/A
Income from Continuing Operations	15,269	(76,597)	(60,527)	(171,877)	168,120	N/A
Loss from Discontinued Operations	-	-	-	-	-	N/A
Net Income (Loss)	15,269	(76,597)	(60,527)	(171,877)	168,120	N/A
Other comprehensive income (loss) for the current period (net amount after tax)	(28,567)	152,657	(129,630)	204,856	575,497	N/A
Total comprehensive income for the year	(13,298)	76,060	(190,157)	32,979	743,617	N/A
Net Income Attributable to Shareholders of the Parent	15,269	(76,597)	(60,527)	(171,877)	168,120	N/A
Net Income Attributable to Non-controlling Interests	-	-	-	-	-	N/A
Comprehensive Income Attributable to Owners of the Parent	(13,298)	76,060	(190,157)	32,979	743,617	N/A
Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-	N/A
Earnings per Share	0.07	(0.36)	(0.29)	(0.74)	0.72	N/A

Note 1: The financial information listed above has been audited, reviewed and attested by accountants.

(V) Names and audit opinions of CPAs

Year	Accounting Firm	CPA	Accounting Opinions
2016	KPMG	CHIEN, Ti Nuan, CHIH, Shih Chin	Unmodified opinions
2017	KPMG	CHIEN, Ti Nuan, CHIH, Shih Chin	Unmodified opinions
2018	KPMG	CHIEN, Ti Nuan, CHIH, Shih Chin	Unmodified opinions
2019	KPMG	CHIEN, Ti Nuan, CHIH, Shih Chin	Unmodified opinions

II. Financial Analysis for the Past 5 Years

(I) Analysis on consolidated financial standing – IFRSs

Item (Note 2) \ Year		Financial analysis for the last five years					As of March 31, 2021
		2016	2017 (After restatement)	2018	2019	2020	
Financial Structure (%)	Debt ratio	64.61	64.99	64.33	63.22	58.93	57.80
	Ratio of long-term capital to property, plant and equipment	170.37	181.26	175.99	188.57	234.47	238.92
Solvency (%)	Current ratio	128.72	136.67	138.57	138.16	141.49	138.57
	Quick ratio	81.53	88.78	85.66	85.13	92.03	93.27
	Interest coverage ratio	(0.04)	1.29	1.56	0.61	3.76	2.21
Operating performance	Accounts receivable turnover (times)	6.48	6.27	6.63	6.42	7.85	5.90
	Average collection days	56.32	58.21	55.05	56.85	46.49	61.86
	Inventory turnover (times)	4.26	4.70	4.62	4.22	4.83	3.97
	Accounts payable turnover (times)	9.80	8.92	8.15	7.73	8.97	7.15
	Average turnover days	85.68	77.66	79.00	86.49	75.57	91.94
	Property, plant and equipment turnover (times)	3.20	3.08	3.22	3.08	3.96	3.12
	Total assets turnover (times)	1.05	1.03	1.04	0.99	1.06	0.82
Profitability	Return on total assets (%)	(1.55)	(0.14)	0.40	(1.30)	3.21	(0.08)
	Return on equity (%)	(6.33)	(2.88)	(1.75)	(6.76)	5.58	(0.68)
	Pre-tax profit to paid-in capital (%) (Note 6)	(3.37)	1.13	2.16	(1.68)	11.41	1.04
	Net profit margin (%)	(2.29)	(0.97)	(0.59)	(2.48)	1.92	(1.39)
	Earnings per share (NTD)	(0.07)	(0.36)	(0.29)	(0.74)	0.72	(0.01)
Cash flows	Cash flow ratio (%)	16.33	5.24	(3.42)	4.84	23.48	(1.17)
	Cash flow adequacy ratio (%)	29.24	36.12	27.74	38.52	86.52	38.52
	Cash flow reinvestment ratio (%)	9.07	2.66	(1.84)	2.40	2.49	(0.66)
Leverage	Operating leverage	4.88	3.84	(2.40)	(3.32)	1.59	2.55
	Financial leverage	(4.53)	18.83	0.41	0.38	1.29	2.07

Description of changes in various financial ratios by at least 20% in the last two years:

1. The increase in operating performance and profitability in the current period was mainly due to the acquisition of the orders for protective suits and quarantine suits in 2020; thus, the net profit was higher than that in 2019. As a result, the operating performance and profitability in 2020 increased compared with that in 2019.
2. The increase in cash flow ratio and leverage was due to a 317% increase in cash inflow from operating activities during the current period compared with that in 2019.

Note 1. The financial information listed above has been audited, reviewed and attested by accountants.

Note 2. The formulas of the above table are as follows:

1. Financial structure
   (1) Debt ratio = Total liabilities/Total assets.
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/Current liabilities.
   (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
   (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
   (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
   (3) Inventory turnover rate = Cost of goods sold/Average inventories.
   (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
   (5) Average days for sale of goods = 365/Inventory turnover rate.
   (6) Real estate, plants and equipment turnover rate＝ Net sales／Average real estate, plants and equipment, net..
   (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
   (1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.
   (2) Return on equity = Income after tax/Average total equity.
   (3) Net profit margin = Income after tax/Net sales.
   (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued. (Note 4)
5. Cash flows
   (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
   (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
   (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 5)
6. Leverage
   (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 6).
   (2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 3. Special attention shall be paid to the following matters when using the calculation formula of earning per share above:

1. Shares outstanding is based on weighted average shares, and not based on year end shares

outstanding.

2. Cash offerings or treasury stock transactions are considered in calculating weighted average shares.
3. Earnings appropriation or reserves to paid in capital shall be calculated and adjusted accordingly.
4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are paid out in dividends), from after tax net profit. If preferred shares are non-cumulative, in the event of net profits, preferred shares shall be subtracted after tax, but no adjustments needed if there are losses.

Note 4. Special attention should be paid to the following when measuring cash flow analysis:

1. Cash flows from operating activities refers to operating cash flows.
2. Capital expenditures are from the annual cash flow statements on capital expenditure outflows.
3. Inventory increases are from period end balance greater than period beginning balances, if inventories are less, then zero is applied.
4. Cash dividends includes common stock and preferred shares dividends.
5. Gross amount of property, plant, and machinery balance is their total amount determined before subtracting accumulative depreciation.

Note 5. The issuer shall classify the operating costs and operating expenses as fixed or variable as per their nature. If it involves estimation or subjective judgment, they are classified based on rationality and consistency.

Note 6. Where Corporation shares have no par value or where the par value per share is not NTD 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent Corporation of the asset balance sheet.

(II) Analyses on individual financial standing —International Financial Reporting Standards (IFRSs)

Items (Note 3)	Year (Note 1)	Financial Analysis for the Past 5 Years					2021 (As of March 31, 2020)
		2016	2017 (After restatement)	2018	2019	2020	
Financial Structure (%)	Debt ratio	54.84	55.61	52.66	48.85	46.69	N/A
	Ratio of long-term capital to property, plant, and equipment	529.08	565.66	623.26	693.73	995.47	N/A
Solvency (%)	Current ratio	53.95	60.66	115.03	112.84	164.35	N/A
	Quick ratio	32.00	40.49	85.97	70.32	111.39	N/A
	Interest coverage ratio	2.34	(0.46)	(0.14)	(3.07)	7.40	N/A
Operating Ability	Accounts receivable turnover rate (times)	8.26	8.67	7.86	6.64	14.38	N/A
	Average days for cash receipts	44.18	42.09	46.43	54.96	25.38	N/A
	Inventory turnover rate (times)	10.34	10.67	12.94	10.61	13.14	N/A
	Accounts payable turnover rate (times)	8.07	8.83	8.12	6.65	13.38	N/A
	Average days for sale of goods	35.29	34.20	28.20	34.40	27.77	N/A
	Property, plant, and equipment turnover rate (times)	4.40	4.51	5.96	5.26	11.57	N/A
	Total assets turnover rate (times)	0.58	0.58	0.68	0.60	0.94	N/A
Profitability	Return on total assets (%)	0.81	(0.87)	(0.52)	(2.94)	3.63	N/A
	Return on equity (%)	0.68	(3.29)	(2.53)	(7.08)	5.97	N/A
	Pre-tax profit to paid-in capital (%) (Note 6)	1.96	(2.60)	(2.03)	(5.83)	9.34	N/A
	Net profit margin (%)	0.52	(2.50)	(1.70)	(6.03)	2.99	N/A
	Earnings per share (NT$)	0.07	(0.36)	(0.29)	(0.74)	0.72	N/A
Cash Flows	Cash flow ratio (%)	17.63	4.24	(15.04)	15.23	21.79	N/A
	Cash flow adequacy ratio (%)	226.75	139.01	106.83	178.94	174.14	N/A
	Cash reinvestment ratio (%)	6.84	1.63	1.56	3.86	3.83	N/A
Leverage	Operating leverage	1.21	3.51	2.06	1.58	1.07	N/A
	Financial leverage	1.34	(0.54)	(2.39)	2.23	1.09	N/A

Reasons for any changes in financial ratios up to 20% in the past two years:

1. The increase in operating performance and profitability in the current period was mainly due to the acquisition of the orders for protective suits and quarantine suits in 2020; thus, the net profit was higher than that in 2019. As a result, the operating performance and profitability in 2020 increased compared with that in 2019.
2. The increase in cash flow ratio and leverage was due to a 60% increase in cash inflow from operating activities during the current period compared with that in 2019.

Note 1. The financial information listed above has been audited, reviewed and attested by accountants.

Note 2. The formulas of the above table are as follows:

1. Financial structure
   (1) Debt ratio = Total liabilities/Total assets.
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/Current liabilities.

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

(3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.

3. Operating ability

(1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average days for cash receipts = 365/Accounts receivable turnover rate.

(3) Inventory turnover rate = Cost of goods sold/Average inventories.

(4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.

(5) Average days for sale of goods = 365/Inventory turnover rate.

(6) Real estate, plants and equipment turnover rate＝ Net sales／Average real estate, plants and equipment, net..

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

4. Profitability

(1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.

(2) Return on equity = Income after tax/Average total equity.

(3) Net profit margin = Income after tax/Net sales.

(4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued. (Note 4)

5. Cash flows

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

(2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).

(3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 5)

6. Leverage

(1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 6).

(2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 3. Special attention shall be paid to the following matters when using the calculation formula of earning per share above:

1. Shares outstanding is based on weighted average shares, and not based on year end shares outstanding.

2. Cash offerings or treasury stock transactions are considered in calculating weighted average shares.

3. Earnings appropriation or reserves to paid in capital shall be calculated and adjusted accordingly.

4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are paid out in dividends), from after tax net profit. If preferred shares are non-cumulative, in the event of net profits, preferred shares shall be

subtracted after tax, but no adjustments needed if there are losses.

Note 4. Special attention should be paid to the following when measuring cash flow analysis:

1. Cash flows from operating activities refers to operating cash flows.
2. Capital expenditures are from the annual cash flow statements on capital expenditure outflows.
3. Inventory increases are from period end balance greater than period beginning balances, if inventories are less, then zero is applied.
4. Cash dividends includes common stock and preferred shares dividends.
5. Gross amount of property, plant, and machinery balance is their total amount determined before subtracting accumulative depreciation.

Note 5. The issuer shall classify the operating costs and operating expenses as fixed or variable as per their nature. If it involves estimation or subjective judgment, they are classified based on rationality and consistency.

Note 6. Where Corporation shares have no par value or where the par value per share is not NTD 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent Corporation of the asset balance sheet.

III. Audit Committee's Audit Report for the Most Recent Year's Financial Statements: please refer to Page112.

IV. Financial Statements for the Most Recent Year: Please refer to Page 127~206.

V. Individual Consolidated Financial Statements Duly Audited by The Certified Public Accountants in the Most Recent Year: please refer to Page 207~287.

VI. Effects of Any Financial Difficulty of the Company and Its Affiliates on Financial Position of the Company in the Most Recent Year and as of the Date of the Annual Report : None.

Audit Committee's Report

Approved

The Audit Committee has completed the review of the 2020 financial statements (including parent company only financial statements and consolidated financial statements), business report for 2020 and earnings distribution plan audited by CPAs Kuo-yang Tseng and Ti-nuan Chien from KPMG in accordance with the laws, and found no inconsistencies. Please review the Report which has been prepared in accordance with Article 219 of the Company Act.

To the 2021 General Shareholders' Meeting of TEX-RAY INDUSTRIAL CO., LTD.

Audit Committee of TEX-RAY INDUSTRAIL CO., LTD.

Convened by: Lee Mu Jung

March 26,2021

Chapter 7. Review and Analysis of Financial Position and Financial Performance, and Listing of Risks

I. Financial Position

Comparative Analysis of Financial Position

Unit: NT$ thousand

Year / Items	2019	2020	Difference	
			Amount	%
Current assets	3,766,623	4,274,305	507,682	13.48%
Property, plant and equipment, net	2,268,622	2,074,710	(193,912)	(8.55%)
Intangible assets, net	254,665	262,983	8,318	3.27%
Other assets	695,209	1,500,922	805,713	115.90%
Total assets	6,985,119	8,112,920	1,127,801	16.15%
Current liabilities	2,726,369	3,020,975	294,606	10.81%
Non-current liabilities	1,689,587	1,759,945	70,358	4.16%
Total liabilities	4,415,956	4,780,920	364,964	8.26%
Share capital	2,336,247	2,336,247	-	-
Capital surplus	235,155	234,052	(1,103)	(0.005%)
Retained earnings	307,142	473,640	166,498	54.21%
Other equity	(433,020)	144,099	577,119	(133.28%)
Non-controlling interest	123,639	143,962	20,323	16.44%
Total shareholder equity	2,569,163	3,332,000	762,837	29.69%

Notes:
Increase in other assets: Mainly due to the reclassification of the property, plant and equipment in Tainan into investment property in 2020.
Increase in retained earnings: In 2020, due to orders for protective suits and quarantine suits obtained, revenue and retained earnings increased.
Increase in other equity: Due to the reclassification of the property, plant and equipment in Tainan into investment property in 2020, resulting in an increase in property revaluation of NT$761,166,000.

II. Financial Performance

Comparative Analysis of Business Results

Unit: NT$ thousand

Items / Year	2019	2020	% of change	Net sales
Operating costs	6,949,284	8,598,587	1,649,303	23.73%
Operating costs	5,770,797	6,382,107	611,310	10.59%
Gross Profit	1,178,487	2,216,480	1,037,993	88.08%
Operating expenses	1,239,345	1,783,919	544,574	43.94%
Net operating income	(60,858)	432,561	493,419	(810.77%)
Non-operating income and expenses	21,632	(166,059)	(187,691)	(867.65%)
Net income before tax from continuing operating department	(39,226)	266,502	305,728	(779.40%)
Income tax expense	133,232	101,727	(31,505)	(23.65%)
Profit for the year	(172,458)	164,775	337,233	(195.55%)
Other comprehensive income (after tax)	201,547	575,900	374,353	185.74%
Total comprehensive income for the year	29,089	740,675	711,586	2446.24%
Net profit attributable to the owner of the parent company	(171,877)	168,120	339,997	(197.81%)
Total comprehensive income (loss) attributable to the owner of the parent company	32,979	743,617	710,638	2154.82%

Notes:
1. Analysis of non-operating income and expenditure: In 2020, due to orders for protective suits and quarantine suits obtained, operating revenue in the current period increased compared with that in 2019.
2. Operating expenses: The expected credit impairment loss of NT$ 155,294,000 was recognized, and the operating expenses related to protective suits and quarantine suits were recognized.
3. Non-operating income and expenses: In 2020, NT$67,859,000 for the Yancheng Plant and NT$4,000 for Tainan Plant No. 1 were recognized in losses of property, plant and equipment.Analysis of the net profit attributable to the owners of the parent company: ue to orders for protective suits and quarantine suits obtained in 2020, the net profit for the current period increased compared with that in 2019.

Estimated Sales Quantity, Estimation Basis, Potential Effects upon Future Financial Affairs of the Company and Response Plan:

Company and Response Plan:

Impacted by the outbreak of COVID-19 in 2020, the global apparel market exhibited pessimistic growth, and the market demands drastically declined in Europe and America. Brands successively required supply suspension or delay of the supply chain. They even canceled orders. The Taiwan textile industry has been seriously impacted as well. In addition, brands have become to reflect upon risks of centralized production. They speed up their re-planning of orders and production bases. All these factors have caused changes in pattern of the global textile supply chain. For the Taiwan textile industry, this is not only a crisis, but also an opportunity.

In the past 20 years, the Taiwan textile industry has become an important place for R&D and production of functional fabric in the world dependent upon its advantages in R&D innovations and flexible production. However, the creative applications of functional textiles have been subject to bottlenecks these years. The products become more and more homogeneous among manufacturers. This phenomenon has become a major hidden trouble in the textile industry. Only if the Taiwan functional textiles are upgraded and transformed faster can they become more competitive in the markets. The global epidemic of COVID-19 in 2020 impacted the Company's business performances in Q1 and Q2. The orders in June, July and August have been fully recovered and the impacts of the epidemic have been minimized. Besides, the Company reviews its manufacturers from time to time. It will adopt stop loss strategy for inefficient and non-profit organizations. It will thoroughly review its business operations and take initiatives to seize opportunities when they come.Although faced with daunting challenges in 2020, the Company will strive to:

1. Strengthen the management of the global supply network to meet customers' demand for tariff-free and rapid supply to achieve global supply upon placement of orders.

2. Further develop the regional market and provide more diverse products in local domestic markets to achieve the regional economy in the operational goals.

3. Strengthen R&D and design capabilities and optimize market value and product quality to increase profits.

4. Strengthen the development of eco-friendly and functional textiles with the aim of achieving technological innovation and developing potential brands.

5. Adjust the business model, streamline the organizational structure and operating procedures, and restructure the organization to eliminate poorly managed units to reduce costs effectively.

6. Develop positive relationship with affiliates to expand production capacity and increase economic benefits.

III. Cash Flow

Cash Flow Analysis

Unit: NT$ thousand

Cash at Beginning of Year	Net Cash Flows from Operating Activities	Cash Flows Used	Effect of exchange rate changes on cash and cash equivalents	Cash Surplus (Inadequacy)	Remedial Measures for Cash Inadequacy	
					Investment Plan	Financial Plan
843,457	709,204	(125,612)	(58,731)	1,368,318	-	-

Note 1. Analysis of variance in cash flow in current year:
(1) Operating activities: 709,204
(2) Investments: (219,987)
(3) Financing: 94,375
2. Remedies for cash inadequacy and liquidity analysis: None
3. Analysis on cash liquidity in the upcoming year: None

Cash at Beginning of Year	Expected net cash flow from operating activities of the whole year	Expected cash outflow of the whole year	Effect of exchange rate changes on cash and cash equivalents	Cash Surplus (Inadequacy)	Remedial Measures for Cash Inadequacy	
					Investment Plan	Financial Plan
1,368,318	431,634	(195,569)	(75,014)	1,529,368	-	-

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year

(I) The subsidiary Jiangsu Tex-Ray Fiber Technology Co., Ltd. planned to expand its sewage treatment equipment in the Yancheng production area this year using its own funds while with some funds from banks.

(II) Estimated potential benefits:

After the expansion is completed, the plant can be leased out to obtain rental income.

V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for Upcoming Year: The Company made no major investment in 2020, expected to have no major investment plan for 2021 either.

VI. Items of Risk Evaluation:

(I) Effects of Interest Rate/Exchange Rate Fluctuations and Inflation in the Most Recent Fiscal Year upon Profits (Losses) of the Company and Future Responses:

1. Recently, interest has begun to rise. While maintaining an appropriate financial structure, the Company has applied for syndicated bank loans amounting to NT$1.4 billion, in order to obtain stable capital sources.

2. Exchange gain or loss in the past 2 years

Unit: NT$ thousand

Items \ Year	2019	2020
Net exchange gain (loss)	(4,844)	(51,524)
Ratio of net exchange gain (loss) to net revenue	(0.0007)	(0.0060)

In order to avoid the potential impact of exchange rate fluctuations on profit, the Company has taken the following response measures:

(1) For the fund transfer in foreign currency, international purchases are accounted as local purchases, and the payment of foreign exchange expenses shall be from the Company's own foreign exchange income, in order to effectively reduce exchange risks.

(2) Collect information on exchange rate fluctuations anytime to fully understand exchange rate fluctuations, determine the time for converting NTD or depositing them in a foreign exchange account.

(3) Improve product quality and added value. Get dedicated to controlling costs, increasing gross profits of products and reducing effects of exchange rate fluctuations upon gross profit.

3. The Company conducts its businesses mainly by receiving orders and outsourcing production. The inflation cost and risk can be properly transferred to suppliers or reflect order prices. In addition, decentralize production by international purchases, to effectively avoid impacts of regional inflation.

(II) Policy on high-risk investments, highly leveraged investments, loans to other parties, endorsements/guarantees, and derivatives transactions, main reasons for the profit (loss) generated thereby, and future responses:

1. In 2020, the Company neither made high-risk and highly leveraged investments nor traded derivatives.

2. In 2020, all objects of the Company's loans were its affiliates directly engaging in business management, and the affiliates borrowed the money from the Company for short-term operations. The loans were mainly granted for the affiliates' short-term financial needs and would be easily repaid by profits from future business operations, in order to avoid excess capital investments and reduce troubles of loan repayment. They had no material impacts upon profits (losses) of the Company.

3. The Company provided endorsements/guarantees for its affiliates directly engaging in its business management in 2020, because such affiliates had to applied to banks for issuing loan guarantees for opening and working capital line. In terms of finance, the affiliates were required to independently bear the working capital cots, so the parent company provided guarantees for the affiliates in a short term and enabled the affiliates to gradually establish business relations with banks, in order to keep financially independent in a long term. The Company has

directly engaged in business management. The guarantee risks were equivalent to operating risks. On the premise of guaranteeing the Company's overall business operations and financial standing, the Company will gradually reduce the guaranteed amount and ratio.

(III) Future R&D Plans and Expected R&D Spending

Main R&D plans for 2020~2025	Expected investments
New product R&D and function extension of functional products ● Sport series ● Environment-friendly series ● Medical protection series ● Intelligent textile series	Revenue achievement rate: 0.5~1.5%
Professional team ● Improve ODM team ● Build TD team	Internal training
Evaluation and introduction of automation equipment ● Integrate global patterning and coding systems ● Automatic warehousing ● Automatic marking machines	NT$35,000 thousand
Information system ● Global ERP and production system optimization ● Corporate BI introduction ● Upgrade of information security system	NT$45,000 thousand

(IV) Impacts of changers in domestic and foreign important policies and laws on financial operations of the Company in the most recent year and responses: None.

(V) Effects of science, technology and industry changes on financial operations of the Company and responses: None.

(VI) Effects of changes in company image upon corporate crisis management and responses:

Since its listing in December 1998, the Company has lawfully appointed spokespersons, proxy spokespersons and full-time personnel for information disclosure. It provides its investors with real-time and transparent business information.

(VII) Expected benefits and possible risks associated with M&A and responses: None.

(VIII) Expected benefits and possible risks associated with plant expansion, and responses: none.

(IX) Risks associated with consolidation of sales or purchases, and responses:

The Company mainly sold its products to international brands and big factories, so the risk for receiving payments was low. It also bought and maintained appropriate insurances, so it never suffered loss from major credit losses.

(X) Effects of significant equity transfer or exchange by directors, supervisors or shareholders holding over 10% shares upon the Company, risks and responses: None.

(XI) Impact and risk associated with changes in management rights, and countermeasures: N/A

(XII) Litigation and non-litigation matters:

1. Settled or pending litigation, non-litigation or administrative proceedings involving the Company, its directors, supervisors, President, substantive owner, shareholders holding over 10% shares and affiliates: Zhengwei Xingye Co., Ltd., as a subsidiary of the Company, is involved in some administrative proceedings. For details, please refer to Page194 of the financial report attached hereunder or the disclosure on contingent liabilities.
2. Involvement of the Company's directors, supervisors, managerial officers, or shareholders holding more than 10% of the Company's shares in affairs specified in Article 157 of the Securities and Exchange Act and the Company's current handling status in the past two years and as of the date of the Annual Report: None.
3. Financial difficulties or credit loss of the Company's directors, supervisors, managerial officers and shareholders holding over 10% of the Company's shares in the past two years and as of the date of the Annual Report: None.
4. Others: None.

(XIII) Other important risks: None.

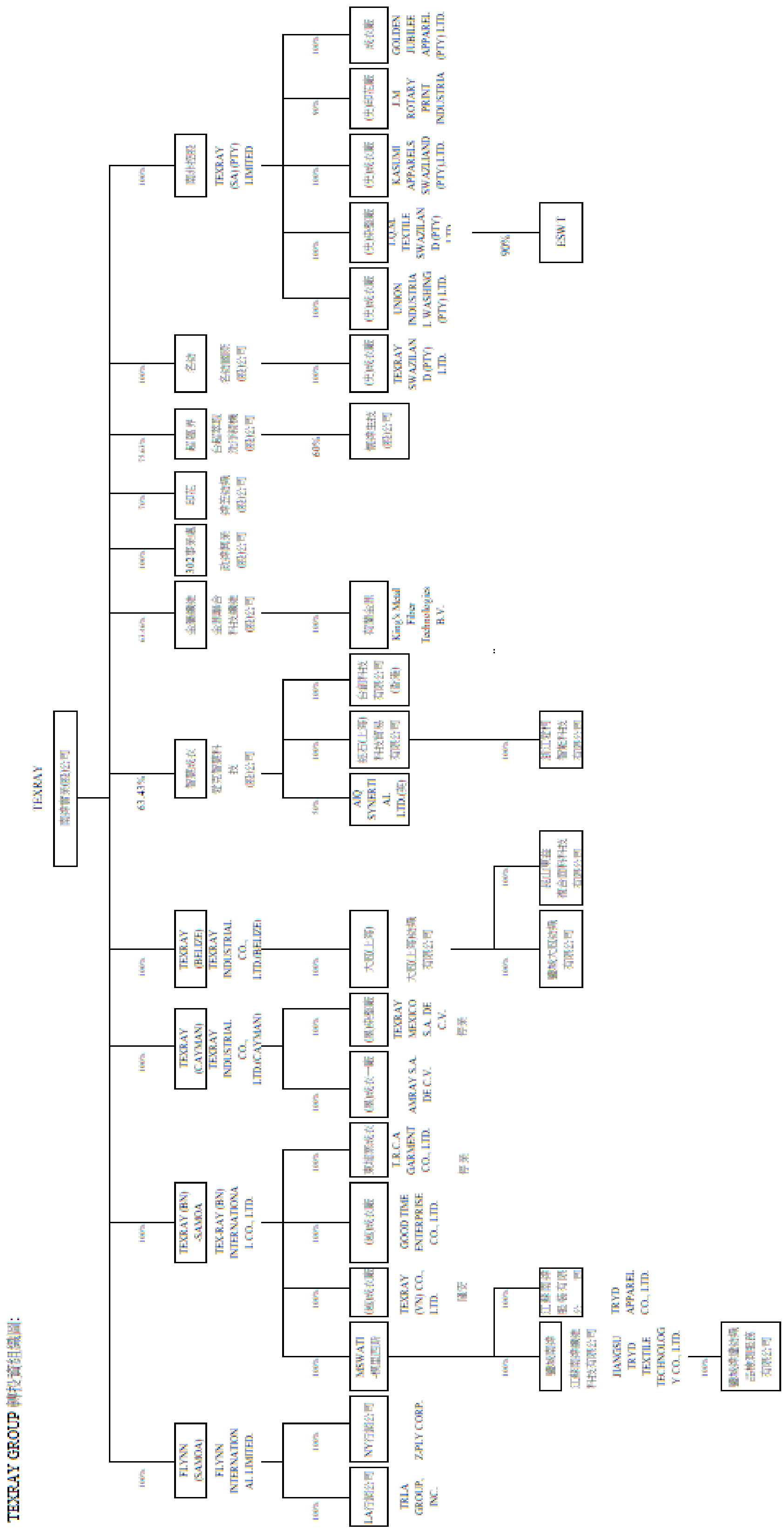
VII. Other important matters: None.

Chapter 8. Special Disclosure

I. Information on Affiliates:

(I) The Consolidated business reports of the affiliates

1. Organizational chart of the affiliates



2. Basic information of the affiliates

Names of Affiliates	Currency	Paid in Capital (NT$)	Places	Principal Business Activities
Belize	USD	32,348,213	Belize	Holding Company
Cayman	USD	33,542,722	Cayman	Holding Company
TRM (Mexico)	PESOS	427,321,500	Mexico	Dyeing and finishing factory
AMRAY (Mexico)	PESOS	80,847,394	Mexico	Ready-to-wear garment processing
TRLA	USD	2,518,425	U.S.A.	Marketing and trade
Z-PLY	USD	50,000	U.S.A.	Marketing and trade
King's	TWD	208,269,870	Taichung	Metal Fiber
FLYNN	USD	9,100,000	SAMOA	Holding Company
Mingfang International	TWD	45,336,000	Taipei	Holding Company
TRS	SZL	12,417,938	eSwatini	Ready-to-wear garment processing
Texray (Shanghai)	CNY	60,749,260	Shanghai	Textile warehousing and trading
Yancheng Texray (Shanghai)	CNY	9,000,000	Yancheng	Textile warehousing and trading
TEXRAY(BN)	USD	60,579,330	SAMOA	Holding Company
TEXRAY(VN)-LA	VND	295,096,268,000	Vietnam	Ready-to-wear garment plant
TRCA	USD	2,000,000	Cambodia	Ready-to-wear garment plant
GOOD TIME	VND	146,223,419,336	Vietnam	Ready-to-wear garment processing
KASUMI	SZL	1,657,400	eSwatini	Ready-to-wear garment processing
TQM	SZL	132,525,183	eSwatini	Dyeing/finishing
UIW	SZL	12,031,000	eSwatini	Ready-to-wear garment processing
J.M	SZL	6,242,977	eSwatini	Print processing factory for ready-to-wear garments
MSWATI	USD	37,052,330	Mauritius	Holding Company
Texray Yancheng Fiber	CNY	357,560,939	Yancheng	Woven fabric dyeing, finishing and lamination
Jiangsu Texray	CNY	33,385,000	Yancheng	Ready-to-wear

Names of Affiliates	Currenc y	Paid in Capital (NT$)	Places	Principal Business Activities
Yancheng Garments				garment plant
Zhengwei	TWD	5,000,000	Taipei	GJB.302
TST	TWD	99,000,000	Changhua	Machine manufacturing
TAICHUANG	HKD	100,000	Hong Kong	Machine marketing and trade
EXC	TWD	63,300,000	Taipei	Intelligent ready-to-wear garments
Jingshi Shanghai	CNY	10,557,001	Shanghai	King's marketing
TEXRAY SA	ZAR	39,651,772	South Africa	Marketing company
Yancheng Inspection	CNY	6,000,000	Yancheng	Inspection center
King's (Netherlands)	EUR	200,000	Netherlands	Marketing company
Kunshan Dongyi	CNY	35,280,000	Jiangsu Province	Ready-to-wear garment plant
GOLDEN JUBLEE	ZAR	5,000,000	eSwatini	Ready-to-wear garment plant
Zhejiang AKE	CNY	2,626,000	Zhejiang Province	Intelligent ready-to-wear garments
AiQ-S	GBP	100,000	United Kingdom	Intelligent ready-to-wear garments
Weili	TWD	30,000,000	Taipei	Woven fabric printing and dyeing plant
Huaiwei	TWD	20,000,000	Taipei	Biotechnology Service
ESWT	SZL	1,000,000	eSwatini	Sales of agricultural products

3. Information on directors, supervisors, and presidents of affiliates

Names of Affiliates	Position	Name or Representative
TEXRAY Belize	Director	Lin Zui Yeh (TEXRAY representative)
TEXRAY Cayman	Director	Lin Zui Yeh (TEXRAY representative)
TRM (Mexico)	Director	Yung-Lang Wei (TEXRAY Representative)
AMRAY (Mexico)	Director	Yung-Lang Wei (Representative)
TRLA	Director	Lin Zui Yeh (Representative)
Z-PLY	Director	Feng-ying Yeh (Representative)
King's	Chairman	Lin Zui Yeh (TEXRAY representative)
FLYNN	Director	Yao Wan Kuei (TEXRAY Representative)
Mingfang International	Chairman	Lin Zui Yeh (TEXRAY representative)
TEXRAY ESWATINI	Chairman	Lin Zui Yeh (Representative)
Texray (Shanghai)	Chairman	Lin Zui Yeh (Representative)
Yancheng (TEXRAY)	Director	Lin Zui Yeh (Representative)
TEXRAY(BN)	Director	Hsiao-Chin Mu (TEXRAY Representative)
TEXRAY (VN)-LA	Director	Hung-Hsü Lin (Representative)
TRCA GARMENT	Director	Li-Cheng Chen (Representative)
GOOD TIME	Director	YAO WAN KUEI (Representative)
KASUMI	Chairman	Lin Zui Yeh (Representative)
TQM	Chairman	Lin Zui Yeh (Representative)
UIW	Chairman	Lin Zui Yeh (Representative)
J.M	Chairman	Lin Zui Yeh (Representative)
MSWATI	Chairman	Lin Zui Yeh (Representative)
Texray Yancheng Fiber	Chairman	Rang-Cheng Ma (Representative)
Jiangsu Texray Yancheng Garments	Chairman	Rang-Cheng Ma (Representative)
Zhengwei	Chairman	Lin Zui Yeh (Representative)
TST	Chairman	Lin Zui Yeh (Representative)
TAICHUANG	Chairman	Lin Zui Yeh (Representative)
EXC	Chairman	Lin Zui Yeh (Representative)
Jingshi Shanghai	Chairman	Chin-Mu Hsiao (Representative)
TEXRAY SA	Chairman	Lin Zui Yeh (Representative)
Yancheng Inspection	Chairman	Lin Zui Yeh (Representative)
King's (Netherlands)	Director	Chin-Mu Hsiao (Representative)
Kunshan Dongyi	Director	Hung-Hsü Lin (Representative)
GOLDEN JUBLEE	Chairman	Lin Zui Yeh (Representative)
Zhejiang AKE	Director	Hung-Hsü Huang (Representative)
AiQ-S	Chairman	Lin Zui Yeh (Representative)
Weili	Chairman	Lin Zui Yeh (Representative)
Huaiwei	Chairman	Lin Zui Yeh (Representative)
ESWT	Chairman	Lin Zui Yeh (Representative)

4. Operational highlights of affiliates

Unit: NT$

Names of Affiliates	Currency	Total Assets	Total liabilities	Net Worth	Sales Revenue	Net operating income	Profit or loss for the period (After tax)	Earnings per Share (After tax)
Belize	USD	14,363,724	712	14,363,012	-	(2,887)	(2,111,304)	-
Cayman	USD	8,941,919	-	8,941,919	-	100,787	(1,997,768)	-
TRM (Mexico)	PESOS	307,622,920	119,015,772	188,607,148	72,988,332	(16,668,051)	(22,509,692)	-
AMRAY (Mexico)	PESOS	148,506,660	193,802,139	(45,295,479)	142,874,100	(26,116,911)	(14,831,002)	-
TRLA	USD	2,046,178	249,711	1,796,467	3,476,507	(602,619)	(468,601)	-
Z-PLY	USD	11,957,530	3,500,549	8,456,981	28,642,128	(5,461,770)	(5,018,553)	-
King's	TWD	841,905,757	530,998,124	310,907,633	312,677,845	78,540,423	65,492,469	-
FLYNN	USD	15,507,686	-	15,507,686	-	-	(5,487,147)	-
Mingfang International	TWD	30,349,593	1,377,690	28,971,903	878,759	(11,815,413)	(15,143,451)	-
TRS	SZL	2,314,419	610,615	1,703,804	-	(386,598)	(72,520)	-
Texray (Shanghai)	CNY	135,417,955	41,874,051	93,543,904	136,190,698	(3,094,606)	(746,571)	-
Yancheng Texray (Shanghai)	CNY	3,107,709	14,412,200	(11,304,491)	7,121,436	96,353	134,531	-
TEXRAY(BN)	USD	2,037,208	-	2,037,208	-	(166,345)	(1,739,678)	-
TEXRAY(VN)	VND	254,267,191,567	110,094,017,720	144,173,173,847	373,079,569,104	62,531,914,290	63,095,325,187	-
TRCA	USD	21,129	790,996	(769,867)	815,079	(622,091)	(816,846)	-
GOOD TIME	VND	57,863,782,979	43,477,219,252	14,386,563,727	90,733,353,989	(14,571,275,812)	(14,531,582,260)	-
KASUMI	SZL	218,224,560	14,530,359	203,694,201	83,296,534	1,109,370	471,358	-
TQM	SZL	784,476,278	289,186,989	495,289,289	637,169,206	84,772,012	74,542,169	-
UIW	SZL	11,044,871	1,360	11,043,511	-	(16,714)	(1,169,293)	-
JM	SZL	3,840,275	3,247,073	593,202	2,612,327	(3,938,604)	(3,844,302)	-
MSWATI	USD	1,141,170	5,997,185	(4,856,015)	-	(227,959)	(2,870,639)	-
Texray YanchengFiber	CNY	190,370,764	199,579,401	(9,208,637)	175,520,242	934,030	(18,864,059)	-
Texray YanchengGarments	CNY	114,888,141	118,017,683	(3,129,542)	311,291,200	3,315,454	365,207	-
Zhengwei	TWD	6,593,062	821,556	5,771,506	10,238,088	(3,931,254)	(3,683,210)	-
TST	TWD	128,696,976	59,458,516	69,238,460	148,159,815	9,814,453	15,114,946	-
TAICHUANG	HK	240,257	12,000	228,257	11,000,000	196,266	196,269	-
EXC	TWD	40,850,170	39,608,232	1,241,938	6,595,201	(30,732,787)	(33,482,371)	-
Jingshi Shanghai	CNY	2,215,364	1,528,153	687,211	3,001,513	(1,357,260)	(2,099,364)	-
TEXRAY SA	ZAR	1,041,656,445	488,272,574	553,383,871	650,773,692	15,651,286	87,683,782	-
Yancheng Inspection	CNY	1,685,143	87,710	1,597,433	1,173,198	72,578	388,539	-
King's (Netherlands)	EUR	1,252,762	910,119	342,643	4,136,030	62,968	44,202	-
Kunshan Dongyi	CNY	47,238,721	7,118,996	40,119,725	18,818,132	1,766,165	1,123,816	-
GOLDEN JUBLEE	SZL	19,295,237	5,455,863	13,839,374	38,234,276	6,020,661	4,331,154	-
Zhejiang AKE	CNY	175,603	181,400	(5,797)	327,964	(772,621)	(778,776)	-
AiQ-S	GBP	394,710	234,318	160,392	189,325	(317,478)	(177,483)	-
Weili	TWD	37,099,128	29,724,926	7,374,202	243,135	(15,033,255)	(15,687,405)	-
Huaiwei	TWD	20,001,062	1,087,995	18,913,067	-	(1,087,134)	(1,086,933)	-
ESWT	SZL	307,780	100,000	207,780	81,097	(800,858)	(792,220)	-

5. Business relationships and labor division among affiliates:

(1) Business relations and labor division among the Company, King’s Metal Fiber Technologies Co.,Ltd and Taiwan Supercritical Technology Co., Ltd.: The businesses vary among these three companies, which thereby conduct no purchase or sales transactions with each other. Only rental income/expenditure is incurred in office and factory leases.

(2) The Company directly invests in TEXRAY (SA) (PTY) LTD., through which, it holds shares of T.Q.M. INDUSTRIAL INVESTMENT (PTY) LIMITED, UNION INDUSTRIAL WASHING(PTY) LIMITED, KASUMI APPARELS SWAZLIAND (PTY),LTD. and GOLDEN JUBILEE APPAREL (PTY) LTD.; through Mingfang International Co., Ltd, it invests in TEXRAY ESWATINI (PTY) LTD.: mainly responsible for selling products to South African customers and producing ready-to-wear garments and fabrics in eSwatini.

(3) Through TEXRAY INDUSTRIAL CO., LTD.(BELIZE), the Company indirectly invests in TEXRAY (Shanghai): mainly responsible for business information collection and production bases in eastern production zones of Mainland China.

(4) Through TEXRAY INDUSTRIAL CO., LTD.(BELIZE), the Company indirectly invests in TEXRAY INDUSTRIAL CO., LTD.(CAYMAN): mainly responsible for selling products to Mexican customers and producing ready-to-wear garments and fabric.

(5) Through TEX-RAY (BN) INTERNATIONAL CO., LTD., the Company indirectly invests in GOOD TIME ENTERPRISE CO., LTD., TEXRAY (VN) CO., LTD. and TRCA: mainly responsible for overseas production bases of ready-to-wear garments in Vietnam and Cambodia.

(6) Through TEX-RAY (BN) INTERNATIONAL CO., LTD., the Company indirectly invests in MSWATI HOLDINGS LTD and reinvests in Jiangsu Texray Yancheng Fiber Technology Co., Ltd and Jiangsu Texray Garments Co., Ltd through MSWATI: mainly responsible for overseas production bases of ready-to-wear garments and fabric in China.

(7) Through FLYNN INTERNATIONAL LIMITED., the Company indirectly invests in Z-PLY CORP. and TRLA GROUP, INC.: mainly responsible for collecting business information and developing markets in the United States.

(II) Consolidated financial statements and relationships of the affiliates

Statement

The entities that are required to be included in the combined financial statements of the Company for 2020 (from January 1, 2020 to December 31, 2020) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of the parent and subsidiaries prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements has been included included in the above consolidated financial statements. Consequently, combined financial statements of the affiliates will not be further separately prepared.

Sincerely,

Company Name: TEXRAY

Principal: Lin Zui Yeh

Date: March 26, 2021

II. Private Placement of Negotiable Securities in the Most Recent Year and as of the Date of the Annual Report: None.

III. Holding or Disposal of the Company's Shares by the Subsidiaries in the Most Recent Fiscal Year and as of the Date of the Annual Report: None.

IV. Other Supplementary Information: None.

V. Any Events in the Most Recent Fiscal Year and as of the Date of the Annual Report with Significant Impacts on Shareholders' Equity or Securities Prices as Stated in Item 2, Paragraph 3 of Article 36 of Securities and Exchange Act of Taiwan: None.

Independent Auditors' Report

To the Board of Directors of TEX-RAY INDUSTRIAL CO., LTD.

Opinion

We have audited the consolidated financial statements of TEX-RAY INDUSTRIAL CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. The key audit matters that in our professional judgement, should be communicated are as follows:

1. Revenue recognition

   Please refer to Note 4(p) for the accounting policies on revenue and Note 6(t) "Revenue from contracts with customers" for the details of the related disclosure.

   .

Description of the key audit matter:

The Group is in the garment textile industry. In order to enhance the international competency, the management adopts global layout as its business strategy and adds multiple production and sales supply chains overseas. Therefore, the extent of influence of local laws and political and economic changes in various countries to such strategy increases dramatically. Resulting in that the revenue recognition is regarded as highly concerns. Therefore, the Group’ s revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including understanding the design of internal controls over the recognition of revenue and the collection of receivables, performing test of details by inspecting the sales orders, shipping records, invoices and documents related to accounts receivable and cash collection, and sending confirmation letters to verify the sales records and assessing the adequacy of revenue recognition. Furthermore, we also performed sample testing for verification from transactions within a period before and after balance sheet date to determine whether the revenue is recognized in appropriate period.

2. Valuation of accounts receivable

For the accounting policies on the valuation of accounts receivable, please refer to Note 4(g). Refer to Note 5(a) for the accounting estimates and assumptions related to the valuation of accounts receivable on reporting date and refer to Note 6(c) for the details of the accounts receivable.

Description of the key audit matter:

As of December 31, 2020, the accounts receivable of the Group was $1,104,272 thousand. We have considered that the Group’ s trading partners are scattered in different industries and geographic regions, how the management control credit risk of its customer is thoroughly important. Therefore, the impairment assessment of accounts receivable has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including inspecting the controls over customer credit assessment process, analyzing the accounts receivable aging table, viewing past collection experience of customers and checking cash collection records after the reporting date to evaluate whether the impairment of the accounts receivable has been properly assessed.

Other Matter

TEX-RAY INDUSTRIAL CO., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 Kuo-Yang Tseng and Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents(Note 6(a))	$ 1,368,318	17	843,457	12
1110	Current financial assets at fair value through profit or loss(Note 6(b))	612	-	1,225	-
1150	Notes receivable, net(Notes 6(c) and 7)	1,877	-	25,438	-
1170	Accounts receivable, net(Notes 6(c), 7 and 8)	1,104,272	14	1,058,776	15
1200	Other receivables, net(Notes 6(d) and 7)	91,709	1	93,438	1
1220	Current tax assets	7,586	-	2,188	-
1310	Inventories, manufacturing business, net(Note 6(e))	1,328,599	16	1,313,042	20
1410	Prepayments	165,395	2	132,622	2
1470	Other current assets(Note 7)	4,173	-	5,206	-
1476	Other current financial assets(Note 8)	201,764	2	291,231	4
		4,274,305	52	3,766,623	54
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income(Note 6(b))	10,682	-	1,403	-
1550	Investments accounted for using equity method, net(Note 6(f))	-	-	2,541	-
1600	Property, plant and equipment(Notes 6(g) and 8)	2,074,710	26	2,268,622	33
1755	Right-of-use assets(Notes 6(h) and 8)	159,488	2	152,464	2
1760	Investment property, net(Notes 6(i) and 8)	1,225,984	15	335,128	5
1780	Intangible assets(Note 6(j))	262,983	3	254,665	4
1840	Deferred tax assets(Note 6(q))	45,800	1	33,137	-
1960	Prepayments for investments	9,092	-	-	-
1980	Other non-current financial assets(Note 8)	44,816	1	160,095	2
1990	Other non-current assets	5,060	-	10,441	-
		3,838,615	48	3,218,496	46
	Total assets	$ 8,112,920	100	6,985,119	100

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings(Note 6(k))	$ 851,069	10	1,410,828	21
2110	Short-term notes and bills payable(Note 6(l))	249,660	3	-	-
2130	Current contract liabilities(Note 6(t))	69,478	1	81,910	1
2150	Notes payable	47,541	1	63,059	1
2170	Accounts payable	724,724	9	587,664	8
2200	Other payables	525,840	6	294,494	4
2220	Other payables due to related parties(Note 7)	14,500	-	5,000	-
2230	Current tax liabilities	99,152	1	82,966	1
2310	Advance receipts	17,886	-	-	-
2280	Current lease liabilities(Note 6(n))	23,650	-	27,424	-
2320	Long-term liabilities, current portion(Note 6(m))	391,874	5	168,978	2
2300	Other current liabilities	5,601	-	4,046	-
		3,020,975	36	2,726,369	38
	Non-current liabilities:				
2540	Long-term borrowings(Note 6(m))	1,464,169	18	1,454,830	22
2570	Deferred tax liabilities(Note 6(q))	178,363	2	66,043	1
2580	Non-current lease liabilities(Note 6(n))	67,025	1	51,690	1
2640	Net defined benefit liability, non-current(Note 6(p))	27,701	-	31,649	-
2670	Other non-current liabilities, others(Note 9(b))	22,687	-	85,375	1
		1,759,945	21	1,689,587	25
	Total liabilities	4,780,920	57	4,415,956	63
	Equity Attributable to Owners of Parent (Note 6(r)):				
3110	Ordinary share	2,336,247	30	2,336,247	33
3200	Capital surplus(Note 7)	234,052	3	235,155	3
3300	Retained earnings	473,640	6	307,142	4
3400	Other equity interest	144,099	2	(433,020)	(5)
	Equity attributable to the parent company:	3,188,038	41	2,445,524	35
36XX	Non-controlling interests	143,962	2	123,639	2
	Total equity	3,332,000	43	2,569,163	37
	Total liabilities and equity	$ 8,112,920	100	6,985,119	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2020		2019	
		Amount	%	Amount	%
4000	**Operating revenues (Notes 6(t) and 7)**	$ 8,598,587	100	6,949,284	100
5000	**Operating costs (Notes 6(e) and (n))**	6,382,107	74	5,770,797	83
5900	**Gross profit from operations**	2,216,480	26	1,178,487	17
6100	Selling expenses	1,002,826	11	581,413	8
6200	Administrative expenses	568,097	7	558,275	8
6300	Research and development expenses	57,702	1	72,392	1
6450	Expected credit loss	155,294	2	27,265	-
6000	**Operating expenses (Notes 6(n) and (s))**	1,783,919	21	1,239,345	17
6900	**Net operating income (loss)**	432,561	5	(60,858)	-
7000	**Non-operating income and expenses:**				
7010	Other income	4,171	-	5,570	-
7020	Other gains and losses, net (Note 6(v))	(87,678)	(1)	61,053	1
7100	Interest income (Note 6(v))	14,675	-	15,926	-
7510	Interest expense (Notes 6(v) and 7)	(96,467)	(1)	(101,411)	(1)
7055	Reversal of expected credit loss, net (Note 6(d))	-	-	49,431	-
7770	Share of loss of associates and joint ventures accounted for using equity method (Note 6(f))	(760)	-	(8,937)	-
		(166,059)	(2)	21,632	-
7900	**Profit (loss) before tax**	266,502	3	(39,226)	-
7950	Less: Income tax expenses (Note 6(q))	101,727	1	133,232	2
	Profit (loss)	164,775	2	(172,458)	(2)
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Losses on remeasurements of defined benefit plans	(1,991)	-	(4,029)	-
8312	Gains on revaluation surplus	873,576	10	262,746	3
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(224)	-	(4,116)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss	(112,410)	(1)	-	-
	Items that will not be reclassified subsequently to profit or loss	758,951	9	254,601	3
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(183,051)	(2)	(53,054)	(1)
8399	Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss	-	-	-	-
	Items that may be reclassified subsequently to profit or loss	(183,051)	(2)	(53,054)	(1)
8300	**Other comprehensive income**	575,900	7	201,547	2
8500	**Total comprehensive income**	$ 740,675	9	29,089	
8600	**Profit (loss), attributable to:**				
8610	Owners of parent	$ 168,120	2	(171,877)	(2)
8620	Non-controlling interests	(3,345)	-	(581)	-
		$ 164,775	2	(172,458)	(2)
8700	**Comprehensive income attributable to:**				
8710	Owners of parent	$ 743,617	9	32,979	-
8720	Non-controlling interests	(2,942)	-	(3,890)	-
		$ 740,675	9	29,089	-
	Basic earnings per share (Note 6(s))				
9750	Basic earnings per share (dollars)	$	0.72		(0.74)
9850	Diluted earnings per share (dollars)	$	0.72		(0.74)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
			Retained earnings				Total other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Revaluation surplus	Equity related to non-current assets (or disposal groups) held-for-sale	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2019	$ 2,336,247	235,155	166,655	201,749	(139,947)	228,457	(611,680)	(34,477)	-	258,905	2,412,607	122,497	2,535,104
Loss	-	-	-	-	(171,877)	(171,877)	-	-	-	-	(171,877)	(581)	(172,458)
Other comprehensive income	-	-	-	-	(4,029)	(4,029)	(52,586)	(1,275)	262,746	-	204,856	(3,309)	201,547
Total comprehensive income	-	-	-	-	(175,906)	(175,906)	(52,586)	(1,275)	262,746	-	32,979	(3,890)	29,089
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	(62)	(62)	-	-	-	-	(62)	-	(62)
Cash dividends distributed to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(3,313)	(3,313)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	8,345	8,345
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	610	610	-	(610)	-	-	-	-	-
Equity related to non-current assets held-for-sale	-	-	-	-	254,043	254,043	-	-	4,862	(258,905)	-	-	-
Balance on December 31, 2019	2,336,247	235,155	166,655	201,749	(61,262)	307,142	(664,266)	(36,362)	267,608	-	2,445,524	123,639	2,569,163
Profit (loss)	-	-	-	-	168,120	168,120	-	-	-	-	168,120	(3,345)	164,775
Other comprehensive income	-	-	-	-	(1,622)	(1,622)	(183,905)	(142)	761,166	-	575,497	403	575,900
Total comprehensive income	-	-	-	-	166,498	166,498	(183,905)	(142)	761,166	-	743,617	(2,942)	740,675
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	(1,103)	-	-	-	-	-	-	-	-	(1,103)	-	(1,103)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	23,265	23,265
Balance on December 31, 2020	**$ 2,336,247**	**234,052**	**166,655**	**201,749**	**105,236**	**473,640**	**(848,171)**	**(36,504)**	**1,028,774**	**-**	**3,188,038**	**143,962**	**3,332,000**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020	2019
Cash flows from operating activities:			
Profit (loss) before tax	$	266,502	(39,226)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		237,061	250,719
Amortization expense		17,674	12,261
Provision (reversal of provision) for expected credit loss		155,294	(22,166)
Loss on financial assets at fair value through profit or loss		128	130
Interest expense		96,467	101,411
Interest income		(14,675)	(15,926)
Dividend income		(22)	(97)
Share of loss of associates and joint ventures accounted for using equity method		760	8,937
Loss on disposal of property, plan and equipment		14,009	3,627
Gain on disposal of non-current assets held-for-sale		-	(42,304)
Impairment loss on non-financial assets		72,259	6,273
Loss (gain) on fair value adjustment of investment property		18,948	(10,420)
Loss on lease modification		707	-
Total adjustments to reconcile profit		598,610	292,445
Changes in operating assets and liabilities:			
Changes in operating assets:			
Decrease in notes receivable		23,536	16,956
Increase in accounts receivable		(227,444)	(42,911)
(Increase) decrease in other receivables		(1,445)	177,958
(Increase) decrease in inventories		(41,711)	111,985
(Increase) decrease in prepayments		(42,653)	58,589
Decrease (increase) in other current assets		872	(1,505)
Increase in other financial assets		(9,434)	(5,188)
Total changes in operating assets		(298,279)	315,884
Changes in operating liabilities:			
Increase (decrease) in contract liabilities		7,260	(34,146)
(Decrease) increase in notes payable		(15,517)	6,873
Increase (decrease) in accounts payable		153,947	(200,168)
Increase (decrease) in other payables		213,302	(80,654)
Increase in other payable due to related parties		9,500	5,000
Increase in other current liabilities		1,765	115
Decrease in net defined benefit liability		(5,939)	(3,872)
(Decrease) increase in other operating liabilities		(61,845)	35,741
Total changes in operating liabilities		302,473	(271,111)
Total changes in operating assets and liabilities		4,194	44,773
Total adjustments		602,804	337,218
Cash inflow generated from operations		869,306	297,992
Interest received		14,675	15,926
Dividends received		22	97
Interest paid		(97,920)	(101,910)
Income taxes paid		(76,879)	(80,232)
Net cash flows from operating activities		709,204	131,873

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT’D)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows (used in) from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(9,500)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	3,660
Proceeds from disposal of financial assets at fair value through profit or loss	485	-
Acquisition of investments accounted for using equity method	-	(2,700)
Increase in prepayments for investments	(9,092)	-
Proceeds from liquidation of investments accounted for using equity method	1,781	-
Proceeds from disposal of non-current assets held-for-sale	-	321,000
Acquisition of property, plant and equipment	(177,493)	(204,557)
Proceeds from disposal of property, plant and equipment	22,795	9,356
Acquisition of intangible assets	(17,636)	(5,969)
Increase in other non-current assets	(31,327)	(55,098)
Net cash flows (used in) from investing activities	(219,987)	65,692
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,278,913	2,831,077
Decrease in short-term loans	(1,838,672)	(2,778,796)
Increase in short-term notes and bills payable	249,660	-
Proceeds from long-term debt	1,560,673	435,400
Repayments of long-term debt	(1,323,377)	(514,210)
Payment of lease liabilities	(46,437)	(45,156)
Decrease (increase) in other financial assets	205,945	(138,093)
Change in non-controlling interests	7,670	(3,313)
Net cash flows from (used in) financing activities	94,375	(213,091)
Effect of exchange rate changes on cash and cash equivalents	(58,731)	(11,881)
Net increase (decrease) in cash and cash equivalents	524,861	(27,407)
Cash and cash equivalents at beginning of period	843,457	870,864
Cash and cash equivalents at end of period	$ 1,368,318	843,457

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TEX-RAY INDUSTRIAL CO., LTD. (the “Company”) was established with the approval of the Ministry of Economic Affairs in August 1978, and was listed in Taiwan Stock Exchange in 1998. The registered address is 2F., No. 426, Linsen N. Rd., Jhongshan Dist., Taipei City. The Company was originally a modern yarn dyeing factory, and then expanded to spinning business, plain weaving business, and garment business, etc.. In order to enhance competency in international business, the Group established multiple production and sales supply chains overseas in Mexico, Eswatini, Vietnam, and Mainland China, and deployed the marketing department in US and Mexico market. The Company further divided its departments or established new subsidiaries for specialization purpose in particular technologies and markets in order to enhance the overall economic efficiency.

The main business of the Company and its subsidiaries (the “Group”) is in weaving, manufacturing and processing, dyeing and spinning, and trading of cotton and any kind of fibers and textiles, and yarn trading business, garment processing and trading business, ultrasonic cleaning and supercritical cleaning business and extraction businesses.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2021.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform－Phase 2”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment－Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value,

2) Fair value through other comprehensive income are measured at fair value,

3) Investment property is measured at fair value, and

4) The defined benefit liabilities (assets) is recognized as the fair value of the plan assets less the present value of defined benefit obligation and the upper limit impact mentioned in Note 4(q).

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group’s consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All the financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements:

			Shareholding percentage		
Name of investor	**Name of subsidiary**	**Principal activity**	**December 31, 2020**	**December 31, 2019**	**Note**
The Company	TEX-RAY INDUSTRIAL CO., LTD. (BELIZE) (TEX-RAY(BELIZE))	Oversea investment holding (Mexico)	100.00%	100.00%	The subsidiary that the Company holds more than 50% shares
The Company	TEX-RAY (BN) INTERNATIONAL CO., LTD. (TEX-RAY(BN))	Oversea investment holding (Vietnam and Cambodia)	100.00%	100.00%	The subsidiary that the Company holds more than 50% shares.
The Company	FLYNN INTERNATIONAL LTD. (FLYNN(SAMOA))	Oversea investment holding (USA)	100.00%	100.00%	The subsidiary that the Company holds more than 50% shares.
The Company	KING'S METAL FIBER TECHNOLOGIES CO., LTD. (KMT)	Non-woven fabrics, copper secondary processing and fabric retailing, etc.	63.46%	63.46%	The subsidiary that the Company holds more than 50% shares.
The Company	TAIWAN SUPERCRITICAL TECHNOLOGY CO.,LTD.(TST)	Ultrasonic cleaning and supercritical cleaning, extraction, etc.	75.63%	75.63%	The subsidiary that the Company holds more than 50% shares.
The Company	GREAT CPT INTERNATIONAL CO., LTD. (GREAT CPT)	Oversea investment holding (Eswatini)	100.00%	100.00%	The subsidiary that the Company holds more than 50% shares.
The Company	TEX-RAY (SA) (PTY) Ltd.(TEX-RAY (SA))	Marketing and trading	100.00%	100.00%	The subsidiary that the Company holds more than 50% shares.
The Company	TEX-RAY INDUSTRIAL CO., LTD. (CAYMAN) (TEX-RAY(CAYMAN))	Oversea investment holding	100.00%	- %	The subsidiary that the Company holds more than 50% shares. (note 1)

(Continued)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage December 31, 2020	Shareholding percentage December 31, 2019	Note
The Company	ZHENG-RAY Industrial CO.,LTD. (ZHENG-RAY)	Trading and manufacturing of weaving and garments	100.00%	100.00%	The subsidiary that the Company holds more than 50% shares.
The Company	WEI LI TEXTILE CO., LTD. (WLT)	Wholesale of clothing and fabrics	70.00%	70.00%	The subsidiary that the Company holds more than 50% shares.
The Company	AIQ SMART CLOTHING INC. (AIQ)	Wholesale of textile	63.43%	63.43%	The subsidiary that the Company holds more than 50% shares. (note 5)
TEX-RAY (SA)	KASUMI APPARELS SWAZILAND PTY LTD. (KASUMI (SWAZILAND))	Garment processing	100.00%	100.00%	The subsidiary that TEX-RAY (SA) holds more than 50% shares.
TEX-RAY (SA)	TQM TEXTILE SWAZILAND (PTY) LTD. (T.Q.M.(SWAZILAND))	Weaving and dyeing	100.00%	100.00%	The subsidiary that TEX-RAY (SA) holds more than 50% shares.
TEX-RAY (SA)	UNION INDUSTRIAL WASHING PTY LTD. (U.I.W.(SWAZILAND))	Garment processing	100.00%	100.00%	The subsidiary that TEX-RAY (SA) holds more than 50% shares.
TEX-RAY (SA)	J.M. Rotary Print Industrial Co., Ltd. (J.M. (SWAZILAND))	Printing	90.00%	80.00%	The subsidiary that TEX-RAY (SA) holds more than 50% shares.(note 2)
TEX-RAY (SA)	GOLDEN JUBILEE APPAREL (PTY) LTD.(GOLDEN (SWAZILAND))	Garment processing	100.00%	100.00%	The subsidiary that TEX-RAY (SA) holds more than 50% shares.
TEX-RAY (BELIZE)	TEX-RAY(CAYMAN)	Oversea investment holding	- %	100.00%	(Note 1)
TEX-RAY (BELIZE)	TEX-RAY (SHANGHAI) INDUSTRIAL CO., LTD. (TEX-RAY (SHANGHAI))	Warehousing and trading business of textile	100.00%	100.00%	The subsidiary that TEX-RAY (BELIZE) holds more than 50% shares.
FLYNN (SAMOA)	TRLA GROUP, INC.(TRLA GROUP)	Marketing and trading	100.00%	100.00%	The subsidiary that FLYNN (SAMOA) holds more than 50% shares.
FLYNN (SAMOA)	Z-PLY CORPORATION (Z-PLY (NY))	Marketing and trading	100.00%	100.00%	The subsidiary that FLYNN (SAMOA) holds more than 50% shares.
GREAT CPT	TEXRAY SWAZILAND PTY LTD.(TEXRAY (SWAZILAND))	Garment processing	100.00%	100.00%	The subsidiary that GREAT CPT holds more than 50% shares.
TST	HUAI WEI BIOTECHNOLOGY CO., LTD	Biotechnology Service	60.00%	- %	The subsidiary that TST holds more than 50% shares.(note 3)
TEX-RAY (BN)	GOOD TIME(VIETNAM) ENTERPRISE CO.,LTD. (GOOD TIME)	Garment processing	100.00%	100.00%	The subsidiary that TEX-RAY (BN) holds more than 50% shares.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage December 31, 2020	December 31, 2019	Note
TEX-RAY (BN)	MSWATI HOLDINGS LTD. (MSWATI)	Garment processing	100.00%	100.00%	The subsidiary that TEX-RAY (BN) holds more than 50% shares.
TEX-RAY (BN)	TEXRAY (VN) CO., LTD. (TEXRAY(VN))	Garment processing	100.00%	100.00%	The subsidiary that TEX-RAY (BN) holds more than 50% shares.
TEX-RAY (BN)	T.R.C.A GARMENT CO., LTD. (TRCA GARMENT)	Garment processing	100.00%	100.00%	The subsidiary that TEX-RAY (BN) holds more than 50% shares.
TEX-RAY (CAYMAN)	TEXRAY MEXICO S.A. DE C.V.(TEXRAY (MEXICO))	Dyeing	100.00%	100.00%	The subsidiary that TEX-RAY (CAYMAN) holds more than 50% shares.
TEX-RAY (CAYMAN)	AMRAY S.A. DE C.V. (AMRAY (MEXICO))	Garment processing	100.00%	100.00%	The subsidiary that TEX-RAY (CAYMAN) holds more than 50% shares.
KMT	KING'S METAL FIBER TECHNOLOGIES B.V. (KMBV)	Marketing and tradeing	100.00%	100.00%	The subsidiary that KMT holds more than 50% shares.
KMT	ELITETOP TECHNOLOGY INC. (ELITETOP TECH)	Oversea investment holding	- %	100.00%	The subsidiary that KMT holds more than 50% shares. (note 4)
KMT	AIQ	Wholesale of textile	- %	1.57%	(Note 5)
TEX-RAY (SHANGHAI)	TEX-RAY INDUSTRIAL CO., LTD. (YANCHENG) (TEX-RAY (YANCHENG))	Manufacturing and sales of textiles, clothing, shoes and hats	100.00%	100.00%	The subsidiary that TEX-RAY (SHANGHAI) holds more than 50% shares.
TEX-RAY (SHANGHAI)	TEXRAY(KUNSHAN) INDUSTRIAL CO., LTD. (TEXRAY(KUNSHAN))	Development of composite fabrics	100.00%	100.00%	The subsidiary that TEX-RAY (SHANGHAI) holds more than 50% shares.
ELITETOP TECH	KING'S METAL FIBER (SHANGHAI) CO., LTD. (KING'S METAL FIBER (SHANGHAI))	Wholesale of glass products and textiles	- %	100.00%	(Note 4)
KING'S METAL FIBER (SHANGHAI)	AIQ SMART CLOTHING (Zhejiang) CO., LTD. (AIQ (Zhejiang))	System development, production and sales of smart devices	100.00%	100.00%	The subsidiary that KING'S METAL FIBER (SHANGHAI) holds more than 50% shares.
AIQ	AIQ SYNERTIAL LTD. (AIQ-S (UK))	Development of smart clothing technology	50.00%	100.00%	(Note 6)
AIQ	KING'S METAL FIBER (SHANGHAI)	Wholesale of glass products and textiles	100.00%	- %	The subsidiary that AIQ holds more than 50% shares. (note 4)
AIQ	Taiwan Innovation Technology Co., Limted (HK) (Taiwan Innovation (HK))	Marketing and trading of machine	100.00%	- %	The subsidiary that AIQ holds more than 50% shares. (note 7)

(Continued)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage December 31, 2020	Shareholding percentage December 31, 2019	Note
MSWATI	TRYD APPAREL CO.,LTD. (TRYD APPAREL)	Knitted garment processing	100.00%	100.00%	The subsidiary that MSWATI holds more than 50% shares.
MSWATI	JIANGSU TRYD TEXTILE TECHNOLOGY CO.,LTD. (TRYD TEXTILE)	Spinning, weaving, high-end fabrics, bleaching and dyeing, printing and garment production	100.00%	100.00%	The subsidiary that MSWATI holds more than 50% shares.
TRYD TEXTILE	Yancheng Wei-Da Textile Testing Service Co.,Ltd. (Wei-Da Testing)	Testing service and environmental evaluation	100.00%	100.00%	The subsidiary that TRYD TEXTILE holds more than 50% shares.
T.Q.M. (SWAZILAND)	ESWATRADING (PROPRILTARY) LIMITED (ESWT (SWAZILAND))	Sale of Agricultural Product	90.00%	- %	The subsidiary that T.Q.M. (SWAZILAND) holds more than 50% shares.
			- %	- %	
			- %	- %	

Note 1: The Company approved an adjustment of the structure of Mexico production area on December 31, 2020. The shares of TEX-RAY (CAYMNAN), previously owned by TEX-RAY (BELIZE) were now owned directly by the Company.

Note 2: TEX-RAY (SA) acquired additional 10% shares of J.M. (SWAZILAND) from non-controlling interests in October, 2020.

Note 3: In order to meet the Group's strategy of developing biotechnology business, TST joint the setup of HUAI WEI BIOTECHNOLOGY CO., LTD. and acquired 60% of it's shares in December , 2020.

Note 4: ELITETOP TECH transferred 100% shares of King’s Metal Fiber (SHANHAI) to AIQ in February 2020, and went through liquidation in June 2020. The relevant liquidation procedures have been completed.

Note 5: AIQ HOLDING sold 1% owned equity of AIQ during 2019, and transferred the rest 99% to KMT. KMT’s special shareholders' meeting, held on November 14, 2019, had approved the capital reduction with the shares of AIQ, resulting in the Company holding 63.43% of AIQ’s shares. KMT sold the remaining 1.57% equity of AIQ in February 2020.

Note 6: SYNERTIAL LTD. had completed the transfer of register of trademark to AIQ-S (UK) in exchange of the 50% ownership of AIQ-S (UK).

Note 7: For business development purpose, TST had transferred all owned shares of Taiwan Innovation (HK) to AIQ in December, 2020.

Note 8: In order to meet the Group's strategy of developing biotechnology business, T.Q.M.(SWAZILAND) join the setup of ESWT (SWAZILAND) and acquired 90% of it's shares in December, 2020.

Note 9: There is no subsidiaries that excluded in the consolidated financial report.

(Continued)

(d) Foreign currencies

(i) currencies transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for equity securities designated as at fair value through other comprehensive income; which are recognized in other comprehensive income.

(ii) Foreign operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current when

(i) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle,

(ii) The Group holds the asset primarily for the purpose of trading,

(iii) The Group expects to realize the asset within twelve months after the reporting period,

(Continued)

(iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when

(i) The Group expects to settle the liability in its normal operating cycle,

(ii) The Group holds the liability primarily for the purpose of trading,

(iii) The liability is due to be settled within twelve months after the reporting period,

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve 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.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI)－equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

(Continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables, guarantee deposit and other financial assets) and contract assets.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

Since the performance object of the Group's cash deposits are investment grade financial institutions, the Group's credit risk are considered low.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Non-current assets held-for-sale

Non-current assets comprising assets that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, are remeasured in accordance with the Group’s accounting policies. Thereafter, generally, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, property, plant and equipment is no longer amortized or depreciated.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but no control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, minus any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate' s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated Group' s interests in the associate.

When the Group' s share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Group' s ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method without remeasuring the retained interest.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group' s proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group' s ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in ‘other equity - revaluation surplus’ is transferred to retained earnings.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost includes any expenditure of acquiring assets. Self-built asset cost includes materials, direct labor, any other expenditure to make the asset usable, removement and recovery cost, and the loan cost meeting the criteria of capitalization. Besides, the cost also includes the software purchased to integrate related functions, which is capitalized as a part of the equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	Buildings	3～55 years
2)	Machinery equipment	1～15 years
3)	Transportation equipment	3～5 years
4)	Office and Other equipment	1～20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owneroccupied to investment property.

(m) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified, and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use, or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions, or

  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including in-substance fixed payment,

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,

3) amounts expected to be payable under a residual value guarantee, and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate, or

2) there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or

3) there is a change of its assessment on whether it will exercise a purchase, extension or termination option, or

4) there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic,

2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change,

3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021, and

4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a leasor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Additionally intangible assets such as computer software are amortized at estimated useful lives ranging from three to twenty years, and recognized in profit and loss.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group engages in manufacturing, processing and wholesaling of textile and garments, and cleansing and extracting equipment. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financial components

The Group does not expect to have any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceeds one year. The Group required advanced receipts when selling machines, which follows the practice of the industry. Thus it is not considered to be financial components. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction,

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity, or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(s) Earnings per share

The Group discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(Continued)

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There is no judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of trade receivables

The Group has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(e) for further description of the valuation of inventories.

(Continued)

(c) Impairment of property, plant and equipment

In the process of evaluating the potential impairment of tangible assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Refer to Note 6(g) for further description of the key assumptions used to determine the recoverable amount.

(d) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units (CGUs), allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to Note 6(j) for further description of the impairment of goodwill.

The Group’s accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Group’s financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. Investment property measured at fair value is periodically remeasured by the Group’s finance Dept. or by appraisers using appraisal method accepted by FSC.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Please refer to following notes for assumptions used in measuring fair value:

(a) Note 6(i), Investment property.

(b) Note 6(w), Financial instruments.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	$ 3,405	4,967
Check deposits	8,225	14,050
Demand deposits	681,789	596,577
Foreign currency deposits	183,315	158,622
Time deposits	491,584	69,241
Cash and cash equivalents in consolidated statements of cash flows	$ 1,368,318	843,457

Please refer Note 6(w) for the disclosure of interest risk and sensitivity analysis of the Group’s financial assets and liabilities.

(b) Financial assets at fair value

The portfolio of the Group were as follows:

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
Stocks listed on domestic markets	$ 612	1,225
Equity investments measured at fair value through other comprehensive income		
Unlisted Common Shares	$ 10,682	1,403

(i) Please refer to Note 6(v) for re-measurement at fair value recognized in profit or loss.

(ii) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes. The revaluation loss of the investment has been recognized in equity accounts.

(iii) On Dec. 5, 2019, the Group disposed part of its financial assets at fair value through other comprehensive income at fair value amounted to $3,660 thousand and recognized realized gain amounted to $610 thousand, which was previously recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

(iv) During 2020, the Group sold part of its financial assets at fair value through profit or loss. The financial asset was disposed at fair value amounted to $485 thousand.

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(v) Please refer to Note 6(x) for credit risk and market risk of the financial assets.

(vi) The aforesaid financial assets were not pledged as collateral.

(c) Notes and trade receivables

		December 31, 2020	December 31, 2019
Notes receivables from operating activities	$	1,877	25,438
Accounts receivable-measured at amortized cost		1,271,559	1,096,554
Less: Loss allowance		167,287	37,778
	$	1,106,149	1,084,214

(i) The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The expected credit losses of the notes receivables and trade receivables were as follows:

	December 31, 2020			
		Gross carrying amount	Weighted-average loss rate	Loss allowance Provision
Current	$	886,787	0%~2%	2,038
Overdue under 90 days		151,509	0%~7%	350
Overdue 90 to 180 days		11,099	5%~14%	1,025
Overdue 180 to 360 days		157,262	5%~62%	97,095
Over 360 days past due		66,779	100%	66,779
	$	1,273,436		167,287

	December 31, 2019			
		Gross carrying amount	Weighted-average loss rate	Loss allowance Provision
Current	$	823,920	0%~10%	6,848
Overdue under 90 days		190,595	10%~12%	4,296
Overdue 90 to 180 days		70,243	10%~48%	7,732
Overdue 180 to 360 days		24,636	10%~51%	6,304
Over 360 days past due		12,598	100%	12,598
	$	1,121,992		37,778

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(ii) The movement in the allowance for notes and accounts receivable was as follow:

	For the years ended December 31	
	2020	**2019**
Balance on January 1	$ 37,778	12,687
Impairment losses recognized	155,139	27,265
Amounts written off	(19,094)	(1,614)
Foreign exchange losses	(6,536)	(560)
Balance on December 31	$ 167,287	37,778

(iii) Please refer to Note 8 for the details of notes and trade receivables pledged as collateral for borrowings.

(iv) Due to the Covid-19 epidemic, the Group had negotiated with individual customer to change payment term. For the year ended 2020, the Group had recognized allowance provision amounting to $121,740 thousand designated to the customer. The Group additionally adequately adjusted weighted-average loss rate depending on epidemic severity of each operation region.

(d) Other receivables

	December 31, 2020	December 31, 2019
Other receivables－tax refundable	$ 73,434	81,445
Others	24,731	28,706
Less: Loss allowance	(6,456)	(16,713)
	$ 91,709	93,438

Except for the other receivables below, all the other receivables are financial assets with low credit risk, therefore, loss allowance for such receivables were measured at the expected credit loss of 12 months. The movement of the allowance for other receivables were as follow:

	For the years ended December 31	
	2020	**2019**
Balance on January 1	$ 16,713	70,049
Impairment losses recognized	155	-
Reversal of impairment loss	-	(49,431)
Amounts written off	(9,353)	(3,659)
Foreign exchange losses	(1,059)	(246)
Balance on December 31	$ 6,456	16,713

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Part of other receivables－tax refundable of overseas subsidiaries had been overdue 360 days as of Dec. 31, 2018. Since most of the Taiwanese investors in the local area encountered such dilemma, the management of the Group recognized the loss allowance of refundable tax overdue 360 days, which amounted to $63,748 thousand. The Group had reported the situation to the local government via Ministry of Economic Affairs. As of Dec. 31, 2019, the Group had recovered part of overpaid tax. Therefore, the management of the Group recognized gain on reversal of impairment loss and wrote-off the amount that cannot be collected.

(e) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 436,292	528,084
Work in progress	609,627	415,678
Finished goods	278,160	355,721
Merchandise	4,520	13,559
	$ 1,328,599	1,313,042

(i) As of December 31, 2020 and 2019, inventories recognized as cost of sales amounted to $6,180,598 thousand and $5,748,995 thousand, respectively. For the years ended 2020 and 2019, the write-down of inventories amounted to $99,534 thousand and $21,802 thousand, respectively. The write-downs are included in cost of sales.

(ii) The aforesaid inventories were not pledged as collateral.

(f) Investments accounted for using equity method

A summary of the Group's investments accounted for using equity method at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Associate	$ -	2,541

(i) In 2020 and 2019, the Group’ s share of the net income, which equaled to the comprehensive income, generated from associates that are not individually insignificant was $760 thousand and $8,937 thousand, respectively.

(ii) The Group’ s ability to affect those returns from associates is not highly restricted. Because the Group had no obligation to bear additional losses, the Group had stopped recognizing its share of losses from these associates. The unrecognized losses in 2020 and 2019 are $0 and $2,244 thousand, respectively.

(iii) The aforesaid investments accounted for using equity method were not pledged as collateral.

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(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019, were as follows:

	Land	Buildings	Machinery equipment	Transportation equipment	Office equipment	Lease assets	Other facilities	Construction in progress	Total
Cost:									
Balance on January 1, 2020	$ 505,656	1,487,886	1,554,721	46,283	131,201	444	175,161	96,871	3,998,223
Additions	-	16,630	25,905	2,012	1,652	-	3,743	127,551	177,493
Transfers	-	4,567	23,942	452	-	-	1,348	-	30,309
Disposals	-	(3,836)	(262,119)	(7,234)	(2,755)	-	(41,747)	-	(317,691)
Reclassification to investment property	(38,490)	(86,011)	-	-	-	-	-	-	(124,501)
Effect of movement in exchange rate	(1,108)	(25,552)	(45,963)	(1,806)	(2,020)	-	(5,882)	(3)	(82,334)
Balance on December 31, 2020	$ 466,058	1,393,684	1,296,486	39,707	128,078	444	132,623	224,419	3,681,499
Balance on January 1, 2019	$ 513,657	1,543,382	1,461,044	50,894	124,961	444	174,647	30,816	3,899,845
Additions	-	17,741	93,862	3,648	6,136	-	9,190	73,980	204,557
Transfers	-	13,800	66,687	-	4,546	-	2,191	(7,823)	79,401
Disposals	-	(8,400)	(35,781)	(7,470)	(2,169)	-	(9,591)	-	(63,411)
Reclassification to investment property	(7,871)	(45,502)	-	-	-	-	-	-	(53,373)
Effect of movement in exchange rate	(130)	(33,135)	(31,091)	(789)	(2,273)	-	(1,276)	(102)	(68,796)
Balance on December 31, 2019	$ 505,656	1,487,886	1,554,721	46,283	131,201	444	175,161	96,871	3,998,223
Depreciation and impairment loss:									
Balance on January 1, 2020	$ -	450,715	992,812	31,250	101,661	444	152,719	-	1,729,601
Depreciation for the period	-	58,450	114,954	4,526	7,071	-	6,036	-	191,037
Impairment loss	-	-	70,059	100	200	-	1,500	-	71,859
Reclassification to investment property	-	(58,475)	-	-	-	-	-	-	(58,475)
Transfers	-	-	(401)	-	-	-	-	-	(401)
Disposals	-	(3,836)	(231,185)	(6,482)	(2,263)	-	(37,121)	-	(280,887)
Effect of movement in exchange rate	-	(7,727)	(30,513)	(1,254)	(1,425)	-	(5,026)	-	(45,945)
Balance on December 31, 2020	$ -	439,127	915,726	28,140	105,244	444	118,108	-	1,606,789
Balance on January 1, 2019	$ -	448,036	916,648	33,840	96,316	444	156,292	-	1,651,576
Depreciation for the period	-	61,305	122,130	4,770	8,376	-	5,813	-	202,394
Transfers	-	12	(12)	-	469	-	(469)	-	-
Disposals	-	(5,805)	(28,250)	(6,865)	(1,734)	-	(7,774)	-	(50,428)
Reclassification to investment property	-	(44,411)	-	-	-	-	-	-	(44,411)
Effect of movements in exchange rates	-	(8,422)	(17,704)	(495)	(1,766)	-	(1,143)	-	(29,530)
Balance on December 31, 2019	$ -	450,715	992,812	31,250	101,661	444	152,719	-	1,729,601
Carrying amounts:									
Balance on December 31, 2020	$ 466,058	954,557	380,760	11,567	22,834	-	14,515	224,419	2,074,710
Balance on December 31, 2019	$ 505,656	1,037,171	561,909	15,033	29,540	-	22,442	96,871	2,268,622
Balance on January 1, 2019	$ 513,657	1,095,346	544,396	17,054	28,645	-	18,355	30,816	2,248,269

(i) On November 12, 2019, the Board of Directors approved the adjustment of business model of TEXRAY (MEXICO) identified as major subsidiary. As a result, some property, plant and equipment are expected to be leased or sold. Therefore, the real estate amounting to $8,962 thousand was transferred to investment property. Please refer to Note 6(i) for details.

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(ii) On June 16, 2020, the Board of Directors approved that the real estate of the factory site located in Taiwan would be leased or sold subsequently, resulting in the carrying value amounting to $66,026 thousand was transferred into investment property. Please refer to Note 6(i) for details.

(iii) In June 2020, due to the cessation of production at the Tainan Dyeing Factory, the Group estimated that the recoverable amount of the relevant property, plant and equipment was lower than the book value, thus impairment loss amounting to $4,000 thousand was recognized.

(iv) The property, plant and equipment of the Group had been pledged as collateral for bank borrowings, please refer to Note 8.

(h) Right-of-use assets

The Group leases assets including land, buildings, machinery and transportation equipment. Information about leases for which the Group as a lessee was presented below:

	Land	Buildings	Machinery equipment	Transportatio n equipment	Total
Cost:					
Balance on January 1, 2020	$ 113,281	71,906	2,564	6,254	194,005
Additions	-	67,844	-	508	68,352
Disposal	(3,385)	(46,395)	(2,564)	-	(52,344)
Effect of movement in exchange rates	(2,473)	(4,154)	-	16	(6,611)
Balance on December 31, 2020	$ 107,423	89,201	-	6,778	203,402
Balance on January 1, 2019	$ 83,285	72,252	4,082	1,640	161,259
Additions	32,933	15,419	-	4,640	52,992
Disposal / Write-off	-	(14,698)	(1,518)	-	(16,216)
Effect of movement in exchange rates	(2,937)	(1,067)	-	(26)	(4,030)
Balance on December 31, 2019	$ 113,281	71,906	2,564	6,254	194,005
Accumulated depreciation:					
Balance on January 1, 2020	$ 6,068	32,570	1,525	1,378	41,541
Depreciation for the year	5,883	37,295	390	2,456	46,024
Disposal / Write-off	(3,385)	(36,317)	(1,915)	-	(41,617)
Effect of movement in exchange rates	(506)	(1,539)	-	11	(2,034)
Balance on December 31, 2020	$ 8,060	32,009	-	3,845	43,914
Balance on January 1, 2019	$ -	-	-	-	-
Depreciation for the year	6,616	37,724	2,601	1,384	48,325
Disposal / Write-off	-	(4,828)	(1,076)	-	(5,904)
Effect of movement in exchange rates	(548)	(326)	-	(6)	(880)
Balance on December 31, 2019	$ 6,068	32,570	1,525	1,378	41,541
Carrying amounts:					
Balance on December 31, 2020	$ 99,363	57,192	-	2,933	159,488
Balance on December 31, 2019	$ 107,213	39,336	1,039	4,876	152,464
Balance on January 1, 2019	$ 83,285	72,252	4,082	1,640	161,259

(Continued)

The right-of-use assets of the Group had been pledged as collateral for bank borrowings, please refer to Note 8.

(i) Investment property

The movement of the investment property were as follows:

		Land and improvement	Buildings	Total
Book Value:				
Balance on January 1, 2020	$	197,456	137,672	335,128
Transfer from property, plant, and equipment		38,490	27,536	66,026
Change in fair value		873,576	(18,948)	854,628
Effect of movements in exchange rates		(21,655)	(8,143)	(29,798)
Balance on December 31, 2020	**$**	**1,087,867**	**138,117**	**1,225,984**
Balance on January 1, 2019	$	-	53,000	53,000
Transfer from property, plant, and equipment		7,871	1,091	8,962
Change in fair value		189,585	83,581	273,166
Balance on December 31, 2019	**$**	**197,456**	**137,672**	**335,128**

(i) The recurring fair value measurement for the investment properties has been categorized as a Level 3 fair value based on the input to the valuation technique used. The above table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

The Group' s investment properties were subsequently measured at fair value using the income approach after initial recognition. The relevant contract information and key assumptions used in the method are as follows:

Contract Terms	Building No. 6576, Sec. 3, Zhongshan Dist., Taipei City	
	December 31, 2020	December 31, 2019
Contract terms	1.Rental:$238 thousand /month 2.Period:60 months 3.Deposits: $460 thousand 4.Tax borne by lessor:$85 thousand/year	1.Rental:$210~$238 thousand /month 2.Period:57 months 3.Deposits: $460 thousand 4.Tax borne by lessor:$86 thousand/year
Rent at local market rate (note)	$3,128 /Py /month	$2,860 /Py /month
Current market rent for comparable properties in similar locations and condition	$2,683～$3,234 /Py /month	$2,630~$3,088 /Py /month
Current status	In use	In use

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Contract Terms	Building No. 6576, Sec. 3, Zhongshan Dist., Taipei City	
	December 31, 2020	December 31, 2019
Capitalization rate	3.77%	3.54%
Discount rate	2.02%	2.04%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser	Appraised by external independent appraiser
Appraiser office(s)	Grand Elite Real Estate Appraisers Firm	Grand Elite Real Estate Appraisers Firm
Appraiser name(s)	Fu-Sheng Wang	Fu-Sheng Wang
Appraisal date	December 31, 2020	December 31, 2019
Fair value by external independent appraiser(s)	$64,090 thousand	$63,420 thousand

Contract terms	The Group's property located at Parque Industrial la Primavera, Mexico	
	December 31, 2020	December 31, 2019
Rent at local market rate (note)	$16～$432 /square feet/month	$16～$432 /square feet/month
Current market rent for comparable properties in similar locations and condition	As above	As above
Current status	Available for leasing	Available for leasing
Capitalization rate	7.864%	5.99%～7.07%
Discount rate	2.94%～3.83%	5.74%～6.57%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser	Appraised by external independent appraiser
Appraiser office(s)	Grand Elite Real Estate Appraisers Firm (review opinion)	Grand Elite Real Estate Appraisers Firm (review opinion)
Appraiser name(s)	Fu-Sheng Wang	Fu-Sheng Wang
Appraisal date	December 31, 2020	December 17, 2019
Fair value by external independent appraiser(s)	$271,076 thousand ($191,820 thousand peso)	$299,943 thousand ($188,970 thousand peso)

(Continued)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Contract terms	Land No. 228-240, 240-1, 241, 531, 531-1, 533-535 and buildings located at Shengli Sec., Rende Dist., Tainan City, total in twenty items.
	December 31, 2020
Rent at local market rate (note)	\$171~\$218 /Py /month
Current market rent for comparable properties in similar locations and condition	As above
Current status	Available for leasing
Capitalization rate	1.755%
Discount rate	3.29%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser
Appraiser office(s)	CHINA PROPERTY APRAISING CENTER CO., LTD.
Appraiser name(s)	Dian-Jing Hsieh、Xiang-Ling Chiu
Appraisal date	June 30 and December 31, 2020
Fair value by external independent appraiser(s)	\$920,654 thousand and \$920,913 thousand respectively

Note: If there is no actual lease case in the area where the target premises are, the valuation report’s selection of the rent comparison case for the premises is based on the investigation and evaluation of the target land use, within the range of the neighboring area, select three appropriate comparison cases, after analysis and comparison and adjustment, obtain the reasonable market rent of the target land.

In accordance with Article 34 of the Regulations on Real Estate Appraisal, the procedures of the income approach include estimating the effective gross income and total expenses, computing the net operating income, determining the capitalization rate or discount rate, and computing the income. The attributes used by the Group for the estimations above were the last three years’ data from the subject property and comparable properties which have similar characteristics, and these data were assessed and adjusted based on their persistency, stability, and growth to ensure the availability and reasonableness of these data. The movement of income (cash inflows) and expenditure (cash outflows) for future periods was based on the vacancies or losses, existing or future cash flow plans of the Group, and historical cash flows from the subject property, identical properties, or properties in the same industry. The estimation and computation of the net income were based on the highest and best use of the subject property and have taken into consideration the income generated from comparable properties in the same location based on their highest and best use.

The discount rate is determined by the risk premium method, which takes into consideration of the bank time deposit interest rate, government bond interest rate, the risk of real estate investment, currency changes and the trend of real estate prices, etc., and is selected to represent the general property return. The rate is a benchmark, and it is determined after adjusting the difference between the investment property and the individual characteristics of the target. The discount rate is based on the mobile interest rate of the two-year postal fixed rate of small deposit issued by Chunghwa Post Co., Ltd., plus no less than 75 basis points of percentage. Factors such as the underlying income situation, liquidity, risk, value-added and ease of management are also taking account. As of December 31, 2020 and 2019, the discount rates were determined to be 2.02%~3.83% and 2.04%～6.57%, with risk premium added up. The estimation of capitalization rates refer to the weighted average returns which is calculated by dividing the net income of the comparative targets by the prices.

(ii) The Group’s Tainan dyeing factory was expected to be leased or sold, thus it was transferred from plant, plant and equipment to investment property on June 16, 2020. The Group recognized the value-added amounting to $873,576 thousand between the fair value and book value at the time of the transfer, and the impairment loss of building amounted to $18,948 thousand (recorded under other gains and losses). The value-added after deducting the amount of provision of land value increment tax equaled to $761,166 thousand, and was recognized under other equity.

(iii) On November 12, 2018, the Group signed a sales contract of real estate accounted for investment property with a non-related party. The transfer of ownership was completed on January 24, 2019. The sale price amounting to $321,000 thousand was wholly collected. The Group thus recognized the gain on sale of investment property amounting to $42,304 thousand.

(iv) In 2019, the Group transferred real estate from property, plant and equipment to investment property measured at fair value and recognized the difference between fair value and book value, amounting to $262,746 thousand as revaluation surplus under other equity. Please refer to Note 6(g).

(v) Remeasurement gains and losses arising from investment property measured at fair value, please refer to Note 6(v).

(vi) As of December 31, 2020 and 2019, the investment property of the Group had been pledged as collateral for long-term borrowings, please refer to Note 8.

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(j) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2020 and 2019, were as follows:

		Patent and trademark	Goodwill	Software cost	Others	Total
Costs:						
Balance on January 1, 2020	$	191,407	260,971	64,889	1,083	518,350
Additions		15,565	-	16,473	90	32,128
Disposals		(453)	-	-	-	(453)
Transfers		-	-	5,578	251	5,829
Effect of movement in exchange rate		(199)	(11,283)	(223)	-	(11,705)
Balance on December 31, 2020	$	206,320	249,688	86,717	1,424	544,149
Balance on January 1, 2019	$	197,200	265,453	69,195	-	531,848
Additions		9,425	-	4,461	1,083	14,969
Disposals		(15,218)	-	(8,396)	-	(23,614)
Effect of movement in exchange rate		-	(4,482)	(371)	-	(4,853)
Balance on December 31, 2019	$	191,407	260,971	64,889	1,083	518,350
Amortization and impairment loss:						
Balance on January 1, 2020	$	175,412	38,110	49,689	474	263,685
Amortization for the year		3,521	4,039	9,289	825	17,674
Impairment loss		400	-	-	-	400
Disposals		(453)	-	-	-	(453)
Transfers		-	-	(63)	63	-
Effect of movement in exchange rates		(28)	-	(112)	-	(140)
Balance on December 31, 2020	$	178,852	42,149	58,803	1,362	281,166
Balance on January 1, 2019	$	182,678	33,886	52,392	-	268,956
Amortization for the year		1,679	4,224	5,884	474	12,261
Disposals		(8,945)	-	(8,396)	-	(17,341)
Effect of movement in exchange rates		-	-	(191)	-	(191)
Balance on December 31, 2019	$	175,412	38,110	49,689	474	263,685
Carrying amounts:						
Balance on December 31, 2020	$	27,468	207,539	27,914	62	262,983
Balance on December 31, 2019	$	15,995	222,861	15,200	609	254,665
Balance on January 1, 2019	$	14,522	231,567	16,803	-	262,892

(i) The amortization of intangible assets were recognized in the statement of comprehensive income as follows:

	For the years ended December 31		
		2020	2019
Operating costs	$	1,719	711
Operating expenses	$	15,955	11,550

(ii) Impairment

For impairment testing purposes, goodwill had been allocated to operating units. They were the minimum level used to monitor the goodwill of the Group for internal management purposes and shall not be larger than the operating segment of the Group.

The carrying amount of goodwill had been allocated to each operating unit were as follows:

	December 31, 2020	December 31, 2019
America region	$ 147,521	157,603
Eswatini region	44,397	44,397
Vietnam region	15,621	20,861
	$ 207,539	**222,861**

The recoverable amount of the goodwill was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The value in use is determined by the Group’s self-assessment by discounting the future cash flows generated by the continuous use of the unit. The value in use (including property, plant and equipment and goodwill) as of December 31, 2020 and 2019, were performed on the same basis, which was estimated based on factors such as past experience and actual operating results.

The key assumptions of the calculation represent the management's assessment of future trends, or it was determined by appraisal agency based on its own professional judgement. And it takes consideration of both external and internal information (historical information) as well.

(iii) The aforesaid intangible assets were not pledged as collateral.

(k) Short-term borrowings

	December 31, 2020	December 31, 2019
Letters of credit	$ 9,990	61,722
Unsecured non-financial institution loans	3,508	-
Unsecured bank loans	567,394	1,163,482
Secured bank loans	270,177	185,624
Total	**$ 851,069**	**1,410,828**
Unused credit line	**$ 480,557**	**361,336**
Range of interest rates	**1.00%~6.00%**	**1.20%~5.44%**

The Group had pledged assets as collateral for short-term borrowing, please refer to Note 8.

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(l) Short-term notes and bills payable

	December 31, 2020
Commercial paper payable	$ 250,000
Less: Discount on short-term notes and bills payable	(340)
Net	$ 249,660
Range of interest rates	1.3%
Guarantee institution	CHANG HWA Bank and other ten syndicated banks

The Group had pledged assets as collateral for short-term notes and bills payable, please refer to Note 8.

(m) Long-term borrowings

The details were as follows:

	December 31, 2020	December 31, 2019
Unsecured non-financial institution loans	$ 73,743	50,710
Secured non-financial institution loans	48,830	142,066
Unsecured bank loans	-	34,000
Secured bank loans	1,738,531	1,397,032
Less: current portion	(391,874)	(168,978)
borrowing fees	(5,061)	-
Net	$ 1,464,169	1,454,830
Unused credit line	$ 50,248	136,648
Range of interest rates	1.40%~7.87%	1.196%~7.87%
Maturity	2021.01~2028.03	2020.01~2035.06

(i) The Group entered into a five-year syndicated loan agreement of $2 billion with 11 banks including Changhua Commercial Bank LTD. on January 8, 2020. The funds obtained in the syndicated loan are used to settle the outstanding balance of the previous syndicated loan agreement and to supplement the operating turnover. According to the agreement, the Group shall calculate and maintain its current ratio, interest protection multiples and debt ratio based on the annual and semi-annual consolidated financial reports audited or reviewed by auditors during the loan period. On December 31, 2020, the Group did not violate the loan agreement.

(ii) Please refer to Note 8 for details of the related assets pledged as collateral.

(n) Lease liabilities

The carrying amount of lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	$ 23,650	27,424
Non-current	$ 67,025	51,690

For the maturity analysis, please refer to Note 6(w).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31, 2020	
	2020	2019
Interest on lease liabilities	$ 2,568	2,203
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 16,419	24,535

The amounts recognized in the statement of cash flows for the Group were as follows：

	For the years ended December 31, 2020	
	2020	2019
Total cash outflow for leases	$ 62,856	71,894

(o) Operating lease

Please refer to Note 6(g) and 6(i) for information about the operating leases of property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date were as follows:

	December 31, 2020	December 31, 2019
Less than one year	$ 12,873	3,174
One to two years	12,771	2,857
Two to three years	12,771	2,857
Three to four years	12,057	2,857
Four to five years	9,914	2,143
More than five years	44,613	-
Total undiscounted lease payments	$ 104,999	13,888

For the information of rent revenue from operating lease, please refer to Note 6(v).

(p) Employee benefits

(i) Defined benefit plans

Reconciliation of defined obligation at present value and asset at fair value were as follows:

		December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$	(61,223)	(81,736)
Fair value of plan assets		33,522	50,151
Net defined benefit liabilities	$	**(27,701)**	**(31,585)**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provide pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Group set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

The Group’ s Bank of Taiwan labor pension reserve account balance amounted to $33,522 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2020 and 2019 were as follows:

		For the years ended December 31	
		2020	2019
Defined benefit obligation, January 1	$	(81,736)	(80,603)
Current service costs and interest cost		(713)	(987)
Remeasurements of the net defined benefit liability			
—Experience adjustments		398	(3,405)
—Actuarial gains (losses) arose from changes in demographic assumptions		(5)	(323)
—Actuarial gains (losses) arose from changes in financial assumption		(3,822)	(2,214)
The effect of plan reduction		23,544	3,286
Benefits paid by the plan		1,111	2,510
Defined benefit obligation, December 31	$	**(61,223)**	**(81,736)**

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3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	**2019**
Fair value of plan assets, January 1	$ 50,151	49,111
Interests revenue	383	503
Remeasurements of the fair value of plan assets		
－Return on plan asset excluding interest income	1,613	1,738
Contributions made	3,623	4,178
Benefits paid by the plan	(1,111)	(2,510)
Settlement payment of plan asset	(21,137)	(2,869)
Fair value of plan assets, December 31	$ 33,522	50,151

4) Movements of the effect of the asset ceiling: None.

5) Expenses recognized in profit or loss

The Group’ s pension expenses that should be recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	**2019**
Current service costs	$ 106	187
Net interest of net liabilities for defined benefit obligations	224	297
Service cost of prior period	(2,407)	(417)
	$ (2,077)	67

The actual expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	**2019**
Operating costs	$ (43)	321
Selling expenses	(1,318)	2
Administration expenses	(914)	(62)
Research and development expenses	(37)	41
	$ (2,312)	302

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The difference between the above expenses and the amounts should be reported in the actuarial report will be regarded as a change in accounting estimates and recognized as the profit or loss of the following year.

Due to a number of employees agreeing to a curtailment as of December 31, 2020, the Group has reduced the defined benefit retirement obligations by $23,544 thousand and recognized the reduction in benefits in the consolidated income statement.

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2020	**December 31, 2019**
Discount rate	0.30%~0.35%	0.75%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $2,388 thousand.

The weighted average lifetime of the defined benefits plans is 10～11 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase 0.25％	**Decrease 0.25％**
December 31, 2020		
Discount rate (change 0.25％)	$ (1,524)	1,584
Future salary increasing rate (change 0.25％)	1,553	(1,503)
December 31, 2019		
Discount rate (change 0.25％)	(2,142)	2,230
Future salary increasing rate (change 0.25％)	2,196	(2,122)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(Continued)

(ii) Defined contribution plans

The Group allocates the regulated percentage of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $24,541 thousand and $52,801 thousand for the years ended December 31, 2020 and 2019, respectively.

(q) Income taxes

(i) Tax expense

The components of income tax for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	**2019**
Current income tax expense		
Current period	$ 141,885	112,287
Prior years income tax adjustment	(19,674)	(13,474)
Land value increment tax	-	39,136
	122,211	137,949
Deferred income tax expense		
Origination and reversal of temporary differences	(17,294)	(4,420)
Recognition of previously unrecognized tax losses	(3,190)	(297)
	(20,484)	(4,717)
Tax expense	**$ 101,727**	**133,232**

The reconciliation of tax expense and income before tax for the years ended December 31, 2020 and 2019 were as followed:

	For the years ended December 31	
	2020	**2019**
Profit (loss) before tax	$ 266,502	(39,226)
Income tax expense at domestic statutory tax rate	$ 53,300	(7,845)
Effect of tax rates in foreign jurisdiction	91,658	131,079
Tax-exempt income	(4)	(8,461)
Origination and reversal of temporary differences	(19,730)	(7,120)
Change in unrecognized temporary differences	-	7,165
Current-year losses for which no deferred tax asset was recognized	(3,190)	-
Land value increment tax	-	39,136
Adjustment to the prior year	(19,674)	(13,474)
Loss on disposal of investment	(9,660)	(6,894)
Others	9,027	(354)
	$ 101,727	**133,232**

The applicable statutory tax rates for subsidiaries in foreign regions were as follows: America: 22.1%~43.84%, Netherlands: 19%~21%, Mexico: 30%, Mainland: 25%, South Africa: 28% and Eswatini: 27.5%.

(ii) Deferred tax asset and liability recognized

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

1) Deferred tax asset:

	Unrealized loss of inventory valuation	Unrealized sales margin	Carryforward of unused tax loss	Others	Total
Balance on January 1, 2020	$ 4,389	2,066	10,446	16,236	33,137
Recognized in profit or loss	15,334	(599)	(3,226)	1,154	12,663
Balance on December 31, 2020	**$ 19,723**	**1,467**	**7,220**	**17,390**	**45,800**
Balance on January 1, 2019	$ 1,465	2,178	14,100	11,759	29,502
Recognized in profit or loss	2,924	(112)	(3,654)	4,477	3,635
Balance on December 31, 2019	**$ 4,389**	**2,066**	**10,446**	**16,236**	**33,137**

2) Deferred tax liabilities:

	Defined benefit plan	Provision for land value increment tax	Others	Total
Balance on January 1, 2020	$ 654	64,635	754	66,043
Recognized in profit or loss	-	-	(90)	(90)
Recognized in other comprehensive income	-	112,410	-	112,410
Balance on December 31, 2020	**$ 654**	**177,045**	**664**	**178,363**
Balance on January 1, 2019	$ 654	67,939	1,348	69,941
Recognized in profit or loss	-	(3,304)	(594)	(3,898)
Balance on December 31, 2019	**$ 654**	**64,635**	**754**	**66,043**

(iii) The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(r) Capital and other equity

(i) Ordinary shares

A resolution was passed by the general meeting of shareholders held on 27 June, 2013, for the issuance of 42,052 thousand ordinary shares for cash under private placement, with par value of $10 per share, amounting to $420,524 thousand. The date of capital increase was on 28 April, 2014, which was approved on 23 April, 2014 by the Board. The relevant statutory registration procedures have been completed.

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A resolution was passed by the temporary meeting held on December 4, 2018 for the issuance of 23,362 thousand ordinary shares for cash under private placement, with par value of $10 and issuance price of $10.16 per share, amounting to $237,363 thousand. The date of capital increase was on December 12, 2018. The relevant statutory registration procedures have been completed.

As of December 31, 2020 and 2019, the number of authorized shares were each $3,000,000 thousand, respectively, with par value of $10 per share and divided into 300,000 thousand shares. All of the aforementioned shares are ordinary shares, and the number of issued shares was 233,625 thousand shares. All proceeds from the shares have been collected.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to article 43-8 under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private-placed securities, and after applying for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2020	December 31, 2019
Share capital	$ 121,485	121,485
Conversion of bonds	14,648	14,648
Treasury stock transactions	3,949	3,949
Difference between consideration and carrying amount of subsidiaries acquired or disposed	90,683	91,786
Changes in equity of subsidiaries under equity method	3,033	3,033
Donated surplus	254	254
	$ 234,052	235,155

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company’ s article of incorporation stipulate that Company’ s net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes or salary. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors to be submitted to the stockholders’ meeting for approval.

The Company adopts a residual dividend policy. According to the Company's future budget plan and the future annual funding needs measured, the Group reserved the funds needed for the retained earnings financing. In order to avoid excessive dilution, the stock dividend is not higher than 50% of the current year's distribution, and the rest can be distributed by cash dividend.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

When the Group first adopted the International Financial Reporting Standards endorsed by the FSC, it chose to apply the exemption item of IFRS 1 "First-time Adoption of International Financial Reporting Standards". The unrealized revaluation increase and accumulation accounted under shareholders' equity amounted to $216,408 thousand result in the reduction of retained earnings. In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, for the net reduction of retained earnings on the conversion date due to the first adoption of IFRSs, the Group was exempted from reclassifying special surplus reserve for the amount transferred to the retained earnings on January 1, 2013.

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

The Group chose the fair value model for subsequent measurement of its investment property. According to the Rule No. 1030006415 issued by the FSC on March 18, 2014, the Group took the special surplus reserve amounting to the net increase in fair value of investment property measured by the fair value model at first adoption, and the special surplus reserve shall be taken in the following order when the Group distribute the earnings every year:

a) Take the special reserve, which amounts to the net increase in the fair value model for subsequent measurement of investment property, from undistributed earnings of current period and prior year. If it is the cumulative net increase in fair value in the previous period, the amount of the special reserve equals to the same amount from the undistributed earnings from the previous period. When the accumulated net increase in fair value of the investment real estate is subsequently reduced or the investment real estate is disposed of, the surplus may be reverted to distribute the surplus based on the reduction or the disposal situation.

b) According to the Rule No. 1010047490 issued by the FSC November 21, 2012, the special surplus reserve calculated based on the difference between the market value and the book value of the parent company's stock held by the subsidiaries at the end of the period, shall not be distributed. If there is any rebound in the market price thereafter, the reversal amount based on the shareholding percentage shall be reclassified into retained earnings.

c) In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, the amount of net deduction of other shareholders' equity recognized in current year should be retained from undistributed earnings from current period and prior year. The amount of net deduction of other shareholders' equity generated from previous period should be made up from undistributed earnings from the prior year. When the accumulated net deduction of other shareholders' equity is subsequently reduced, the special reserve may be reversed to distributable earnings.

3) Earnings distribution

Earnings distributions for 2020 and 2019 were decided by the resolution adopted, with no distributable earnings, at the general meeting of shareholders held on June 16, 2020 and June 12, 2019, respectively. For more information please check the website of Market Observation Post system.

(s) Earnings per share

The basic earnings per share and diluted earnings per shares were calculated as follow:

	For the years ended December 31	
	2020	**2019**
Basic earnings per share		
Profit/(loss) attributable to ordinary shareholders	$ 168,120	(171,877)
Weighted-average number of ordinary shares (thousand shares)	233,625	233,625
Profit/(loss) attributable to shareholders per share	$ 0.72	(0.74)
Diluted earnings per share		
Profit/(loss) attributable to ordinary shareholders	$ 168,120	(171,877)
Weighted-average number of ordinary shares (basic)	233,625	233,625
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	163	-
Weighted average number of ordinary shares (diluted)	233,788	233,625
Profit/(loss) attributable to ordinary shareholders (diluted)	$ 0.72	(0.74)

(Continued)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2020	**2019**
Primary geographical markets:		
Taiwan	$ 634,498	511,438
America	2,017,581	2,922,439
Asia	4,198,587	1,475,651
Mexico	165,910	162,289
Africa	1,359,986	1,603,541
Other countries	222,025	273,926
	$ 8,598,587	6,949,284

(ii) Contract balances

	December 31, 2020	**December 31, 2019**	**January 1, 2019**
Contract liabilities	$ 69,478	81,910	115,996

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(u) Employee compensation and directors' remuneration

According the amended Company’s Articles of Incorporation, remuneration of employees is appropriated at 2% of profit settled by cash or shares decided by the board of directors. The recipients of cash and shares may include the employees of the Company’s affiliated companies who meet certain conditions. Remuneration of directors is appropriated at no more than 2% of the profit. Remuneration of employees and directors is submitted to general meeting of the shareholders. However, accumulated deficit from prior years is first offset before any appropriation of profit.

For the year ended December 31, 2020, remuneration of employees and directors each amounting to $3,235 thousand, respectively, were estimated on the basis of the Company’s net profit before tax, excluding the remuneration of employees and directors of each period, and multiplied by the percentage of remuneration of employees and directors as specified in the Company’s Articles of Incorporation. For the year ended December 31, 2019, the Company suffered operating loss, hence, no remuneration of employees and directors were estimated.

There was no difference between the amounts approved by Board of Directors and recognized for the years ended December 31, 2020 and 2019. For further information, please refer to Market Observation Post System website.

(v) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the years ended December 31	
	2020	**2019**
Rent income	$ 4,149	5,473
Dividend income	22	97
	$ 4,171	5,570

(ii) Other gains and losses

The details of other gain and losses were as follows:

	For the years ended December 31	
	2020	**2019**
Gain on disposal of held-for-sale non-current asset	$ -	42,304
Losses on disposal of property, plant and equipment	(14,009)	(3,627)
(Losses) gain on fair value adjustment of investment property	(18,948)	10,420
Foreign exchange losses	(51,524)	(4,844)
Loss on financial asset at fair value through profit or loss	(128)	(130)
Impairment loss of non-financial asset	(72,259)	(6,273)
Other income	70,451	29,854
Other expenses	(1,261)	(6,651)
	$ (87,678)	61,053

(iii) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2020	**2019**
Interest income		
Bank deposits	$ 14,324	14,840
Overdue accounts	323	1,086
Interest subsidy	28	-
	$ 14,675	15,926

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Interest expenses

The details of interest expenses were as follows:

	For the years ended December 31	
	2020	**2019**
Loans and borrowings	$ 96,148	100,027
Lease liabilities	2,568	2,203
Capitalized interest	(2,249)	(819)
	$ 96,467	101,411

(w) Financial instruments

(i) Categories of financial instruments

1) Financial asset

	December 31, 2020	**December 31, 2019**
Mandatory measured at fair value through profit or loss	$ 612	1,225
Measured at fair value through other comprehensive income	10,682	1,403
Subtotal	11,294	2,628
Measured at amortized cost (deposits and receivables)		
Cash and cash equivalents	1,368,318	843,457
Notes, accounts receivable, and other receivables	1,197,858	1,177,652
Other current financial assets	201,764	291,231
Other non-current financial assets	44,816	160,095
Subtotal	2,812,756	2,472,435
Total	$ 2,824,050	2,475,063

2) Financial liabilities

	December 31, 2020	**December 31, 2019**
Financial liabilities carried at amortized cost		
Short-term borrowings	$ 851,069	1,410,828
Short-term notes and bills payable	249,660	-
Accrued payables	1,312,605	950,217
Long-term borrowings (including current portion)	1,856,043	1,623,808
Total	$ 4,269,377	3,984,853

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to the credit risk. The amounts of maximum credit risk exposure of the Group on December 31, 2020 and 2019, were $2,824,050 thousand and $2,475,063 thousand, respectively.

2) The customers of the Group are concentrated in the retail and wholesale of textile or garments. In order to reduce credit risk, the Group continuously evaluates the financial status of customers, conducts individual assessment based on the signs of impairment of accounts receivable and credit risk characteristics, handles accounts receivable insurance policy for some customers. On December 31, 2020 and 2019, the Group has a vast client base that is not connected, thus, the extent of concentration of credit risk is limited.

3) For credit risk exposure of trade receivables and other receivables, please refer to Notes 6(c) and 6(d).

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2020							
Non-derivative financial liabilities							
Secured loans	$ 2,057,538	2,141,365	521,256	102,877	191,128	1,326,104	-
Unsecured loans	644,645	700,589	576,181	86,522	35,499	2,387	-
Letters of credit	9,990	10,023	10,023	-	-	-	-
Short-term notes and bills payable	249,660	250,000	250,000	-	-	-	-
Accrued payables	1,312,605	1,312,605	1,312,605	-	-	-	-
Lease liabilities	90,675	97,300	16,696	8,493	13,232	30,347	28,532
	$ 4,365,113	4,511,882	2,686,761	197,892	239,859	1,358,838	28,532
December 31, 2019							
Non-derivative financial liabilities							
Secured loans	$ 1,724,722	1,796,333	309,842	273,880	515,642	513,573	183,396
Unsecured loans	1,248,192	1,258,169	1,125,007	107,557	25,605	-	-
Letters of credit	61,722	61,920	61,920	-	-	-	-
Accrued payables	950,217	950,217	950,217	-	-	-	-
Lease liabilities	79,114	83,043	17,278	11,932	18,565	21,750	13,518
	$ 4,063,967	4,149,682	2,464,264	393,369	559,812	535,323	196,914

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iv) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposures to foreign currency risk were as follow:

	December 31, 2020			December 31, 2019		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
NTD:USD	$ 29,090	28.0950	817,296	19,700	30.0150	591,302
SZL:USD	941	14.6628	26,422	646	14.0483	19,348
CNY:USD	2,709	6.5326	76,404	7,819	6.9680	234,210
VND:USD	2,029	23,080	56,987	278	23,168	8,357
EUR:NTD	1,425	34.5800	49,285	1,435	33.6500	48,274
Financial liabilities						
Monetary items						
NTD:USD	16,648	28.0950	467,713	6,587	30.0150	197,716
SZL:USD	3,382	14.6628	95,005	3,086	14.0483	92,463
CNY:USD	8,406	6.5326	237,121	7,892	6.9680	236,404
VND:USD	4,421	23,080	124,170	3,166	23,168	95,025
MXN:USD	8,765	19.8807	246,075	4,110	18.9100	123,143

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, other financial assets, loans, trade and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Group's functional currency as of December 31, 2020 and 2019 would have increased (decreased) the net income for the years ended December 31, 2020 and 2019 by $1,437 thousand and $1,567 thousand, respectively.

3) Foreign exchange gains or losses on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange losses (including realized and unrealized portions) amounted to $51,524 thousand and $4,844 thousand, respectively.

(v) Interest rate analysis

The book values of the financial assets and financial liabilities exposed to the interest rate risk on the reporting date were as below:

	Fixed-rate instrument		Variable rate instrument	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Financial assets	$ 673,259	459,952	911,421	799,064
Financial liabilities	(298,490)	(142,066)	(2,658,282)	(2,892,570)
	$ 374,769	317,886	(1,746,861)	(2,093,506)

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The Group's internal management reported the change of interest rate and the exposure to changes in interest rate of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate had increased / decreased by 1% basis points, the Group's interest expenses would have increased / decreased by $17,469 thousand and $20,935 thousand for the years ended December 31, 2020 and 2019 respectively, with all other variable factors remaining constant. The is mainly due to variable-rate loans.

(vi) Other market price risk

If the security price of domestic stocks measured at fair value through profit or loss held by the Group changes, the impact to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

	For the years ended December 31	
	2020	2019
Price of securities at reporting date	**Net income (loss)**	**Net income (loss)**
Increasing 7%	$ 43	86
Decreasing 7%	(43)	(86)

(vii) Information of fair value

1) Classification of financial instruments and fair value hierarchy

The book value of the financial assets and liabilities was close to the fair value. The fair value of the financial assets measured at fair value through profit and loss and those measured at fair value through other comprehensive income was estimated on a recurring basis of level 1 and 3, respectively.

(Continued)

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost (including debt investment that has no active markets).

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

The Group's valuation techniques and assumptions used for financial instruments measured at fair value are as follows:

a) Financial instruments that have standard terms and are traded in an active market, such as listed stocks, the fair value are determined by quoted prices.

b) Measurements of fair value of financial instruments without an active market

i) Using discounted cash flow analysis to measure its fair value. The main assumption is investors' expected standard profit which is manipulated by capitalization rate that reflects investment risk.

ii) Using observable market data at the reporting date to measure its fair value. The main assumption is based on comparable price-book ratio, which is adjusted by offsetting the impact of discount for lack of marketability and minority interest.

c) The fair values of financial assets and financial liabilities other than those aforesaid are determined in accordance with discounted cash flow analysis which is generally accepted.

4) Transfers between Level 1 and Level 2

There are no transfers from each level for the years ended December 31, 2020 and 2019.

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(x) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Group's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For further information, please refer to the relevant notes to the consolidated financial statement.

(ii) Structure of risk management

The financial management department of the Group provides intercompany services for various businesses, coordinates the operation of entering the domestic and international financial markets, and supervises and manages the financial risks related to the operation of the Group by analyzing the internal risk report according to the degree and breadth of the risk. Internal auditors continue to review compliance with policies and the risk limit. The Group did not trade financial instruments (including derivative financial instruments) for speculative purposes.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in equity investment.

1) Trade and other receivables

The policy adopted by the Group is to only trade with reputable customers and obtain collateral when necessary to reduce the risk of financial losses from default. The Group only trades with companies rated equivalent to the investment grade. Such information is provided by independent rating agencies; if such information is not available, the Group will use other publicly available financial information and transaction experience to rate major customers. The Group continues to monitor the credit risk insurance level and the credit rating of the counterparty, and distributes the total transaction amount to those with qualified credit ratings, and controls the credit risk through the credit limit that is reviewed and approved annually.

The accounts receivable is comprised from vast customers base, which is scattered in different industries and geographic regions. The Group continues to evaluate the financial status of customers.

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. On December 31, 2020 and 2019, no other guarantees were outstanding.

(iv) Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the operation and ease the impact of cash flow fluctuation. The management supervises the unused credit lines and ensures the compliance of loan contracts.

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Bank loans were important resource of liquidity risk for the Group. For the unused credit line of the Group on December 31, 2020 and 2019, please refer to the Notes 6(k) and 6(m).

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk arising from sales, purchases and borrowings that are not denominated in functional currencies of the Group's main operating entities. The functional currency of the Group is primarily the New Taiwan Dollars (NTD), as well as US Dollars (USD), Euro (EUR) Chinese Yuan (CNY) and South African Rand (ZAR). The currencies used in these transactions are denominated in NTD, EUR, USD, CNY and ZAR.

The loan interest is denominated in the same currency as principal. Generally, borrowings are denominated in the same currencies that generates operating cash flows of the Group, mainly in NTD, as well as in USD and CNY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

(Continued)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group borrowed funds in the fixed and variable rate simultaneously, resulting in fair value change risk and cash flow risk. The Group manage the interest rate risk through maintaining a proper combination of fixed and variable rate.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in domestic listed stocks. The Group does not actively trade these investments, and the management continuously monitor the price risk and assess the portfolio.

(y) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity and non-controlling interests plus net debt.

As of December 31, 2020, the Group's capital management strategy is consistent with the prior year. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 4,780,920	4,415,956
Less: cash and cash equivalents	(1,368,318)	(843,457)
Net debt	3,412,602	3,572,499
Total Equity	3,332,000	2,569,163
Adjusted equity	**$ 6,744,602**	**6,141,662**
Debt-to-equity ratio	**50.60%**	**58.17%**

(Continued)

(7) Related-party transactions

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
SEN JEWEL TECHNOLOGY CO., LTD.	Same president with the Company
MASTERAY INTERNATIONAL CO., LTD.	An associate
TAI CHAM TECHNOLOGY CO., LTD.	The entity's chairman is the vice chairman of the Company
Feng-Ying Yeh	Key management personnel

(b) Significant transactions with related parties

(i) For the years ended December 31, 2020 and 2019, the sales revenue due from related parties amounted to $1,604 thousand and $105 thousand, respectively. The payment terms of cash collection of the receivables ranged from one to three months, which were similar to the normal transactions.

(ii) The amount of purchase by the Group from related parties was $15 thousand in 2020. The payment terms of the payables were one month, which were similar to the normal transactions.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Account receivables	Other related party	$ -	110
	Associates	1,684	-
		$ 1,684	**110**
Other receivables	Other related party	$ 295	500
	Associates	-	127
		$ 295	**627**
Other current assets	Associates	**$ -**	**15**

(iv) Leases

The Group leased its factory buildings and offices to associates and other related party in lease terms of a year. The rental income was paid on a monthly basis. For years ended December 31, 2020 and 2019, there were $260 thousand and $180 thousand, respectively.

(v) Loans from key management

	December 31, 2020	December 31, 2019
Key management personnel-Feng-Ying, Yeh	$ 14,500	5,000

The Group's borrowing from the main management is calculated at an interest rate of 4%. The interest expenses recognized for the years ended December 31, 2020 and 2019 were $360 thousand and $12 thousand, respectively. The above-mentioned loans did not provide collateral.

(vi) Disposals of property, plant and equipment

1) The Group sold 99,424 shares of AIQ to key management. The total disposal price was $815 thousand. The gains of the disposal were $163 thousand which is recorded under additional paid-in capital.

2) In 2020, the Group sold machinery and transportation equipment to other related party. The total disposal price were $1,519 thousand. The gains of the disposal was $576 thousand.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2020	**2019**
Short-term employee benefits	$ 27,456	26,572
Post-employment benefits	702	811
	$ 28,158	27,383

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Account receivables	Collateral for short-term borrowings	$ 2,063	30,162
Other financial assets－current and non-current	Collateral for long-term and short-term borrowings, guarantee of litigation and performance	227,995	434,576
Property, plant and equipment	Collateral for long-term and short-term borrowings	1,068,216	1,208,640
Investment property	Collateral for long-term borrowings	984,074	63,420
Right-of-use assets	Collateral for short-term borrowings	107,809	113,008
		$ 2,390,157	1,849,806

(9) Commitments and contingencies

(a) Significant commitments and contingencies were as follows:

(i) Unrecognized contractual commitments

	December 31, 2020	December 31, 2019
Acquisition of property, plant and equipment	$ 17,668	138,368

(ii) Outstanding standby letter of credit

	December 31, 2020	December 31, 2019
USD	$ 12,558	8,407
EUR	$ -	3,519
NTD	$ 22,827	18,373

(b) Significant contingent liability

(i) The subsidiary ZHENG-RAY has dispute with the procurement center of the Armament Bureau of the Ministry of National Defense regarding part of the military product inspection of the order No. 98011, which the business was previously transferred from the Company’s Dept. 302. Thus, ZHENG-RAY filed a lawsuit for payment of the price to District Court in 2012. On November 14, 2019, the Supreme Court’s Civil Judgment was made that the Armament Bureau of the Ministry of National Defense should pay a price of $10,888 thousand. The case was settled. After an agreement with the Ministry of National Defense to reduce the price, the products were fully inspected and accepted in April 2020.

(Continued)

(ii) The subsidiary TRYD TEXTILE joint venture with its portion of the real estate, plant and equipment and guarantee deposits from non-related counterparty. As of December 31, 2019, the deposits from counterparty amounting to $81,499 thousand (CNY 18,920 thousand) was accounted under other non-current liabilities. Due to the mutually agreed termination of the investment plan, the deposits after settlement were paid in April 2020.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By funtion / By item	For the years ended December 31					
	2020			2019		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	797,810	508,397	1,306,207	908,140	497,356	1,405,496
Labor and health insurance	56,545	33,687	90,232	71,310	35,272	106,582
Pension	8,975	13,254	22,229	27,410	25,693	53,103
Others	46,427	59,061	105,488	48,301	31,943	80,244
Depreciation	162,354	74,707	237,061	154,746	95,973	250,719
Depletion	-	-	-	-	-	-
Amortization	1,719	15,955	17,674	711	11,550	12,261

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(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance Loss	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
0	The Company	AMRAY (MEXICO)	Other accounts receivable-related party	Yes	$ 30,250	28,095	28,095	2.5-4%	2	-	Operating turnover	-	-	-	1,275,215	1,275,215
0	The Company	TEX-RAY (MEXICO)	Other accounts receivable-related party	Yes	60,500	56,190	56,190	2.5-4%	2	-	Operating turnover	-	-	-	1,275,215	1,275,215
0	The Company	AIQ	Other accounts receivable-related party	Yes	75,000	75,000	34,000	4%	2	-	Operating turnover	-	-	-	1,275,215	1,275,215
1	Z-PLY(NY)	AMRAY (MEXICO)	Other accounts receivable-related party	Yes	29,480	28,095	28,095	2.5%	2	-	Operating turnover	-	-	-	237,599	356,398
1	Z-PLY(NY)	TEX-RAY (MEXICO)	Other accounts receivable-related party	Yes	61,800	56,190	54,785	2.5%	2	-	Operating turnover	-	-	-	237,599	356,398
1	Z-PLY(NY)	TRYD TEXTILE	Other accounts receivable-related party	Yes	91,815	84,285	84,285	2.5%	2	-	Operating turnover	-	-	-	237,599	356,398
2	TEX-RAY (SHANHAI)	TRYD APPAREL	Other accounts receivable-related party	Yes	86,640	86,027	-	6%	2	-	Operating turnover	-	-	-	402,365	603,547
2	TEX-RAY (SHANHAI)	TRYD TEXTILE	Other accounts receivable-related party	Yes	259,920	258,081	245,177	6%	2	-	Operating turnover	-		-	402,365	603,547
3	TEX-RAY (MEXICO)	AMRAY (MEXICO)	Other accounts receivable-related party	Yes	56,772	56,527	52,782	2.5%	2	-	Operating turnover	-	-	-	266,536	399,803
4	KMT	AIQ	Other accounts receivable-related party	Yes	15,450	-	-	2%	2	-	Operating turnover	-	-	-	124,363	124,363
5	KING'S METEL (SHANHAI)	AIQ (Zhejiang)	Other accounts receivable-related party	Yes	1,735	1,727	-	6%	2	-	Operating turnover	-	-	-	2,967	4,451
6	ZHENG-RAY	GREAT CPT	Other accounts receivable-related party	Yes	10,000	10,000	-	3%	2	-	Operating turnover	-	-	-	2,308	2,308

Note 1: Nature of the loan:

1) The borrower calls for loan arrangement.

2) The borrower has short-term financing necessities.

Note 2: The maximum financing amount is limited to not more than 40% of the company's net value, therefore, the calculation is based on the net value of the latest financial report. The ceiling on loan limit is $3,188,038 thousand NTD × 40% = $1,275,215 thousand NTD.

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Note 3: The maximum financing amount to individual company is limited to no more than 40% of the company's net value, therefore the calculation is based on the net value of the latest financial report. The ceiling on loan is $3,188,038 thousand NTD × 40% = $1,275,215 thousand NTD.

Note 4: The maximum limit of financing is limited to 40% of the net value of the financial report of the lender company. However, the maximum limit of loans between 100% held foreign subsidiaries is limited to 150% of the lender company's net value.

Note 5: The maximum financing amount to individual company shall not exceed 40% of the subsidiary's net value. However, the loans between 100% held foreign subsidiaries shall not exceed 100% of the net value of the lender subsidiary.

Note 6: The above-mentioned transactions have been reconciliated in the preparation of consolidated report.

(ii) Guarantees and endorsements for other parties

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	T.Q.M. (SWAZILAND)	2	1,594,019	100,000	-	-	51,348	- %	3,188,038	Y	N	N
0	The Company	GOOD TIME	2	1,594,019	55,620	33,714	22,476	-	1.06%	3,188,038	Y	N	N
0	The Company	TEX RAY (VN)	2	1,594,019	155,275	84,285	-	14,072	2.64%	3,188,038	Y	N	N
0	The Company	TEX-RAY (SHANHAI)	2	1,594,019	103,968	103,232	60,219	-	3.24%	3,188,038	Y	N	Y
0	The Company	TRYD APPAREL	2	1,594,019	166,323	154,523	60,342	14,072	4.85%	3,188,038	Y	N	Y
0	The Company	TRYD TEXTILE	2	1,594,019	877,686	866,697	383,096	198,892	27.19%	3,188,038	Y	N	Y
0	The Company	TST	2	1,594,019	102,000	48,095	16,663	-	1.51%	3,188,038	Y	N	N
0	The Company	WLT	2	1,594,019	10,000	10,000	7,849	-	0.31%	3,188,038	Y	N	N
1	TEX-RAY (SHANHAI)	TEX RAY (KUNSHAN)	2	402,365	43,320	43,013	15,055	-	10.69%	603,547	N	N	Y

Note 1: The relationships between the guarantee and the guarantor are as follows:
1. The company with which it does business.
2. The company directly or indirectly holds more than 50% of voting right.
3. A companies directly or indirectly hold more than 50% of voting rights of the public company.
4. Companies in which the public company directly or indirectly holds more than 90% of voting right may make endorsement / guarantees for each other.
5. Where a public company fulfills its obligations by providing mutual endorsements / guarantees for other company in the same industry or for joint builders for purposes of undertaking a construction project.
6. Where all capital contributing shareholders make endorsement / guarantees for the jointly invested company in proporation to their shareholding percentages.

Note 2: The maximum limit of endorsement / guarantee is limited to not more than 100% of the net value of the company, therefore the calculation is based on the net value of the latest financial report. The ceiling on endorsement / guarantee is $3,188,038 thousand NTD × 100% = $3,188,038 thousand NTD.

Note 3: The maximum limit for a single enterprise endorsement / guarantee is no more than 50% of the net value of the company. Therefore, the calculation is based on the net value of the latest financial report. The ceiling on endorsement / guarantee is $3,188,038 thousand NTD × 50% = $1,594,019 thousand NTD.

Note 4: The amount of the endorsement / guarantee provided to a single enterprise with which the company does business shall not exceed the total amount of transactions in twelve months before the endorsement.

Note 5: The maximum limit of overseas subsidiary endorsement / guarantee is not more than 150% of the net value of the subsidiary's net value calculated based on the latest financial statement, and the limit of endorsement / guarantee for individual is not more than 100% of the net value of each subsidiary' calculated based on the latest financial statement.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	SHIN ERA TECHNOLOGY CO., LTD.	-	Non-current financial assets at value through other comprehensive income	68	-	1.88%	-	1.88%	
The Company	Cayman iMaker Technlogy Inc.	-	Non-current financial assets at value through other comprehensive income	800	-	8.80%	-	8.80%	
The Company	TAIWAN UNITED OUTDOOR GROUP, INC.	-	Non-current financial assets at value through other comprehensive income	500	-	15.67%	-	15.67%	
The Company	PHYSICLO, Inc.	-	Non-current financial assets at value through other comprehensive income	51	-	5.00%	-	5.00%	
The Company	NIEN HSING TEXTILES	-	Financial assets at fair value through profit or loss	35	612	- %	612	- %	
AIQ	Joiiup Technology Co., Ltd.	-	Non-current financial assets at value through other comprehensive income	333	-	5.71%	-	7.18%	
TST	SEN JEWEL TECHNOLOGY CO., LTD.	-	Non-current financial assets at value through other comprehensive income	950	9,500	19.00%	9,500	19.00%	
KING'S METEL FIBER (SHANHAI)	Shenzhen Titanium Investment Development Partnership.	-	Non-current financial assets at value through other comprehensive income	274	1,182	7.648%	1,182	7.648%	

Note: The stocks of private companies have no active market price, so they are evaluated at the net equity value multiplied by the percentage of ownership or equity evaluation report for reference.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Z-PLY(NY)	Sub-subsidiary	Sales	$ (477,276)	(8.24)%	45 days	-	-	23,234	5.17%	
The Company	T.Q.M.(SWAZILAND)	Sub-subsidiary	Sales	(184,333)	(3.18)%	60 days	-	-	73,898	16.44%	
TRYD APPAREL	TEX-RAY (SHANGHAI)	Affiliated company	Sales	(269,430)	(19.76)%	60 days	-	-	74,160	42.95%	
TRYD APPAREL	The Company	Ultimate parent company	Sales	(512,046)	(37.55)%	30 days	-	-	646	0.37%	
TEX-RAY (SHANGHAI)	The Company	Ultimate parent company	Sales	(233,647)	(35.92)%	60 days	-	-	21,827	12.35%	
TEX-RAY (SHANGHAI)	Z-PLY(NY)	Affiliated company	Sales	(140,712)	(21.63)%	60 days	-	-	20,583	11.64%	
T.Q.M.(SWAZILAND)	TEX-RAY(SA)	Parent company	Sales	(1,240,588)	(96.18)%	75 days	-	-	924,611	99.33%	

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Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
KASUMI(SWAILAND)	T.Q.M.(SWAZILAND)	Affiliated company	Sales	(168,034)	(99.65)%	60 days	-	-	370,569	99.76%	
KMT	KMBV	Subsidiary	Sales	(118,137)	(37.83)%	90 days	Fixed profit margin	-	27,561	44.43%	
TEX-RAY(VN)	The Company	Ultimate parent company	Sales	(446,064)	(95.16)%	60 days	-	-	-	-%	
TRYD TEXTILE	TRYD APPAREL	Affiliated company	Sales	(497,752)	(66.54)%	30 days	-	-	32,613	23.40%	
Z-PLY(NY)	The Company	Ultimate parent company	Purchase	477,276	58.87%	45 days	-	-	(23,234)	(42.00)%	
T.Q.M.(SWAZILAND)	The Company	Ultimate parent company	Purchase	184,333	17.26%	60 days	-	-	(73,898)	(13.67)%	
TEX-RAY (SHANGHAI)	TRYD APPAREL	Affiliated company	Purchase	269,430	45.93%	60 days	-	-	(74,160)	(51.32)%	
The Company	TRYD APPAREL	Sub-subsidiary	Purchase	512,046	- %	30 days	-	-	(646)	(0.22)%	
The Company	TEX-RAY (SHANGHAI)	Sub-subsidiary	Purchase	233,647	- %	60 days	-	-	(21,827)	(7.52)%	
Z-PLY(NY)	TEX-RAY (SHANGHAI)	Affiliated company	Purchase	140,712	17.36%	60 days	-	-	(20,583)	(37.20)%	
TEX-RAY(SA)	T.Q.M.(SWAZILAND)	Subsidiary	Purchase	1,240,588	100.00%	75 days	-	-	(924,611)	(100.00)%	
T.Q.M.(SWAZILAND)	KASUMI(SWAILAND)	Affiliated company	Purchase	168,034	15.73%	60 days	-	-	(370,569)	(68.56)%	
KMBV	KMT	Parent company	Purchase	118,137	97.13%	90 days	Fixed profit margin	-	(27,561)	(97.76)%	
The Company	TEX-RAY(VN)	Sub-subsidiary	Purchase	446,064	- %	60 days	-	-	-	-%	
TRYD APPAREL	TRYD TEXTILE	Affiliated company	Purchase	497,752	39.58%	30 days	-	-	(32,613)	(37.33)%	

Note: The above-mentioned transactions have been reconciliated in the preparation of consolidated report.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss Allowance
					Amount	Action taken		
TEX-RAY (SHANGHAI)	TRYD TEXTILE	Affiliated company	245,177	(Note 1)	-	-	-	-
T.Q.M.(SWAZILAND)	TEX-RAY(SA)	Parent company	924,611	1.37	-	-	263,002	-
KASUMI(SWAILAND)	T.Q.M.(SWAZILAND)	Affiliated company	370,569	0.47	-	-	36,866	-

Note 1: Loan provided by the related party.

Note 2: The above-mentioned transactions have been reconciliated in the preparation of consolidated report.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Z-PLY(NY)	1	Sales revenue	$ 477,276	Similar to non-related parties	5.55%
0	The Company	Z-PLY(NY)	1	Accounts Receivable	23,234	Similar to non-related parties	0.29%
0	The Company	TEX-RAY(VN)	1	Other prepaid expenses	110,947	Similar to non-related parties	1.37%
0	The Company	TRCA GARMENT	1	Other prepaid expenses	23,837	Similar to non-related parties	0.29%
0	The Company	T.Q.M.(SWAZILAND)	1	Sales revenue	184,333	Similar to non-related parties	2.14%
0	The Company	T.Q.M.(SWAZILAND)	1	Accounts Receivable	73,898	Similar to non-related parties	0.91%
0	The Company	GOOD TIME	1	Other prepaid expenses	21,901	Similar to non-related parties	0.27%
0	The Company	AMRAY(MEXICO)	1	Sales revenue	46,028	Similar to non-related parties	0.54%

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	AMRAY(MEXICO)	1	Accounts Receivable	10,214	Similar to non-related parties	0.13%
0	The Company	AMRAY(MEXICO)	1	Other receivables	28,095	By contract	0.35%
0	The Company	AIQ	1	Other receivables	34,000	By contract	0.42%
0	The Company	TEX-RAY(MEXICO)	1	Other receivables	56,190	By contract	0.65%
1	TEX-RAY(CAYMAN)	TEX-RAY(MEXICO)	3	Accounts Receivable	39,243	Similar to non-related parties	0.48%
2	TRYD APPAREL	TRLA GROUP	3	Sales revenue	30,322	Similar to non-related parties	0.35%
2	TRYD APPAREL	TEX-RAY (SHANGHAI)	3	Sales revenue	269,430	Similar to non-related parties	3.13%
2	TRYD APPAREL	TEX-RAY (SHANGHAI)	3	Accounts Receivable	74,160	Similar to non-related parties	0.91%
2	TRYD APPAREL	The Company	2	Sales revenue	512,046	Similar to non-related parties	5.96%
2	TRYD APPAREL	Z-PLY(NY)	3	Sales revenue	79,568	Similar to non-related parties	0.93%
3	TEX-RAY (SHANGHAI)	The Company	2	Sales revenue	233,647	Similar to non-related parties	2.72%
3	TEX-RAY (SHANGHAI)	The Company	2	Accounts Receivable	21,827	Similar to non-related parties	0.27%
3	TEX-RAY (SHANGHAI)	Z-PLY(NY)	3	Sales revenue	140,712	Similar to non-related parties	1.64%
3	TEX-RAY (SHANGHAI)	Z-PLY(NY)	3	Accounts Receivable	20,583	Similar to non-related parties	0.25%
3	TEX-RAY (SHANGHAI)	TEX-RAY (YANCHENG)	3	Accounts Receivable	52,892	Similar to non-related parties	0.65%
3	TEX-RAY (SHANGHAI)	TRYD TEXTILE	3	Other receivables	245,177	By contract	3.02%
3	TEX-RAY (SHANGHAI)	TRYD TEXTILE	3	Sales revenue	58,329	Similar to non-related parties	0.68%
4	T.Q.M.(SWAZILAND)	TEX-RAY(SA)	3	Accounts Receivable	924,611	Similar to non-related parties	11.40%
4	T.Q.M.(SWAZILAND)	TEX-RAY(SA)	3	Sales revenue	1,240,588	Similar to non-related parties	14.43%
5	KASUMI(SWAILAND)	T.Q.M.(SWAZILAND)	3	Accounts Receivable	370,569	Similar to non-related parties	4.57%
5	KASUMI(SWAILAND)	T.Q.M.(SWAZILAND)	3	Sales revenue	168,034	Similar to non-related parties	1.95%
6	U.I.W(SWAZILAND)	KASUMI(SWAILAND)	3	Accounts Receivable	15,830	Similar to non-related parties	0.20%
7	GOLDEN JUBILEE	T.Q.M.(SWAZILAND)	3	Sales revenue	61,537	Similar to non-related parties	0.76%
7	GOLDEN JUBILEE	The Company	2	Sales revenue	15,776	Similar to non-related parties	0.18%
8	GOOD TIME	The Company	2	Processing revenue	98,932	Similar to non-related parties	1.15%
9	MSWATI	TRYD APPAREL	3	Other receivables	19,654	Similar to non-related parties	0.24%
10	AMRAY(MEXICO)	TRLA GROUP	3	Sales revenue	39,328	Similar to non-related parties	0.46%
10	AMRAY(MEXICO)	TEX-RAY(MEXICO)	3	Sales revenue	80,478	Similar to non-related parties	0.94%
11	TEX-RAY(MEXICO)	AMRAY(MEXICO)	3	Other receivables	52,782	By contract	0.65%
11	TEX-RAY(MEXICO)	AMRAY(MEXICO)	3	Prepayment for purchases	44,754	Similar to non-related parties	0.52%
12	Z-PLY(NY)	TRYD TEXTILE	3	Other receivables	84,285	By contract	1.04%
12	Z-PLY(NY)	TEX-RAY(MEXICO)	3	Other receivables	54,785	By contract	0.68%
12	Z-PLY(NY)	AMRAY(MEXICO)	3	Other receivables	28,095	By contract	0.33%
13	KMT	KMBV	3	Sales revenue	118,137	Fixed profit margin	1.37%
13	KMT	KMBV	3	Accounts Receivable	27,561	Similar to non-related parties	0.34%
14	TRCA GARMENT	The Company	2	Processing revenue	23,185	Similar to non-related parties	0.27%
15	TEX-RAY(VN)	The Company	2	Processing revenue	446,064	Similar to non-related parties	5.19%
16	TRYD TEXTILE	TRYD APPAREL	3	Sales revenue	497,752	Similar to non-related parties	5.79%
16	TRYD TEXTILE	TRYD APPAREL	3	Accounts Receivable	32,613	Similar to non-related parties	0.38%
17	TEX-RAY (YANCHENG)	TRYD APPAREL	3	Sales revenue	23,278	Similar to non-related parties	0.27%
18	TEXRAY(KUNSHAN)	TRYD APPAREL	3	Accounts Receivable	52,047	Similar to non-related parties	0.61%
19	Taiwan Innovation (HK)	TST	3	Sales revenue	39,497	Similar to non-related parties	0.46%

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Notes to the Consolidated Financial Statements

Note 1: The numbering is as follows:

1. “0” represents the parent company.
2. Subsidiaries are sequentially numbered from 1 by company.

Note 2: Relation between related parties are as follows:

1. Parent company and its subsidiaries.
2. Subsidiaries and its parent company.
3. Subsidiaries and subsidiaries.

(b) Information on investees

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of wnership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of wnership	Carrying value				
The Company	TST	TAIWAN	Printing and dyeing finishing, machinery and equipment manufacturing and wholesale, etc.	$ 68,067	68,067	7,487,381	75.63%	43,039	75.63%	15,115	10,691	Subsidiary
The Company	Great CPT	TAIWAN	Overseas investment holding	104,370	79,370	4,500,000	100.00%	64,786	100.00%	(15,143)	(15,235)	Subsidiary
The Company	KMT	TAIWAN	Non-woven fabrics, copper secondary processing and fabric retailing, etc	84,881	84,881	13,217,428	63.46%	191,331	63.46%	65,511	41,575	Subsidiary
The Company	ZHENG-RAY	TAIWAN	Trading and manufacturing of spinning and weaving	5,000	25,000	500,000	100.00%	5,771	100.00%	(3,683)	(3,683)	Subsidiary
The Company	WLT	TAIWAN	Wholesale trade	21,000	21,000	2,100,000	70.00%	5,162	70.00%	(15,687)	(10,981)	Subsidiary
The Company	FLYNN (SAMOA)	SAMOA	Overseas investment holding	310,613	310,613	9,100,000	100.00%	435,689	100.00%	(159,428)	(159,428)	Subsidiary
The Company	TEX-RAY (CAYMAN)	CAYMAN	Overseas investment holding	1,057,841	-	33,542,722	100.00%	251,223	100.00%	(58,045)	-	Subsidiary (Note 2)
The Company	TEX-RAY (BELIZE)	BELIZE	Overseas investment holding	1,063,287	1,314,510	-	100.00%	403,529	100.00%	(61,344)	(61,344)	Subsidiary
The Company	TEX-RAY (BN)	SAMOA	Overseas investment holding	1,756,813	1,756,813	60,579,330	100.00%	57,235	100.00%	(50,546)	(50,546)	Subsidiary
The Company	TEX-RAY (SA)	SOUTH AFRICA	Overseas investment holding	102,704	102,704	39,651,772	100.00%	1,059,497	100.00%	177,435	177,435	Subsidiary
The Company	AIQ	TAIWAN	Wholesale trade	90,000	90,000	4,015,112	63.43%	788	63.43%	(33,482)	(21,238)	Subsidiary
The Company	Unigym Global	CAYMAN	Electronic Information Supply Service Industry	9,092	-	-	- %	-	- %	-	-	Prepayments for investments
TEX-RAY (BELIZE)	TEX-RAY (CAYMAN)	CAYMAN	Overseas investment holding	-	1,057,841	-	- %	-	100.00%	(58,045)	Exempt from disclosure	Note 2
TEX-RAY (BN)	GOOD TIME	VIETNAM	Garment processing	227,750	227,750	-	100.00%	33,133	100.00%	(18,259)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (BN)	MSWATI	MAURITIUS	Overseas investment holding	1,160,125	1,160,125	-	100.00%	(136,430)	100.00%	(83,406)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (BN)	TEX-RAY(VN)	VIETNAM	Garment processing	423,990	423,990	-	100.00%	175,497	100.00%	79,278	Exempt from disclosure	Sub-subsidiary
TEX-RAY (BN)	TRCA GARMENT	CAMBODIA	Garment processing	63,564	63,564	-	100.00%	(21,629)	100.00%	(23,733)	Exempt from disclosure	Sub-subsidiary
FLYNN (SAMOA)	TRLA GROUP	USA	Marketing and trading	18,384	18,384	2,936,000	100.00%	50,472	100.00%	(13,615)	Exempt from disclosure	Sub-subsidiary
FLYNN (SAMOA)	Z-PLY (NY)	USA	Marketing and trading	260,443	260,443	200	100.00%	385,120	100.00%	(145,814)	Exempt from disclosure	Sub-subsidiary
Great CPT	TEXRAY (SWAZILAND)	ESWATINI	Garment processing	158,524	158,524	12,417,938	100.00%	3,264	100.00%	(147)	Exempt from disclosure	Sub-subsidiary
Great CPT	YIHONG CO.,LTD	TAIWAN	Dyeing and finishing industry	6,000	6,000	600	20.00%	-	20.00%	-	Exempt from disclosure	Investment accounted for using equity method
Great CPT	MASTERAY INTERNATIONAL CO., LTD.	TAIWAN	Wholesale trade	-	2,700	-	- %	-	45.00%	(689)	Exempt from disclosure	Investment accounted for using equity method
TST	Taiwan Innovation (HK)	HONGKONG	Machine marketing and trading	-	390	-	- %	-	100.00%	738	Exempt from disclosure	Note 2
TST	HUAI WEI BIOTECHNOLOGY CO., LTD	TAIWAN	Biotechnology Service	12,000	-	1,200,000	60.00%	11,348	60.00%	(1,087)	Exempt from disclosure	Sub-subsidiary
KMT	KMBV	NETHERLANDS	Marketing and trading	7,950	7,950	200,000	100.00%	8,589	100.00%	1,508	Exempt from disclosure	Sub-subsidiary
KMT	ELITETOP TECH	SAMOA	Overseas investment holding	-	48,091	-	- %	-	100.00%	(3,224)	Exempt from disclosure	Sub-subsidiary

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of wnership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of wnership	Carrying value				
KMT	HND WIRE INC.	TAIWAN	Metal wire products manufacturing	-	10,004	-	- %	-	- %	(2)	Exempt from disclosure	Investment accounted for using equity method
AIQ	AIQ-S(UK)	UK	Development of smart clothing technology	15,419	15,419	396,266	50.00%	3,076	50.00%	4,934	Exempt from disclosure	Sub-subsidiary
AIQ	Taiwan Innovation (HK)	HONGKONG	Machine marketing and trading	390	-	100,000	100.00%	827	100.00%	738	Exempt from disclosure	Sub-subsidiary
TEX-RAY (CAYMAN)	TEX-RAY(MEXICO)	MEXICO	Dyeing	1,168,882	1,168,882	-	100.00%	266,536	100.00%	(33,747)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (CAYMAN)	AMRAY(MEXICO)	MEXICO	Garment processing	178,119	178,119	-	100.00%	(64,011)	100.00%	(22,235)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	KASUMI(SWAZILAND)	ESWATINI	Trading and manufacturing of dyeing, finishing, woven fabrics and garments	43,461	43,461	1,657,400	100.00%	390,258	100.00%	954	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	T.Q.M.(SWAZILAND)	ESWATINI	Dyeing	569,316	569,316	132,525,183	100.00%	948,925	100.00%	150,903	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	U.I.W.(SWAZILAND)	ESWATINI	Garment processing	47,508	47,508	12,031,000	100.00%	21,158	100.00%	(2,367)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	J.M. Rotary Print Industrial Co.,Ltd.	ESWATINI	Dyeing and finishing of fabrics, clothing sales	12,908	11,712	5,618,679	90.00%	1,023	90.00%	(7,782)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	GOLDEN JUBILEE	ESWATINI	Garment processing	10,800	10,800	5,000,000	100.00%	26,515	100.00%	8,768	Exempt from disclosure	Sub-subsidiary
T.Q.M.(SWAZILAND)	ESWT (SWAZILAND)	ESWATINI	Sale of agricultural products	1,822	-	900,000	90.00%	358	90.00%	(1,604)	Exempt from disclosure	Third-tier company

Note 1: The carrying value of subsidiaries are reconciliated in the preparation of consolidated report.

Note 2: Please refer to Note 4(c) for consolidated components.

(c) Information on investment in mainland China

(i) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Highest Percentage of ownership	Accumu-lated remittance of earnings in current period
					Outflow	Inflow								
TEX-RAY (SHANGHAI)	Operating textile storage, trading, distribution, display and technology development	282,574	(2)	282,574	-	-	282,574	(3,217)	100.00%	100.00%	(3,217)	402,365	-	-
TEX-RAY (YANCHENG)	Manufacturing and sales of textiles, clothing, shoes and hats	45,527	(3)	-	-	-	-	580	100.00%	100.00%	580	(48,625)	-	-
TEXRAY(KUNSHAN)	Development of composite fabrics	168,268	(3)	-	-	-	-	4,842	100.00%	100.00%	4,842	172,569	-	-
TRYD TEXTILE	Garment processing and engaged in spinning, weaving, high-end fabrics, bleaching and dyeing, printing and garment production	1,749,139	(2)	1,235,108	-	-	1,235,108	(81,283)	100.00%	100.00%	(81,283)	(39,610)	-	-
TRYD ARRAREL	Knitted garment processing	164,220	(2)	86,711	-	-	86,711	1,574	100.00%	100.00%	1,574	(13,461)	-	-
KING’S METAL FIBER (SHANGHAI)	Wholesale of glass products, high-efficiency insulation materials, textiles, clothing, apparel and accessories	51,221	(2)	47,247	3,974	-	51,221	(9,045)	63.43%	63.43%	(5,737)	1,882	-	-

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Highest Percentage of ownership	Accumu-lated remittance of earnings in current period
					Outflow	Inflow								
AIQ (Zhejiang)	System development, production and sales of smart devices	10,318	(3)	-	-	-	-	(3,355)	63.43%	63.43%	(2,128)	(16)	-	-
TRYD ARRAREL (HENAN) (Note 3)	Garment processing	-	(2)	46,494	-	-	46,494	-	-%	-%	-	-	-	-
TRYD TEXTILE RESEARCH INSTITUTE (Note 4)	Technology research and development of polymer composite materials and new textile materials	49,149	(2)	-	-	-	-	-	-%	-%	-	-	-	-
Wei-Da Testing	Testing service and environmental assessment	31,065	(3)	-	-	-	-	1,674	100.00%	100.00%	1,674	6,871	-	-
SHANGHAI JIN PEILI (Note 5)	Weaving, dyeing and finishing of high-end fabrics, sales of products of the company	111,088	(2)	14,321	-	-	14,321	-	-%	-%	-	-	-	-
JIANAN TEXTILE (Note 6)	Weaving, dyeing and finishing of high-grade fabrics	29,613	(2)	29,613	-	-	29,613	-	-%	-%	-	-	-	-

Note 1: Three types of investment method are as follows:

1. Directly investing in the mainland area.
2. Investing in the mainland through companies in another country (Please refer to Noter 4(c)).
3. Other methods.

Note 2: The investment gains and losses recognized at the equity method are based on the financial information of the mainland investee companies, which was audited by the auditors of parent company during the same fiscal period.

Note 3: The business was deregistered in November 2015, and the share capital was remitted back to the upper parent company MSWATI in March 2016.

Note 4: The business was liquidated in October 2019.

Note 5: The business was liquidated in December 2012.

Note 6: The business was sold in June 2012, and the returns of original investment was remitted back to the upper parent company MSWATI.

Note 7: The numbers listed above are presented in NTD rounded to nearest thousand, according to the currency rate on December 31, 2020. (USD: 28.0950, CNY: 4.318)

(ii) Limitation on investment in Mainland China

The Company had obtained the certification letter of the operating headquarters from the Ministry of Economic Affairs on August 6, 2018. The validity period is from August 2, 2018 to August 1, 2021, and there is no such restriction of ceiling on investment in Mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Business relationships and significant intercompany transactions”.

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Major shareholders:

Shareholding Shareholder’s Name	Shares	Percentage
YUE-DA TEXTILE HOLDINGS, LTD B.V	42,052,440	17.99%
Xian-Yu, Guo	23,680,000	10.13%
SUXHOU WEIDE CO., LTD.	23,362,466	9.99%
Feng-Ying, Yeh	14,280,000	6.11%

(14) Segment information

(a) General information

(i) The Group’s reportable segments are as below: the dyeing and spinning segment, the weaving segment, the garment processing segment, the functional subsidiaries, the military affairs segment, and other segments. They are respectively engaged in the weaving, manufacturing and processing, dyeing and finishing and trading of cotton, cloth, various fibers and textiles, and cotton yarn purchasing, export business, garment processing and export business, etc..

(ii) The operating results of all operating departments are regularly reported to the Company’s operating decision-makers for resource allocation and for evaluation of their performance. It was prepared on a basis consistent with the consolidated financial statements.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in Note (4) “Summery of significant accounting policies” except for the recognition and measurement of pension cost, which is on a cash basis.

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's operating segment information and reconciliation were as follows:

For the year ended December 31, 2020	Dyeing and weaving segment	Garment processing segment	Machine manufacturing segment	Military Affairs segment	Metal Fiber segment	Other	Adjustment and eliminations	Total
Revenue from external customers	$ 677,253	7,400,802	149,787	10,238	351,523	8,984	-	8,598,587
Intersegment revenues	1,845,189	3,281,411	39,497	-	131,066	189,052	(5,486,215)	-
Total revenue	$ 2,522,442	10,682,213	189,284	10,238	482,589	198,036	(5,486,215)	8,598,587
Interest revenue	$ 2,547	24,967	15	138	66	4,729	(17,787)	14,675
Interest expenses	$ 55,463	18,729	34	-	5,290	34,738	(17,787)	96,467
Depreciation and amortization	$ 113,219	81,289	2,336	15	27,857	30,019	-	254,735
Share of profit (loss) of associates and joint ventures accounted for using equity method	$ -	-	-	-	-	(760)	-	(760)
Reportable segment profit or loss	$ 10,337	518,468	16,162	(3,683)	26,527	(301,309)	-	266,502

For the year ended December 31, 2019	Dyeing and weaving segment	Garment processing segment	Machine manufacturing segment	Military Affairs segment	Metal Fiber segment	Other	Adjustment and eliminations	Total
Revenue from external customers	$ 1,211,678	5,257,074	107,579	10	361,187	11,756	-	6,949,284
Intersegment revenues	1,668,561	3,153,385	5,771	-	145,137	238,046	(5,210,900)	-
Total revenue	$ 2,880,239	8,410,459	113,350	10	506,324	249,802	(5,210,900)	6,949,284
Interest revenue	$ 2,914	19,587	15	90	214	5,007	(11,901)	15,926
Interest expenses	$ 51,804	20,554	191	-	5,368	35,395	(11,901)	101,411
Depreciation and amortization	$ 98,850	91,876	2,606	17	26,113	43,518	-	262,980
Share of profit (loss) of associates and joint ventures accounted for using equity method	$ -	-	-	-	(8,301)	(636)	-	(8,937)
Reportable segment profit or loss	$ (98,351)	95,525	6,048	(4,132)	3,562	(41,878)	-	(39,226)

Note: The departmental assets and liabilities information of the Group is not provided to the management for reference or for decision-making purposes, and there is no need to disclose departmental assets and liabilities.

TEX-RAY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, please refer to Note 6(t). The segment assets are based on the geographical location of the assets.

Region	For the years ended December 31 2020	2019
Non-current assets		
Taiwan	$ 2,079,075	1,148,251
USA	215,136	185,198
China	698,822	835,737
Mexico	256,276	291,012
Africa	186,618	212,978
Vietnam	270,794	315,796
Others	21,504	32,348
	$ 3,728,225	**3,021,320**

Non-current assets include property, plant and equipment use-of-right assets, investment property, intangible assets and other non-current assets, excluding financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Major customers

	For the years ended December 31 2020	2019
Customer A from garment processing segment	$ 3,130,492	-
Customer B from garment processing segment	583,442	890,833
	$ 3,713,934	**890,833**

Independent Auditors' Report

To the Board of Directors of TEX-RAY INDUSTRIAL CO., LTD.

Opinion

We have audited the financial statements of TEX-RAY INDUSTRIAL CO., LTD.("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that in our professional judgement, should be communicated are as follows:

1. Revenue recognition

   Please refer to Note 4(p) for the accounting policies on revenue and Note 6(r) "Revenue from contracts with customers" for the details of the related disclosure.

   .

Description of the key audit matter:

The Company is in the garment textile industry. In order to enhance the international competency, the management adopts global layout as its business strategy and adds multiple production and sales supply chains overseas. Therefore, the extent of influence of local laws and political and economic changes in various countries to such strategy increases dramatically. Resulting in that the revenue recognition is regarded as highly concerns. Therefore, the Company’ s revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including understanding the design of internal controls over the recognition of revenue and the collection of receivables, performing test of details by inspecting the sales orders, shipping records, invoices and documents related to accounts receivable and cash collection and assessing the adequacy of revenue recognition. Furthermore, we also performed sample testing for verification from transactions within a period before and after balance sheet date to determine whether the revenue is recognized in appropriate period.

2. Valuation of accounts receivable

For the accounting policies on the valuation of accounts receivable, please refer to Note 4(f). Refer to Note 5(a) for the accounting estimates and assumptions related to the valuation of accounts receivable on reporting date and refer to Note 6(c) for the details of the accounts receivable.

Description of the key audit matter:

As of December 31, 2020, the accounts receivable of the Company was $338,837 thousand. We have considered that the Company’ s trading partners are scattered in different industries and geographic regions, how the management control credit risk of its customer is thoroughly important. Therefore, the impairment assessment of accounts receivable has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including inspecting the controls over customer credit assessment process, analyzing the accounts receivable aging table, viewing past collection experience of customers and checking cash collection records after the reporting date to evaluate whether the impairment of the accounts receivable has been properly assessed.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements, management is responsible for assessing the Company’ s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company’ s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this 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 financial statements of the current period 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 Kuo-Yang Tseng and Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2021

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents(Note 6(a))	$ 512,083	9	75,302	2
1110	Current financial assets at fair value through profit or loss(Note 6(b))	612	-	1,225	-
1150	Notes receivable, net(Notes 6(c))	500	-	21,793	-
1170	Accounts receivable, net(Notes 6(c))	338,837	6	211,612	5
1181	Accounts receivable due from related parties(Notes 7)	110,539	2	99,000	2
1200	Other receivables, net	5,932	-	3,514	-
1210	Other receivables due from related parties, net(Notes 7)	132,032	2	42,319	1
1310	Inventories, manufacturing business, net(Notes 6(d))	420,761	7	235,120	5
1410	Prepayments(Note 7)	181,993	3	197,872	4
1470	Other current assets	330	-	240	-
1476	Other current financial assets(Note 8)	166,778	3	261,190	5
		1,870,397	32	1,149,187	24
	Non-current assets:				
1550	Investments accounted for using equity method, net(Note 6(e))	2,518,050	42	2,799,770	59
1600	Property, plant and equipment(Note 6(f) and 8)	436,000	7	536,906	11
1755	Right-of-use assets(Notes 6(g))	32,845	1	39,595	1
1760	Investment property, net(Notes 6(h) and 8)	1,058,441	18	128,719	3
1780	Intangible assets	17,732	-	5,387	-
1840	Deferred tax assets(Note 6(o))	25,966	-	5,884	-
1960	Prepayments for investments	9,092	-	-	-
1980	Other non-current financial assets(Note 8)	9,879	-	115,223	2
1990	Other non-current assets	2,133	-	-	-
		4,110,138	68	3,631,484	76
	Total assets	$ 5,980,535	100	4,780,671	100

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings(Note 6(i))	$ 119,990	2	571,722	12
2110	Short-term notes and bills payable(Note 6(j))	249,660	4	-	-
2130	Current contract liabilities(Note 6(r))	17,908	1	13	-
2150	Notes payable	47,339	1	59,664	1
2160	Notes payable due to related parties(Note 7)	13	-	-	-
2170	Accounts payable	263,149	4	210,719	4
2180	Accounts payable due to related parties(Note 7)	26,963	-	36,311	1
2200	Other payables	311,490	5	91,079	2
2220	Other payables due to related parties(Note 7)	366	-	763	-
2230	Current tax liabilities	77,227	1	8,705	-
2280	Current lease liabilities(Note 6(l))	6,328	-	7,476	-
2320	Long-term liabilities, current portion(Note 6(k))	9,000	-	28,800	1
2300	Other current liabilities(Note 7)	3,916	-	3,203	-
2315	Other advance receipts(Note 7)	4,679	-	-	-
		1,138,028	18	1,018,455	21
	Non-current liabilities:				
2540	Long-term borrowings(Note 6(k))	1,424,189	24	1,188,200	25
2570	Deferred tax liabilities(Note 6(o))	177,699	3	65,289	1
2580	Non-current lease liabilities(Note 6(l))	26,810	1	32,407	1
2640	Net defined benefit liability, non-current(Note 6(n))	25,012	1	29,496	1
2670	Other non-current liabilities, others	759	-	1,300	-
		1,654,469	29	1,316,692	28
	Total liabilities	2,792,497	47	2,335,147	49
	Equity(Note 6(p)):				
3110	Ordinary share	2,336,247	39	2,336,247	49
3200	Capital surplus	234,052	4	235,155	5
3300	Retained earnings	473,640	8	307,142	6
3400	Other equity interest	144,099	2	(433,020)	(9)
	Total equity	3,188,038	53	2,445,524	51
	Total liabilities and equity	$ 5,980,535	100	4,780,671	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2020 Amount	%	2019 Amount	%
4000	**Operating revenues (Notes 6(r) and 7)**	$ 5,626,250	100	2,851,433	100
5000	**Operating costs (Notes 6(d), (n) and 7)**	4,310,188	77	2,406,771	84
5900	**Gross profit from operations**	1,316,062	23	444,662	16
5910	Less:Unrealized profit from sales	(7,336)	-	(10,250)	-
5920	Add:Realized profit on from sales	10,250	-	10,891	-
5950	**Gross profit (loss) from operations**	1,318,976	23	445,303	16
6000	**Operating expenses (Note 6(n)):**				
6100	Selling expenses	718,559	13	249,611	9
6200	Administrative expenses	181,733	3	124,105	4
6300	Research and development expenses	13,248	-	11,032	1
		913,540	16	384,748	14
6900	**Net operating income**	405,436	7	60,555	2
7000	**Non-operating income and expenses:**				
7010	Other income (Notes 6(t) and 7)	17,470	-	18,339	1
7020	Other gains and losses, net (Note 6(t))	(82,566)	(1)	50,613	2
7100	Interest income(Notes 6(t) and 7)	4,694	-	4,854	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method, net	(92,754)	(2)	(237,034)	(8)
7510	Interest expense (Note 6(t))	(34,106)	(1)	(33,422)	(2)
		(187,262)	(4)	(196,650)	(7)
	Profit (loss) before tax	218,174	3	(136,095)	(5)
7950	Less: Income tax expenses (Note 6(o))	50,054	1	35,782	1
	Profit (loss)	168,120	2	(171,877)	(6)
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Losses on remeasurements of defined benefit plans	(1,622)	-	(4,029)	-
8312	Gains on revaluation surplus	873,576	16	262,746	9
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(142)	-	3,660	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	-	-	(4,935)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss	112,410	2	-	-
	Items that will not be reclassified subsequently to profit or loss	759,402	14	257,442	9
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(183,905)	(3)	(52,586)	(2)
8399	Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss	-	-	-	-
	Items that may be reclassified subsequently to profit or loss	(183,905)	(3)	(52,586)	(2)
8300	**Other comprehensive income**	575,497	11	204,856	7
8500	**Total comprehensive income**	**$ 743,617**	**13**	**32,979**	**1**
	Basic earnings per share (Note 6(q))				
9750	Basic earnings per share (dollars)	**$**	**0.72**		**(0.74)**
9850	Diluted earnings per share (dollars)	**$**	**0.72**		**(0.74)**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Revaluation surplus	Equity related to non-current assets (or disposal groups) held-for-sale	Total other equity interest	Total equity
Balance on January 1, 2019	$ 2,336,247	235,155	166,655	201,749	(139,947)	228,457	(611,680)	(34,477)	-	258,905	(387,252)	2,412,607
Loss	-	-	-	-	(171,877)	(171,877)	-	-	-	-	-	(171,877)
Other comprehensive income	-	-	-	-	(4,029)	(4,029)	(52,586)	(1,275)	262,746	-	208,885	204,856
Total comprehensive income	-	-	-	-	(175,906)	(175,906)	(52,586)	(1,275)	262,746	-	208,885	32,979
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	(62)	(62)	-	-	-	-	-	(62)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	610	610	-	(610)	-	-	(610)	-
Equity related to non-current assets held-for-sale	-	-	-	-	254,043	254,043	-	-	4,862	(258,905)	(254,043)	-
Balance on December 31, 2019	2,336,247	235,155	166,655	201,749	(61,262)	307,142	(664,266)	(36,362)	267,608	-	(433,020)	2,445,524
Profit	-	-	-	-	168,120	168,120	-	-	-	-	-	168,120
Other comprehensive income	-	-	-	-	(1,622)	(1,622)	(183,905)	(142)	761,166	-	577,119	575,497
Total comprehensive income	-	-	-	-	166,498	166,498	(183,905)	(142)	761,166	-	577,119	743,617
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	(1,103)	-	-	-	-	-	-	-	-	-	(1,103)
Balance on December 31, 2020	**$ 2,336,247**	**234,052**	**166,655**	**201,749**	**105,236**	**473,640**	**(848,171)**	**(36,504)**	**1,028,774**	**-**	**144,099**	**3,188,038**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020	2019
Cash flows from operating activities:			
Profit (loss) before tax	$	218,174	(136,095)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		26,175	32,081
Amortization expense		6,264	3,666
Reversal of provision for expected credit loss		(1,010)	(1,283)
Loss on financial assets at fair value through profit or loss		128	130
Interest expense		34,106	33,422
Interest income		(4,694)	(4,854)
Dividend income		(22)	(97)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		92,754	237,034
Loss on disposal of property, plan and equipment		2,780	(203)
Gain on disposal of non-current assets held-for-sale		-	(42,304)
Impairment loss on non-financial assets		4,000	-
Realized profit from sales		(2,914)	(641)
Loss (gain) on fair value adjustment of investment property		18,948	(10,420)
Other income		(1,649)	(788)
Other losses		605	-
Total adjustments to reconcile profit		175,471	245,743
Changes in operating assets and liabilities:			
Decrease in financial assets at fair value through profit or loss		485	-
Decrease in notes receivable		21,293	16,964
(Increase) decrease in accounts receivable		(126,215)	60,889
(Increase) decrease in accounts receivable due from related parties		(11,539)	117,942
(Increase) decrease in other receivables		(2,418)	3,414
(Increase) decrease in other receivables due from related parties		(89,713)	124,597
(Increase) decrease in inventories		(185,641)	(16,565)
Decrease (increase) in prepayments		15,879	(13,472)
Increase in other current assets		(90)	(39)
Increase in other financial assets		(4,799)	(1,370)
Total changes in operating assets		(382,758)	292,360
Changes in operating liabilities:			
Increase (decrease) in contract liabilities		17,895	(36,610)
(Decrease) increase in notes payable		(12,325)	3,863
Increase in notes payable due to related parties		13	-
Increase (decrease) in accounts payable		52,430	(129,446)
(Decrease) increase in accounts payable due to related parties		(9,348)	15,583
Increase (decrease) in other payables		220,478	(23,718)
Decrease in other payable due to related parties		(397)	(27)
Increase in advance receipts		4,679	-
Increase in other current liabilities		713	589
Decrease in net defined benefit liability		(5,462)	(3,878)
Decrease in other operating liabilities		(541)	(1,660)
Total changes in operating liabilities		268,135	(175,304)
Total changes in operating assets and liabilities		(114,623)	117,056
Total adjustments		60,848	362,799
Cash inflow generated from operations		279,022	226,704
Interest received		4,694	4,854
Dividends received		22	97
Interest paid		(34,173)	(33,116)
Income taxes paid		(1,614)	(43,390)
Net cash flows from operating activities		247,951	155,149

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Statements of Cash Flows (CONT’D)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	3,660
Acquisition of investments accounted for using equity method	(25,000)	(127,447)
Increase in prepayments for investments	(9,092)	-
Proceeds from liquidation of investments accounted for using equity method	20,000	-
Proceeds from disposal of non-current assets held-for-sale	-	321,000
Acquisition of property, plant and equipment	(5,954)	(13,931)
Proceeds from disposal of property, plant and equipment	18,221	215
Acquisition of intangible assets	(18,609)	-
Increase in other financial assets	-	(137,950)
Decrease in other financial assets	94,412	-
Increase in other non-current assets	(2,133)	-
Dividends received	-	5,754
Net cash flows from investing activities	71,845	51,301
Cash flows from (used in) financing activities:		
Increase in short-term loans	309,293	1,427,631
Decrease in short-term loans	(761,025)	(1,476,398)
Increase in short-term notes and bills payable	249,660	-
Proceeds from long-term debt	1,400,000	110,000
Repayments of long-term debt	(1,183,811)	(267,400)
Payment of lease liabilities	(7,275)	(7,054)
Increase in other financial assets	-	(143)
Decrease in other financial assets	110,143	-
Net cash flows from (used in) financing activities	116,985	(213,364)
Net increase (decrease) in cash and cash equivalents	436,781	(6,914)
Cash and cash equivalents at beginning of period	75,302	82,216
Cash and cash equivalents at end of period	$ 512,083	75,302

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TEX-RAY INDUSTRIAL CO., LTD. (the "Company") was established with the approval of the Ministry of Economic Affairs in August 1978, and was listed in Taiwan Stock Exchange in 1998. The registered address is 2F., No. 426, Linsen N. Rd., Jhongshan Dist., Taipei City. The Company was originally a modern yarn dyeing factory, and then expanded to spinning business, plain weaving business, and garment business, etc.. In order to enhance competency in international business, the Company established multiple production and sales supply chains overseas in Mexico, Eswatini, Vietnam, and Mainland China, and deployed the marketing department in US and Mexico market. The Company further divided its departments or established new subsidiaries for specialization purpose in particular technologies and markets in order to enhance the overall economic efficiency.

The main business of the Company is in weaving, manufacturing and processing, dyeing and spinning, and trading of cotton and any kind of fibers and textiles, and yarn trading business, garment processing and trading business, ultrasonic cleaning and supercritical cleaning business and extraction businesses.

(2) Approval date and procedures of the financial statements

The financial statements were authorized for issue by the Board of Directors on March 26, 2021.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

● Amendments to IFRS 3 "Definition of a Business"

● Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"

● Amendments to IAS 1 and IAS 8 "Definition of Material"

● Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

● Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"

● Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform －Phase 2"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(a) Statement of compliance

The financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value,

2) Fair value through other comprehensive income are measured at fair value,

3) Investment property is measured at fair value, and

4) The defined benefit liabilities is recognized as the fair value of the plan assets less the present value of defined benefit obligation and the upper limit impact mentioned in Note 4(r).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The Company' s financial statements are presented in New Taiwan Dollar, which is the Company' s functional currency. All the financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currencies

(i) currencies transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for equity securities designated as at fair value through other comprehensive income; which are recognized in other comprehensive income.

(Continued)

(ii) Foreign operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current when

(i) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle,

(ii) The Company holds the asset primarily for the purpose of trading,

(iii) The Company expects to realize the asset within twelve months after the reporting period,

(iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when

(i) The Company expects to settle the liability in its normal operating cycle,

(ii) The Company holds the liability primarily for the purpose of trading,

(iii) The liability is due to be settled within twelve months after the reporting period,

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve 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.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI)－equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables, guarantee deposit and other financial assets) and contract assets.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Since the performance object of the Company's cash deposits are investment grade financial institutions, the Company's credit risk are considered low.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Non-current assets held-for-sale

Non-current assets comprising assets that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, are remeasured in accordance with the Company’s accounting policies. Thereafter, generally, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, property, plant and equipment is no longer amortized or depreciated.

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but no control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, minus any accumulated impairment losses.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from the transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

(j) Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in ‘other equity - revaluation surplus’ is transferred to retained earnings.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost includes any expenditure of acquiring assets. Self-built asset cost includes materials, direct labor, any other expenditure to make the asset usable, removement and recovery cost, and the loan cost meeting the criteria of capitalization. Besides, the cost also includes the software purchased to integrate related functions, which is capitalized as a part of the equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	Buildings	5～55 years
2)	Machinery equipment	1～23 years
3)	Transportation equipment	1～6 years
4)	Office and Other equipment	1～20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owneroccupied to investment property.

(m) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified, and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use, or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions, or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)

(ii) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including in-substance fixed payment,

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,

3) amounts expected to be payable under a residual value guarantee, and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate, or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or

3) there is a change of its assessment on whether it will exercise a purchase, extension or termination option, or

4) there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic,

2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change,

3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021, and

4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a leasor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Additionally intangible assets such as computer software are amortized at estimated useful lives ranging from three to twenty years, and recognized in profit and loss.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company engages in manufacturing, processing and wholesaling of textile and garments. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financial components

The Company does not expect to have any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(q) Government grants

The Company recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(Continued)

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

(s) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction,

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity, or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(u) Operating segments

Please refer to the consolidated financial report of TEX-RAY INDUSTRIAL CO., LTD. for the years ended December 31, 2020 and 2019 for operating segments information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There is no judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of trade receivables

The Company has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(d) for further description of the valuation of inventories.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. Investment property measured at fair value is periodically remeasured by the Company's finance Dept. or by appraisers using appraisal method accepted by FSC.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Please refer to following notes for assumptions used in measuring fair value:

(a) Note 6(h), Investment property.

(b) Note 6(u), Financial instruments.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	$ 497	572
Check deposits	6,529	11,740
Demand deposits	778	2,765
Foreign currency deposits	53,255	60,225
Time deposits	451,024	-
Cash and cash equivalents in the statements of cash flows	$ 512,083	75,302

Please refer Note 6(u) for the disclosure of interest risk and sensitivity analysis of the Company's financial assets and liabilities.

(b) Financial assets at fair value

The portfolio of the Company were as follows:

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
Stocks listed on domestic markets	$ 612	1,225

(i) Please refer to Note 6(t) for re-measurement at fair value recognized in profit or loss.

(ii) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes. The revaluation loss of the investment has been recognized in equity accounts.

(iii) On Dec. 5, 2019, the Company disposed part of its financial assets at fair value through other comprehensive income at fair value amounted to $3,660 thousand and recognized realized gain amounted to $610 thousand, which was previously recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

(iv) During 2020, the Company sold part of its financial assets at fair value through profit or loss. The financial asset was disposed at fair value amounted to $485 thousand.

(v) Please refer to Note 6(u) for credit risk and market risk of the financial assets.

(vi) The aforesaid financial assets were not pledged as collateral.

(c) Notes and trade receivables

	December 31, 2020	December 31, 2019
Notes receivables from operating activities	$ 500	21,793
Accounts receivable-measured at amortized cost	339,049	212,834
Less: Loss allowance	212	1,222
	$ 339,337	233,405

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(i) The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The expected credit losses of the notes receivables and trade receivables were as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance Provision
Overdue under 90 days	$ 338,447	0%	-
Overdue 90 to 180 days	984	10%	98
Overdue 180 to 360 days	9	56%	5
Over 360 days past due	109	100%	109
	$ 339,549		212

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance Provision
Overdue under 90 days	$ 227,472	0%	-
Overdue 90 to 180 days	6,013	10%	601
Overdue 180 to 360 days	1,071	51.4%	550
Over 360 days past due	71	100%	71
	$ 234,627		1,222

(ii) The movement in the allowance for notes and accounts receivable was as follow:

	For the years ended December 31	
	2020	2019
Balance on January 1	$ 1,222	2,571
Amounts written off	-	(66)
Reversal of impairment losses	(1,010)	(1,283)
Balance on December 31	$ 212	1,222

(iii) The aforesaid receivables were not pledged as collateral.

(Continued)

(d) Inventories

		December 31, 2020	December 31, 2019
Raw materials	$	13,649	47,494
Work in process		368,857	183,194
Finished goods		-	4,321
Merchandise		38,255	111
	$	**420,761**	**235,120**

(i) As of December 31, 2020 and 2019, inventories recognized as cost of sales amounted to $4,239,495 thousand and $2,405,720 thousand, respectively. For the years ended 2020 and 2019, the write-down of inventories amounted to $70,693 thousand and $1,051 thousand, respectively. The write-downs are included in cost of sales.

(ii) The aforesaid inventories were not pledged as collateral.

(e) Investments accounted for using equity method

A summary of the Company's investments accounted for using equity method at the reporting date were as follows:

		December 31, 2020	December 31, 2019
Subsidiaries	**$**	**2,518,050**	**2,799,770**

(i) Subsidiary

Please refer to the consolidated financial statements for the year ended December 31, 2020 and 2019.

(ii) Associate

The Company’s ability to affect those returns from associates is not highly restricted. Because the Company had no obligation to bear additional losses, the Company had stopped recognizing share of losses from MAINETTI GTA HANGERS SWAZILAND (PTY) LTD ("GTA"). The unrecognized losses in 2019 was $7 thousand. GTA had completed liquidation process in 2019.

(iii) The aforesaid investments accounted for using equity method were not pledged as collateral.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	Land	Buildings	Machinery equipment	Transportation equipment	Office equipment	Other facilities	Construction in progress	Total
Cost:								
Balance on January 1, 2020	$ 231,506	372,815	225,907	6,858	42,069	87,107	-	966,262
Additions	-	3,313	1,227	-	1,008	406	-	5,954
Reclassification to investment property	(38,490)	(86,011)	-	-	-	-	-	(124,501)
Disposals	-	-	(90,076)	(4,952)	(23)	(12,242)	-	(107,293)
Balance on December 31, 2020	$ 193,016	290,117	137,058	1,906	43,054	75,271	-	740,422
Balance on January 1, 2019	$ 231,506	372,038	221,846	10,571	36,800	88,035	-	960,796
Additions	-	777	2,535	-	1,669	3,449	5,501	13,931
Transfers	-	-	1,526	-	3,600	375	(5,501)	-
Disposals	-	-	-	(3,713)	-	(4,752)	-	(8,465)
Balance on December 31, 2019	$ 231,506	372,815	225,907	6,858	42,069	87,107	-	966,262
Depreciation and impairment loss:								
Balance on January 1, 2020	$ -	114,164	195,717	5,657	33,858	79,960	-	429,356
Depreciation for the period	-	7,070	8,024	637	2,202	1,567	-	19,500
Impairment loss	-	-	2,200	100	200	1,500	-	4,000
Reclassification to investment property	-	(58,475)	-	-	-	-	-	(58,475)
Disposals	-	-	(75,192)	(4,527)	(23)	(10,217)	-	(89,959)
Balance on December 31, 2020	$ -	62,759	130,749	1,867	36,237	72,810	-	304,422
Balance on January 1, 2019	$ -	105,844	184,006	8,452	31,808	82,960	-	413,070
Depreciation for the period	-	8,320	11,711	918	2,050	1,740	-	24,739
Disposals	-	-	-	(3,713)	-	(4,740)	-	(8,453)
Balance on December 31, 2019	$ -	114,164	195,717	5,657	33,858	79,960	-	429,356
Carrying amounts:								
Balance on December 31, 2020	$ 193,016	227,358	6,309	39	6,817	2,461	-	436,000
Balance on December 31, 2019	$ 231,506	258,651	30,190	1,201	8,211	7,147	-	536,906
Balance on January 1, 2019	$ 231,506	266,194	37,840	2,119	4,992	5,075	-	547,726

(i) On June 16, 2020, the Board of Directors approved that the real estate of the factory site located in Taiwan would be leased or sold subsequently, resulting in the carrying value amounting to $66,026 thousand was transferred into investment property. Please refer to Note 6(h) for details.

(ii) In June 2020, due to the cessation of production at the Tainan Dyeing Factory, the Company estimated that the recoverable amount of the relevant property, plant and equipment was lower than the book value, thus impairment loss amounting to $4,000 thousand was recognized.

(iii) The property, plant and equipment of the Company had been pledged as collateral for bank borrowings, please refer to Note 8.

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(g) Right-of-use assets

The Company leases assets including land, buildings, machinery and transportation equipment. Information about leases for which the Company as a lessee was presented below:

	Land	Buildings	Machinery equipment	Transportation equipment	Total
Cost:					
Balance on January 1, 2020	$ 37,365	1,326	2,564	5,682	46,937
Additions	-	693	-	508	1,201
Disposal	(3,385)	(1,326)	(2,564)	-	(7,275)
Balance on December 31, 2020	$ 33,980	693	-	6,190	40,863
Balance on January 1, 2019	$ 4,432	1,326	2,564	1,042	9,364
Additions	32,933	-	-	4,640	37,573
Balance on December 31, 2019	$ 37,365	1,326	2,564	5,682	46,937
Accumulated depreciation:					
Balance on January 1, 2020	$ 4,149	560	1,524	1,109	7,342
Depreciation for the year	3,481	620	390	2,184	6,675
Disposal	(3,385)	(700)	(1,914)	-	(5,999)
Balance on December 31, 2020	$ 4,245	480	-	3,293	8,018
Balance on January 1, 2019	$ -	-	-	-	-
Depreciation for the year	4,149	560	1,524	1,109	7,342
Balance on December 31, 2019	$ 4,149	560	1,524	1,109	7,342
Carrying amounts:					
Balance on December 31, 2020	$ 29,735	213	-	2,897	32,845
Balance on December 31, 2019	$ 33,216	766	1,040	4,573	39,595
Balance on January 1, 2019	$ 4,432	1,326	2,564	1,042	9,364

(h) Investment property

The movement of the investment property were as follows:

	Land and improvement	Buildings	Total
Book Value:			
Balance on January 1, 2020	$ 42,559	86,160	128,719
Transfer from property, plant, and equipment	38,490	27,536	66,026
Change in fair value	882,644	(18,948)	863,696
Balance on December 31, 2020	$ 963,693	94,748	1,058,441
Balance on January 1, 2019	$ 37,650	75,746	113,396
Change in fair value	4,909	10,414	15,323
Balance on December 31, 2019	$ 42,559	86,160	128,719

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

	Land and improvement	Buildings	Total
Carrying amounts:			
Balance on December 31, 2020	$ 963,693	94,748	1,058,441
Balance on December 31, 2019	$ 42,559	86,160	128,719
Balance on January 1, 2019	$ 37,650	75,746	113,396

(i) The recurring fair value measurement for the investment properties has been categorized as a Level 3 fair value based on the input to the valuation technique used. The above table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

The Company's investment properties were subsequently measured at fair value using the income approach after initial recognition. The relevant contract information and key assumptions used in the method are as follows:

Contract Terms	Building No. 6576, Sec. 3, Zhongshan Dist., Taipei City	
	December 31, 2020	**December 31, 2019**
Contract terms	1.Rental:$238 thousand /month 2.Period:60 months 3.Deposits: $460 thousand 4.Tax borne by lessor:$85 thousand/year	1.Rental:$210~$238 thousand /month 2.Period:57 months 3.Deposits: $460 thousand 4.Tax borne by lessor:$86 thousand/year
Rent at local market rate (note)	$3,128 /Py /month	$2,860 /Py /month
Current market rent for comparable properties in similar locations and condition	$2,683～$3,234 /Py /month	$2,630~$3,088 /Py /month
Current status	In use	In use
Capitalization rate	3.77%	3.54%
Discount rate	2.02%	2.04%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser	Appraised by external independent appraiser
Appraiser office(s)	Grand Elite Real Estate Appraisers Firm	Grand Elite Real Estate Appraisers Firm
Appraiser name(s)	Fu-Sheng Wang	Fu-Sheng Wang
Appraisal date	December 31, 2020	December 31, 2019
Fair value by external independent appraiser(s)	$64,090 thousand	$63,420 thousand

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Contract Terms	Land No. 38, and buildings in Dehui Sec. 4, Zhongshan Dist., Taipei City	
	December 31, 2020	**December 31, 2019**
Contract terms	1.Rental:$42 thousand /month 2.Period:12 months 3.Deposits: $0 thousand 4.Tax borne by lesson:$16 thousand/year	1.Rental:$52 thousand /month 2.Period:12 months 3.Deposits: $0 thousand 4.Tax borne by lesson:$16 thousand/year
Rent at local market rate (note)	$1,100 /Py /month	$900~$1,300 /Py /month
Current market rent for comparable properties in similar locations and condition	$900～$1,300 /Py /month	$1,172~$1,182 /Py /month
Current status	In use	In use
Capitalization rate	2.14%	2.18%
Discount rate	2.02%	2.04%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser	Appraised by external independent appraiser
Appraiser office(s)	Grand Elite Real Estate Appraisers Firm	Grand Elite Real Estate Appraisers Firm
Appraiser name(s)	Fu-Sheng Wang	Fu-Sheng Wang
Appraisal date	December 31, 2020	December 31, 2019
Fair value by external independent appraiser(s)	$12,980 thousand	$13,020 thousand

Contract Terms	Land No. 868, and buildings in Zhenquian Sec. Changhua County	
	December 31, 2020	**December 31, 2019**
Contract terms	1.Rental:$200 thousand /month 2.Period:12 months 3.Deposits: $0 thousand 4.Tax borne by lesson:$181 thousand/year	1.Rental:$150 thousand /month 2.Period:12 months 3.Deposits: $0 thousand 4.Tax borne by lesson:$181 thousand/year
Rent at local market rate (note)	$190 /Py /month	$150~$250 /Py /month

TEX-RAY INDUSTRIAL CO., LTD.
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Contract Terms	Land No. 868, and buildings in Zhenquian Sec. Changhua County	
	December 31, 2020	December 31, 2019
Current market rent for comparable properties in similar locations and condition	As above	As above
Current status	In use	In use
Capitalization rate	3.25%	1.60%
Discount rate	2.00%	2.10%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser	Appraised by external independent appraiser
Appraiser office(s)	Grand Elite Real Estate Appraisers Firm	Grand Elite Real Estate Appraisers Firm
Appraiser name(s)	Fu-Sheng Wang	Fu-Sheng Wang
Appraisal date	December 31, 2020	December 31, 2019
Fair value by external independent appraiser(s)	$61,386 thousand	$52,279 thousand

Contract terms	Land No. 228-240, 240-1, 241, 531, 531-1, 533-535 and buildings located at Shengli Sec., Rende Dist., Tainan City, total in twenty items.
	December 31, 2020
Rent at local market rate (note)	$171~$218 /Py /month
Current market rent for comparable properties in similar locations and condition	As above
Current status	Available for leasing
Capitalization rate	1.755%
Discount rate	3.29%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser
Appraiser office(s)	CHINA PROPERTY APRAISING CENTER CO., LTD.
Appraiser name(s)	Dian-Jing Hsieh、Xiang-Ling Chiu
Appraisal date	June 30 and December 31, 2020
Fair value by external independent appraiser(s)	$ 920,654 thousand and $920,913 thousand respectively

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Note: If there is no actual lease case in the area where the target premises are, the valuation report's selection of the rent comparison case for the premises is based on the investigation and evaluation of the target land use, within the range of the neighboring area, select three appropriate comparison cases, after analysis and comparison and adjustment, obtain the reasonable market rent of the target land.

In accordance with Article 34 of the Regulations on Real Estate Appraisal, the procedures of the income approach include estimating the effective gross income and total expenses, computing the net operating income, determining the capitalization rate or discount rate, and computing the income. The attributes used by the Company for the estimations above were the last three years' data from the subject property and comparable properties which have similar characteristics, and these data were assessed and adjusted based on their persistency, stability, and growth to ensure the availability and reasonableness of these data. The movement of income (cash inflows) and expenditure (cash outflows) for future periods was based on the vacancies or losses, existing or future cash flow plans of the Company, and historical cash flows from the subject property, identical properties, or properties in the same industry. The estimation and computation of the net income were based on the highest and best use of the subject property and have taken into consideration the income generated from comparable properties in the same location based on their highest and best use.

The discount rate is determined by the risk premium method, which takes into consideration of the bank time deposit interest rate, government bond interest rate, the risk of real estate investment, currency changes and the trend of real estate prices, etc., and is selected to represent the general property return. The rate is a benchmark, and it is determined after adjusting the difference between the investment property and the individual characteristics of the target. The discount rate is based on the mobile interest rate of the two-year postal fixed rate of small deposit issued by Chunghwa Post Co., Ltd., plus no less than 75 basis points of percentage. Factors such as the underlying income situation, liquidity, risk, value-added and ease of management are also taking account. As of December 31, 2020 and 2019, the discount rates were determined to be 2.00%~3.29% and 2.04%～2.10%, with risk premium added up. The estimation of capitalization rates refer to the weighted average returns which is calculated by dividing the net income of the comparative targets by the prices.

(ii) The Company's Tainan dyeing factory was expected to be leased or sold, thus it was transferred from plant, plant and equipment to investment property on June 16, 2020. The Company recognized the value-added amounting to $873,576 thousand between the fair value and book value at the time of the transfer, and the impairment loss of building amounted to $18,948 thousand (recorded under other gains and losses). The value-added after deducting the amount of provision of land value increment tax equaled to $761,166 thousand, and was recognized under other equity.

(iii) On November 12, 2018, the Company signed a sales contract of real estate accounted for investment property with a non-related party. The transfer of ownership was completed on January 24, 2019. The sale price amounting to $321,000 thousand was wholly collected. The Company thus recognized the gain on sale of investment property amounting to $42,304 thousand.

(iv) As of December 31, 2020 and 2019, the investment property of the Company had been pledged as collateral for long-term borrowings, please refer to Note 8.

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TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(i) Short-term borrowings

	December 31, 2020	December 31, 2019
Letters of credit	$ 9,990	61,722
Unsecured bank loans	110,000	510,000
Total	$ 119,990	571,722
Unused credit line	$ 187,010	105,278
Range of interest rates	1.00% ~ 1.35%	1.20%~1.60%

The Company had pledged assets as collateral for short-term borrowing, please refer to Note 8.

(j) Short-term notes and bills payable

	December 31, 2020
Commercial paper payable	$ 250,000
Less: Discount on short-term notes and bills payable	(340)
Net	$ 249,660
Range of interest rates	1.3%
Guarantee institution	CHANG HWA Bank and other ten syndicated banks

The Company had pledged assets as collateral for short-term notes and bills payable, please refer to Note 8.

(k) Long-term borrowings

The details were as follows:

	December 31, 2020	December 31, 2019
Unsecured bank loans	$ -	34,000
Secured bank loans	1,438,250	1,183,000
Less: current portion	(9,000)	(28,800)
borrowing fees	(5,061)	-
Net	$ 1,424,189	1,188,200
Unused credit line	$ -	-
Range of interest rates	1.4%~2%	1.1960%~1.8947%
Maturity	2025.01~2028.03	2020.06~2028.03

(i) The Company entered into a five-year syndicated loan agreement of $2 billion with 11 banks including Changhua Commercial Bank LTD. on January 8, 2020. The funds obtained in the syndicated loan are used to settle the outstanding balance of the previous syndicated loan agreement and to supplement the operating turnover. According to the agreement, the Company shall calculate and maintain its current ratio, interest protection multiples and debt ratio based on the annual and semi-annual consolidated financial reports audited or reviewed by auditors during the loan period. On December 31, 2020, the Company did not violate the loan agreement.

(ii) Please refer to Note 8 for details of the related assets pledged as collateral.

(l) Lease liabilities

The carrying amount of lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	$ 6,328	7,476
Non-current	$ 26,810	32,407

For the maturity analysis, please refer to Note 6(u).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31, 2020	
	2020	2020
Interest on lease liabilities	$ 674	784
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 448	963
Covid-19-related rent concessions (Recognized as deduction of rent expenses)	$ 916	-

The amounts recognized in the statement of cash flows for the Company were as follows：

	For the years ended December 31, 2020	
	2020	2019
Total cash outflow for leases	$ 7,481	8,801

(m) Operating lease

Please refer to Note 6(h) for information about the operating leases of property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date were as follows:

	December 31, 2020	December 31, 2019
Less than one year	$ 8,839	8,159
One to two years	2,857	2,857
Two to three years	2,857	2,857
Three to four years	2,143	2,857
Four to five years	-	2,143
Total undiscounted lease payments	$ 16,696	18,873

For the information of rent revenue from operating lease, please refer to Note 6(t).

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined obligation at present value and asset at fair value were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ (55,352)	(76,828)
Fair value of plan assets	30,340	47,332
Net defined benefit liabilities	$ (25,012)	(29,496)

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provide pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Company set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $30,340 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31		
		2020	**2019**
Defined benefit obligation, January 1	$	(76,828)	(75,998)
Current service costs and interest cost		(676)	(941)
Remeasurements of the net defined benefit liability			
－Experience adjustments		1,066	(3,316)
－Actuarial gains (losses) arose from changes in demographic assumptions		(2)	(297)
－Actuarial gains (losses) arose from changes in financial assumption		(3,567)	(2,072)
The effect of plan reduction		23,544	3,286
Benefits paid by the plan		1,111	2,510
Defined benefit obligation, December 31	$	(55,352)	(76,828)

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31		
		2020	**2019**
Fair value of plan assets, January 1	$	47,332	46,653
Interests revenue		361	477
Remeasurements of the fair value of plan assets			
－Return on plan asset excluding interest income		1,525	1,656
Contributions made		3,370	3,925
Benefits paid by the plan		(1,111)	(2,510)
Settlement payment of plan asset		(21,137)	(2,869)
Fair value of plan assets, December 31	$	30,340	47,332

4) Movements of the effect of the asset ceiling: None.

(Continued)

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Notes to the Financial Statements

5) Expenses recognized in profit or loss

The Company's pension expenses that should be recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	**2019**
Current service costs	$ 106	187
Net interest of net liabilities for defined benefit obligations	209	277
Service cost of prior period	(2,407)	(417)
	$ (2,092)	47

The actual expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2019	**2019**
Operating costs	$ 61	200
Selling expenses	(1,261)	(63)
Administration expenses	(892)	(88)
Research and development expenses	-	(2)
	$ (2,092)	47

Due to a number of employees agreeing to a curtailment as of December 31, 2020 and 2019, the Company has reduced the defined benefit retirement obligations by $23,544 thousand and $3,286 thousand and recognized the reduction in benefits in the income statement.

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2020	**December 31, 2019**
Discount rate	0.30%	0.75%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $2,107 thousand.

The weighted average lifetime of the defined benefits plans is 10 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2020		
Discount rate (change 0.25%)	$ (1,363)	1,416
Future salary increasing rate (change 0.25%)	1,389	(1,344)
December 31, 2019		
Discount rate (change 0.25%)	(1,998)	2,079
Future salary increasing rate (change 0.25%)	2,048	(1,979)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates the regulated percentage of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $8,997 thousand and $10,096 thousand for the years ended December 31, 2020 and 2019, respectively.

(o) Income taxes

(i) Tax expense

The components of income tax for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	**2019**
Current income tax expense		
Current period	$ 70,627	10,390
Prior years income tax adjustment	(491)	(13,635)
Land value increment tax	-	39,136
Deferred income tax expense		
Origination and reversal of temporary differences	(20,082)	(109)
Tax expense	**$ 50,054**	**35,782**

The amount of income tax recognized in other comprehensive income was as follows:

	For the year ended December 31
	2020
Items that will not be reclassified subsequently to profit or loss	
Real estate revaluation surplus	**$ 112,410**

The reconciliation of tax expense and income before tax for the years ended December 31, 2020 and 2019 were as followed:

	For the years ended December 31	
	2020	**2019**
Profit (loss) before tax	$ 218,174	(136,095)
Income tax expense at domestic statutory tax rate	$ 43,635	(27,219)
Tax-exempt income	(4)	(8,461)
Recognition of investment loss under the equity method	18,551	47,406
Prior years income tax adjustment	(491)	(13,635)
Land value increment tax	-	39,136
Origination and reversal of temporary differences	(20,082)	(109)
Others	8,445	(1,336)
	$ 50,054	**35,782**

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Notes to the Financial Statements

(ii) Recognized deferred tax asset and liability recognized

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

1) Deferred tax asset:

		Unrealized loss of inventory valuation	Unrealized sales margin	Unrealized exchange loss	Others	Total
Balance on January 1, 2020	$	2,924	2,066	-	894	5,884
Recognized in profit or loss		14,138	(599)	6,193	350	20,082
Balance on December 31, 2020	$	17,062	1,467	6,193	1,244	25,966
Balance on January 1, 2019	$	2,714	2,178	-	1,340	6,232
Recognized in profit or loss		210	(112)	-	(446)	(348)
Balance on December 31, 2019	$	2,924	2,066	-	894	5,884

2) Deferred tax liabilities:

		Defined benefit plan	Provision for land value increment tax	Unrealized exchange benefits	Total
Balance on January 1, 2020	$	654	64,635	-	65,289
Recognized in other comprehensive income		-	112,410	-	112,410
Balance on December 31, 2020	$	654	177,045	-	177,699
Balance on January 1, 2019	$	654	67,939	457	69,050
Recognized in profit or loss		-	(3,304)	(457)	(3,761)
Balance on January 1, 2019	$	654	64,635	-	65,289

(iii) The Company' s income tax returns through 2018 have been assessed and approved by the Tax Authority.

(p) Capital and other equity

(i) Ordinary shares

A resolution was passed by the general meeting of shareholders held on 27 June, 2013, for the issuance of 42,052 thousand ordinary shares for cash under private placement, with par value of $10 per share, amounting to $420,524 thousand. The date of capital increase was on 28 April, 2014, which was approved on 23 April, 2014 by the Board. The relevant statutory registration procedures have been completed.

A resolution was passed by the temporary meeting held on December 4, 2018 for the issuance of 23,362 thousand ordinary shares for cash under private placement, with par value of $10 and issuance price of $10.16 per share, amounting to $237,363 thousand. The date of capital increase was on December 12, 2018. The relevant statutory registration procedures have been completed.

As of December 31, 2020 and 2019, the number of authorized shares were each $3,000,000 thousand, respectively, with par value of $10 per share and divided into 300,000 thousand shares. All of the aforementioned shares are ordinary shares, and the number of issued shares was 233,625 thousand shares. All proceeds from the shares have been collected.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to article 43-8 under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private-placed securities, and after applying for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2020	December 31, 2019
Share capital	$ 121,485	121,485
Conversion of bonds	14,648	14,648
Treasury stock transactions	3,949	3,949
Difference between consideration and carrying amount of subsidiaries acquired or disposed	90,683	91,786
Changes in equity of subsidiaries under equity method	3,033	3,033
Donated surplus	254	254
	$ 234,052	235,155

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes or salary. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors to be submitted to the stockholders' meeting for approval.

The Company adopts a residual dividend policy. According to the Company's future budget plan and the future annual funding needs measured, the Company reserved the funds needed for the retained earnings financing. In order to avoid excessive dilution, the stock dividend is not higher than 50% of the current year's distribution, and the rest can be distributed by cash dividend.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

When the Company first adopted the International Financial Reporting Standards endorsed by the FSC, it chose to apply the exemption item of IFRS 1 "First-time Adoption of International Financial Reporting Standards". The unrealized revaluation increase and accumulation accounted under shareholders' equity amounted to $216,408 thousand result in the reduction of retained earnings. In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, for the net reduction of retained earnings on the conversion date due to the first adoption of IFRSs, the Company was exempted from reclassifying special surplus reserve for the amount transferred to the retained earnings on January 1, 2013.

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

The Company chose the fair value model for subsequent measurement of its investment property. According to the Rule No. 1030006415 issued by the FSC on March 18, 2014, the Company took the special surplus reserve amounting to the net increase in fair value of investment property measured by the fair value model at first adoption, and the special surplus reserve shall be taken in the following order when the Company distribute the earnings every year:

a) Take the special reserve, which amounts to the net increase in the fair value model for subsequent measurement of investment property, from undistributed earnings of current period and prior year. If it is the cumulative net increase in fair value in the previous period, the amount of the special reserve equals to the same amount from the undistributed earnings from the previous period. When the accumulated net increase in fair value of the investment real estate is subsequently reduced or the investment real estate is disposed of, the surplus may be reverted to distribute the surplus based on the reduction or the disposal situation.

b) According to the Rule No. 1010047490 issued by the FSC November 21, 2012, the special surplus reserve calculated based on the difference between the market value and the book value of the parent company's stock held by the subsidiaries at the end of the period, shall not be distributed. If there is any rebound in the market price thereafter, the reversal amount based on the shareholding percentage shall be reclassified into retained earnings.

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c) In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, the amount of net deduction of other shareholders' equity recognized in current year should be retained from undistributed earnings from current period and prior year. The amount of net deduction of other shareholders' equity generated from previous period should be made up from undistributed earnings from the prior year. When the accumulated net deduction of other shareholders' equity is subsequently reduced, the special reserve may be reversed to distributable earnings.

3) Earnings distribution

Earnings distributions for 2020 and 2019 were decided by the resolution adopted, with no distributable earnings, at the general meeting of shareholders held on June 16, 2020 and June 12, 2019, respectively. For more information please check the website of Market Observation Post system.

(q) Earnings per share

The basic earnings per share and diluted earnings per shares were calculated as follow:

(i) Basic earnings per share

	For the years ended December 31	
	2020	**2019**
Basic earnings per share		
Profit/(loss) attributable to ordinary shareholders	$ 168,120	(171,877)
Weighted-average number of ordinary shares (thousand shares)	233,625	233,625
Profit/(loss) attributable to shareholders per share	$ 0.72	(0.74)

(ii) Diluted earnings per share

	For the years ended December 31	
	2020	**2019**
Basic earnings per share		
Profit/(loss) attributable to ordinary shareholders	$ 168,120	(171,877)
Weighted-average number of ordinary shares (basic)	233,625	233,625
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	163	-
Weighted average number of ordinary shares (diluted)	233,788	233,625
Profit/(loss) attributable to ordinary shareholders (diluted)	$ 0.72	(0.74)

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2020	**2019**
Primary geographical markets:		
Taiwan	$ 535,882	404,072
America	1,560,611	1,619,152
Asia	3,330,891	562,972
Europe	14,384	29,997
Africa	184,482	234,912
Other countries	-	328
	$ 5,626,250	2,851,433

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities	$ 17,908	13	36,623

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(s) Employee compensation and directors' remuneration

According the amended Company’s Articles of Incorporation, remuneration of employees is appropriated at 2% of profit settled by cash or shares decided by the board of directors. The recipients of cash and shares may include the employees of the Company’s affiliated companies who meet certain conditions. Remuneration of directors is appropriated at no more than 2% of the profit. Remuneration of employees and directors is submitted to general meeting of the shareholders. However, accumulated deficit from prior years is first offset before any appropriation of profit.

For the year ended December 31, 2020, remuneration of employees and directors both amounting to $3,235 thousand, were estimated on the basis of the Company’s net profit before tax, excluding the remuneration of employees and directors of each period, and multiplied by the percentage of remuneration of employees and directors as specified in the Company’s Articles of Incorporation. For the year ended December 31, 2019, the Company suffered operating loss, hence, no remuneration of employees and directors were estimated.

There was no difference between the amounts approved by Board of Directors and recognized for the years ended December 31, 2020 and 2019. For further information, please refer to Market Observation Post System website.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(t) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

		For the years ended December 31	
		2020	2019
Rent income	$	9,338	7,927
Management service revenue		2,340	-
Dividend income		22	97
Commission revenue		118	56
Compensation revenue		-	4,995
Others		5,652	5,264
	$	17,470	18,339

(ii) Other gains and losses

The details of other gain and losses were as follows:

		For the years ended December 31	
		2020	2019
Gain on disposal of held-for-sale non-current asset	$	-	42,304
(Losses) gains on disposal of property, plant and equipment		(2,780)	203
(Losses) gains on remeasurement of investment property		(18,948)	10,420
Foreign exchange losses		(59,703)	(2,925)
Loss on financial asset at fair value through profit or loss		(128)	(130)
Impairment loss of non-financial asset		(4,000)	-
Other income		3,563	826
Other expenses		(570)	(85)
	$	(82,566)	50,613

(iii) Interest income

The details of interest income were as follows:

		For the years ended December 31	
		2020	2019
Interest income			
Bank deposits	$	2,823	3,632
Interest subsidy		27	4
Loans		1,844	1,218
	$	4,694	4,854

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(iv) Interest expenses

The details of interest expenses were as follows:

	For the years ended December 31	
	2020	2019
Loans and borrowings	$ 33,432	32,638
Lease liabilities	674	784
	$ 34,106	**33,422**

(u) Financial instruments

(i) Categories of financial instruments

1) Financial asset

	December 31, 2020	December 31, 2019
Mandatory measured at fair value through profit or loss	$ 612	1,225
Measured at amortized cost (deposits and receivables)		
Cash and cash equivalents	512,083	75,302
Notes, accounts receivable, and other receivables	587,840	378,238
Other current financial assets	166,778	261,190
Other non-current financial assets	9,879	115,223
Subtotal	1,276,580	829,953
Total	**$ 1,277,192**	**831,178**

2) Financial liabilities

	December 31, 2020	December 31, 2019
Financial liabilities carried at amortized cost		
Short-term borrowings	$ 119,990	571,722
Short-term notes and bills payable	249,660	-
Accrued payables	649,320	398,536
Long-term borrowing, current portion	9,000	28,800
Long-term borrowings	1,424,189	1,188,200
Total	**$ 2,452,159**	**2,187,258**

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to the credit risk. The amounts of maximum credit risk exposure of the Company on December 31, 2020 and 2019, were $1,277,192 thousand and $831,178 thousand, respectively.

2) The customers of the Company are concentrated in the retail and wholesale of textile or garments. In order to reduce credit risk, the Company continuously evaluates the financial status of customers, conducts individual assessment based on the signs of impairment of accounts receivable and credit risk characteristics, handles accounts receivable insurance policy for some customers. On December 31, 2020 and 2019, the top five customers comprised 85% and 53% of the balances of accounts receivable, resulting in the concentration of credit risk.

3) For credit risk exposure of notes and trade receivables, please refer to Notes 6(c).

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2020							
Non-derivative financial liabilities							
Secured loans	$ 1,438,250	1,539,088	18,760	18,728	175,496	1,326,104	-
Unsecured loans	110,000	110,444	110,444	-	-	-	-
Letters of credit	9,990	10,023	10,023	-	-	-	-
Short-term notes and bills payable	249,660	250,000	250,000	-	-	-	-
Accrued payables	649,320	649,320	649,320	-	-	-	-
Lease liabilities	33,138	35,243	3,590	3,292	5,481	13,734	9,146
	$ 2,490,358	2,594,118	1,042,137	22,020	180,977	1,339,838	9,146
December 31, 2019							
Non-derivative financial liabilities							
Secured loans	$ 1,183,000	1,220,871	152,518	153,834	442,472	451,379	20,668
Unsecured loans	544,000	545,546	531,847	8,482	5,217	-	-
Letters of credit	61,722	61,920	61,920	-	-	-	-
Accrued payables	398,536	398,536	398,536	-	-	-	-
Lease liabilities	39,883	42,619	4,319	3,823	6,639	14,319	13,519
	$ 2,227,141	2,269,492	1,149,140	166,139	454,328	465,698	34,187

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iv) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposures to foreign currency risk were as follow:

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
NTD:USD	$ 27,278	28.095	766,377	18,321	30.015	549,905
Financial liabilities						
Monetary items						
NTD:USD	16,421	28.095	461,341	6,297	30.015	189,004

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, other financial assets, loans, trade and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Company's functional currency as of December 31, 2020 and 2019 would have increased (decreased) the net income for the years ended December 31, 2020 and 2019 by $3,050 thousand and $3,609 thousand, respectively.

3) Foreign exchange gains or losses on monetary item

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange losses (including realized and unrealized portions) amounted to $59,703 thousand and $2,925 thousand, respectively.

(v) Interest rate analysis

The book values of the financial assets and financial liabilities exposed to the interest rate risk on the reporting date were as below:

	Book value	
	December 31, 2020	December 31, 2019
Fixed interest rate instruments：		
Financial assets	$ 617,783	371,333
Financial liabilities	$ (249,660)	-
Variable interest rate instruments ：		
Financial assets	$ 54,053	62,990
Financial liabilities	$ (1,553,179)	(1,788,722)

(Continued)

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The Company’s internal management reported the change of interest rate and the exposure to changes in interest rate of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate had increased / decreased by 1% basis points, the Company’s interest expenses would have increased / decreased by $14,991 thousand and $17,257 thousand for the years ended December 31, 2020 and 2019 respectively, with all other variable factors remaining constant. The is mainly due to variable-rate loans.

(vi) Other market price risk

If the security price of domestic stocks measured at fair value through profit or loss held by the Company changes, the impact to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

	For the years ended December 31	
	2020	**2019**
Price of securities at reporting date	**Net income (loss)**	**Net income (loss)**
Increasing 7%	$ 43	86
Decreasing 7%	(43)	(86)

(vii) Information of fair value

1) Classification of financial instruments and fair value hierarchy

The book value of the financial assets and liabilities was close to the fair value. The fair value of the financial assets measured at fair value through profit and loss and those measured at fair value through other comprehensive income was estimated on a recurring basis of level 1 and 3, respectively.

2) Valuation techniques for financial instruments not measured at fair value

The Company’s valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost (including debt investment that has no active markets).

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

The Company's valuation techniques and assumptions used for financial instruments measured at fair value are as follows:

a) The financial instrument that have standard terms and are traded in an active market, such as listed stocks, the fair value is determined by quoted prices.

b) Measurements of fair value of financial instruments without an active market

i) Using discounted cash flow analysis to measure its fair value. The main assumption is investors' expected standard profit which is manipulated by capitalization rate that reflects investment risk.

ii) Using observable market data at the reporting date to measure its fair value. The main assumption is based on comparable price-book ratio, which is adjusted by offsetting the impact of discount for lack of marketability and minority interest.

c) The fair values of financial assets and financial liabilities other than those aforesaid are determined in accordance with discounted cash flow analysis which is generally accepted.

4) Transfers between Level 1 and Level 2

There are no transfers from each level for the years ended December 31, 2020 and 2019.

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For further information, please refer to the relevant notes to the financial statement.

(ii) Structure of risk management

The financial management department of the Company provides intercompany services for various businesses, coordinates the operation of entering the domestic and international financial markets, and supervises and manages the financial risks related to the operation of the Company by analyzing the internal risk report according to the degree and breadth of the risk. Internal auditors continue to review compliance with policies and the risk limit. The Company did not trade financial instruments (including derivative financial instruments) for speculative purposes.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in equity investment.

1) Trade and other receivables

The policy adopted by the Company is to only trade with reputable customers and obtain collateral when necessary to reduce the risk of financial losses from default. The Company only trades with companies rated equivalent to the investment grade. Such information is provided by independent rating agencies; if such information is not available, the Company will use other publicly available financial information and transaction experience to rate major customers. The Company continues to monitor the credit risk insurance level and the credit rating of the counterparty, and distributes the total transaction amount to those with qualified credit ratings, and controls the credit risk through the credit limit that is reviewed and approved annually.

The accounts receivable is comprised from vast customers base, which is scattered in different industries and geographic regions. The Company continues to evaluate the financial status of customers.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. On December 31, 2020 and 2019, no other guarantees were outstanding.

(iv) Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support the operation and ease the impact of cash flow fluctuation. The management supervises the unused credit lines and ensures the compliance of loan contracts.

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Bank loans were important resource of liquidity risk for the Company. The unused credit line of the Company on December 31, 2020 and 2019 were $187,010 thousand and $105,278 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk arising from sales, purchases and borrowings that are not denominated in functional currencies of the Group's main operating entities. The functional currency of the Group is primarily the New Taiwan Dollars (NTD), as well as US Dollars (USD), Euro (EUR) Chinese Yuan (CNY) and South African Rand (ZAR). The currencies used in these transactions are denominated in NTD, EUR, USD, CNY and ZAR.

The loan interest is denominated in the same currency as principal. Generally, borrowings are denominated in the same currencies that generates operating cash flows of the Company, mainly in NTD, as well as in USD and CNY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Company borrowed funds in the fixed and variable rate simultaneously, resulting in fair value change risk and cash flow risk. The Company manage the interest rate risk through maintaining a proper combination of fixed and variable rate.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in domestic listed stocks. The Company does not actively trade these investments, and the management continuously monitor the price risk and assess the portfolio.

(w) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings and other equity plus net debt.

As of December 31, 2020, the Company's capital management strategy is consistent with the prior year. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 2,792,497	2,335,147
Less: cash and cash equivalents	(512,083)	(75,302)
Net debt	2,280,414	2,259,845
Total Equity	3,188,038	2,445,524
Adjusted equity	$ 5,468,452	4,705,369
Debt-to-equity ratio	41.70%	48.03%

(7) Related-party transactions

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties and the Company's subsidiaries during the periods covered in the financial statements.

Name of related party	Relationship with the Company
TEX-RAY INDUSTRIAL CO., LTD. (BELIZE)	Subsidiary
TEX-RAY (BN) INTERNATIONAL CO., LTD.	Subsidiary
FLYNN INTERNATIONAL LTD.	Subsidiary
KING'S METAL FIBER LTD.	Subsidiary
TAIWAN SUPERCRITICAL TECHNOLOGY CO., LTD.	Subsidiary
GREAT CPT INTERNATIONAL CO., LTD.	Subsidiary
KASUMI APPARELS SWAZILAND (PTY) LTD. (KASUMI (SWAZILAND))	Subsidiary
T.Q.M. TEXTILE SWAZLAND (PTY) LTD. (T.Q.M. (SWAZILAND))	Subsidiary
UNION INDUSTRIAL WASHING (PTY) LTD. (U.I.W. (SWAZILAND))	Subsidiary
TEX-RAY (SA) (PTY) LTD. (TEX-RAY (SA))	Subsidiary
J.M. Rotary Print Industrial Co., Ltd.	Subsidiary
GOLDEN JUBILEE APPAREL (PROPRIETARY LIMITED)	Subsidiary

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

Name of related party	Relationship with the Company
ZHENG-RAY Industrial CO.,LTD.	Subsidiary
WEI LI TEXTILE CO., LTD.	Subsidiary
TEX-RAY INDUSTRIAL CO., LTD. (TEX-RAY (CAYMAN))	Subsidiary
TEX-RAY INDUSTRIAL CO., LTD. (SHANGHAI) (TEX-RAY (SHANGHAI))	Subsidiary
TRLA GROUP, INC.(TRLA GROUP)	Subsidiary
Z-PLY CORPORATION(Z-PLY (NY))	Subsidiary
TEXRAY SWAZILAND PTY LTD.	Subsidiary
GOOD TIME(VIETNAM) ENTERPRISE CO.,LTD. (GOOD TIME)	Subsidiary
MSWATI HOLDINGS LTD.	Subsidiary
TEXRAY (VN) CO., LTD. (TEXRAY (VN))	Subsidiary
T.R.C.A GARMENT CO., LTD. (TRCA GARMENT)	Subsidiary
TEXRAY MEXICO S.A. DE C.V. (TEXRAY (MEXICO))	Subsidiary
AMRAY S.A. DE C.V.(AMRAY (MEXICO))	Subsidiary
KING'S METAL FIBER TECHNOLOGIES B.V.	Subsidiary
ELITETOP TECHNOLOGY INC.	Subsidiary
AIQ HOLDING INC.	Subsidiary
TEX-RAY INDUSTRIAL CO., LTD. (YANCHENG)	Subsidiary
AIQ SMART CLOTHING INC.(AIQ)	Subsidiary
AIQ SMART CLOTHING (Zhejiang) CO.,LTD.	Subsidiary
KING'S METAL FIBER (SHANGHAI) CO., LTD.	Subsidiary
TRYD APPAREL CO., LTD.(TRYD APPAREL)	Subsidiary
JIANGSU TRYD TEXTILE TECHNOLOGY CO., LTD.	Subsidiary
TEXRAY (KUNSHAN) CO., LTD.	Subsidiary
Taiwan Innovation Technology Co., Limited (HK)	Subsidiary
AIQ SYNERTIAL LTD.	Subsidiary
Yancheng Wei-Da Textile Testing Service Co., Ltd.	Subsidiary
ESWATRADING (PTY) LIMITED	Subsidiary
HUAI WEI BIOTECHNOLOGY CO., LTD.	Subsidiary
SEN JEWEL TECHNOLOGY CO., LTD.	Same president with the Company

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

Name of related party	Relationship with the Company
TAI CHAM TECHNOLOGY CO., LTD.	The entity's chairman is the vice chairman of the Company

(b) Significant transactions with related parties

(i) Sales

The amounts of sales to the related parties were as follows:

		For the years ended December 31	
		2020	2019
Subsidiary－Z-PLY(NY)	$	477,276	515,435
Subsidiaries		235,699	239,813
Other related party		-	105
Associates		1,604	-
	$	714,579	755,353

The payment terms ranged from one to three months, which were no difference from the those given to other customers. The pricing cannot be compared due to the specifications and styles of the orders.

(ii) Purchase

1) The amounts of inventory purchases from related parties were as follows:

		For the years ended December 31	
		2020	2019
Subsidiary－TRYD APPAREL	$	512,046	4,799
Subsidiaries		240,625	200,565
	$	752,671	205,364

The payment terms ranged from one to three months, which were no difference from those given by other vendors. The pricing cannot be compared due to the specifications and styles of the orders.

2) The amount of processing service purchases from related parties were as follows:

		For the years ended December 31	
		2020	2019
Subsidiary－GOOD TIME	$	98,932	104,598
Subsidiary－TEXRAY (VN)		446,064	172,870
Subsidiaries		37,535	82,269
	$	582,531	359,737

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

The Company's outsourcing processing transactions with related parties are based on the content of the customer's order. The prices and payment terms are negotiated, and if necessary, the advance payment may be made based on the operational needs of the related parties.

(iii) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship		December 31, 2020	December 31, 2019
Accounts receivable due from related parties	Subsidiary-Z-PLY(NY)	$	23,234	40,049
Accounts receivable due from related parties	Subsidiary-T.Q.M. (SWAZILAND)		73,898	52,667
Accounts receivable due from related parties	Subsidiaries		11,723	6,174
Accounts receivable due from related parties	Other related parties		-	110
Accounts receivable due from related parties	Associates		1,684	-
		$	**110,539**	**99,000**
Other receivables due from related parties	Subsidiary-TEX-RAY (MEXICO)	$	3,971	2,478
Other receivables due from related parties	Subsidiary-AMRAY (MEXICO)		2,529	-
Other receivables due from related parties	Subsidiaries		6,952	3,981
Other receivables due from related parties	Other related parties		295	500
Other receivables due from related parties	Associates		-	142
		$	**13,747**	**7,101**

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(iv) Payables to related parties

Account	Relationship	December 31, 2020	December 31, 2019
Notes payable due to related parties	Subsidiary	$ 13	-
Accounts payable due to related parties	Subsidiary-TEXRAY (SHANGHAI)	21,827	9,960
Accounts payable due to related parties	Subsidiary-GOOD TIME	-	24,647
Accounts payable due to related parties	Subsidiaries	5,136	1,704
		$ 26,963	36,311
Other payable due to related parties	Subsidiary	$ 366	763

(v) Prepayments

The prepayments of the Company to related parties were as follows：

	December 31, 2020	December 31, 2019
Subsidiary-TEXRAY (VN)	$ 110,947	139,934
Subsidiary-TRCA GARMENT	23,837	17,953
Subsidiary-GOOD TIME	21,901	-
	$ 156,685	157,887

(vi) Receipts under custody (accounted as other current liabilities)

The receipts of the Company for related parties were as follows:

	December 31, 2020	December 31, 2019
Subsidiary	$ 42	417

(vii) Financing provided to related parties (accounted as other receivables due from related parties)

Balances of financing provided by the Company to related parties were as follows：

	December 31, 2020	December 31, 2019
Subsidiary-AMRAY (MEXICO)	$ 28,095	-
Subsidiary-TEX-RAY (MEXICO)	56,190	5,253
Subsidiary-AIQ	34,000	-
	$ 118,285	5,253

(Continued)

The financing provided to related parties was unsecured. The interest charged by the Company to its subsidiaries is ranging from 2.5%～4%. The interest incomes in 2020 and 2019 were $1,844 thousand and $1,218 thousand, respectively.

(viii) Endorsement guarantee

1) The balances of endorsement guarantee provided to the subsidiaries, which was due to bank borrowings and material purchase borrowings, were as follows (expressed in thousands of each currency)：

December 31, 2020		December 31, 2019	
USD	34,200	USD	32,800
NTD	30,000	NTD	80,000
ZAR	-	ZAR	40,000
CNY	72,000	CNY	48,000

2) As of December 31, 2020 and 2019, the assets pledged by the Company as collateral for subsidiaries' outstanding loans were $278,384 thousand and $363,858 thousand, respectively.

(ix) Leases

The Company leased its factory buildings and offices to subsidiaries, associates and other related parties in lease terms of a year. The rental income was paid on a monthly basis. For the years ended December 31, 2020 and 2019, the rental income was $5,900 thousand and $2,968 thousand, respectively.

(x) Property transaction

1) The Company decided the reorganization plan of the Eswatini production area by the Board of Directors on May 11 and August 13, 2018, and took December 31, 2018, as the base date of sale of equity to TEX-RAY (SA). The Company sold the remaining 49% of the equity of T.Q.M. (SWAZILAND) and 100% of the equity of U.I.W. (SWAZILAND) , identified as the subsidiaries, for US$11,160 thousand. As of December 31, 2019, the amount of $29,965 thousand had not been recovered, and accounted for other receivables due from related parties. The amount had been collected in 2020.

2) In 2020, The Company sold machinery and transportation equipment to subsidiaries and other related parties in the amount of $7,419 thousand and $1,519 thousand, respectively. The gains on disposal were $3,670 thousand and $576 thousand, respectively.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(xi) Others

1) Management service income

The amount of management service income from related party received by the Company (accounted as other income under non-operating income and expenses) was as follows:

	For the years ended December 31	
	2020	**2019**
Subsidiary	$ 2,340	-

As of December 31, 2020, unamortized advance receipts amounting to $4,679 thousand were accounted as other advance receipts.

2) Commission income

The amounts of commission income (accounted as other income under non-operating income and expenses) received by the Company for purchasing raw materials for related parties were as follows:

	For the years ended December 31	
	2020	**2019**
Subsidiaries	$ 13	56

The commission income was charged based on 1% of the purchase price.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2020	**2019**
Short-term employee benefits	$ 25,401	24,303
Post-employment benefits	702	811
	$ 26,103	25,114

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Other financial assets－current and non-current	Collateral for borrowings (including guarantee for subsidiaries)	$ 166,778	371,333
Property, plant and equipment	Collateral for borrowings and short-term notes and bills payable	258,411	328,195
Investment property	Collateral for long-term borrowings	1,045,461	115,699
		$ 1,470,650	815,227

(9) Commitments and contingencies

(a) Significant commitments and contingencies were as follows:

Outstanding standby letter of credit

	December 31, 2020	December 31, 2019
USD	$ 12,558	8,407
NTD	$ 22,827	18,373

(b) Significant contingent liability: None.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By funtion / By item	For the years ended December 31					
	2020			2019		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	40,357	188,925	229,282	55,602	159,348	214,950
Labor and health insurance	2,743	14,978	17,721	5,829	15,469	21,298
Pension	971	5,934	6,905	1,898	8,245	10,143
Remuneration of directors	-	14,333	14,333	-	5,747	5,747
Others	1,713	15,103	16,816	3,209	9,143	12,352
Depreciation	9,512	16,663	26,175	17,264	14,817	32,081
Depletion	-	-	-	-	-	-
Amortization	-	6,264	6,264	-	3,666	3,666

For the years ended December 31, 2020 and 2019 , the additional information on the number of employees and employee benefits of the Company was as follows:

	For the years ended December 31	
	2020	2019
Number of employees	305	392
Number of directors (non-employed)	7	8
Average employee benefit expense	$ 908	674
Average employee salary expense	$ 769	560
Change in percentage of average employee benefit	37.32%	
Supervisor's remuneration	$ -	-

The Company's salary and remuneration policies (including directors, managers and employees) are as follows:

The Company has formulated the "Board of Directors and Functional Committee Performance Evaluation Measures", which is used as the basis for performance evaluation of independent directors and directors. It is considered that Company's overall operating performance, future operating risks and industry development trends, the achievement rate of individual performance and the contribution on the Company as well. Reasonable remuneration will be granted after comprehensive consideration.

The managers of the Company have the responsibility of performing group operations and management, function. To provide reasonable remuneration, their remuneration structure is based on salary and allowance. The bonus is based on the overall operating performance, and takes into account the target achievement rate, profitability, operating efficiency and contribution of each manager, as well as the peer industry standards.

The employee's salary includes monthly salary and bonuses distributed by the Company based on annual profitability. The amount assigned to each employee depends on their position, contribution, and performance.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance Loss	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	AMRAY (MEXICO)	Other accounts receivable-related party	Yes	$ 30,250	28,095	28,095	2.5-4%	2	-	Operating turnover	-	-	-	1,275,215	1,275,215
0	The Company	TEX-RAY (MEXICO)	Other accounts receivable-related party	Yes	60,500	56,190	56,190	2.5-4%	2	-	Operating turnover	-	-	-	1,275,215	1,275,215
0	The Company	AIQ	Other accounts receivable-related party	Yes	75,000	75,000	34,000	4%	2	-	Operating turnover	-	-	-	1,275,215	1,275,215
1	Z-PLY(NY)	AMRAY (MEXICO)	Other accounts receivable-related party	Yes	29,480	28,095	28,095	2.5%	2	-	Operating turnover	-	-	-	237,599	356,398
1	Z-PLY(NY)	TEX-RAY (MEXICO)	Other accounts receivable-related party	Yes	61,800	56,190	54,785	2.5%	2	-	Operating turnover	-	-	-	237,599	356,398
1	Z-PLY(NY)	TRYD TEXTILE	Other accounts receivable-related party	Yes	91,815	84,285	84,285	2.5%	2	-	Operating turnover	-	-	-	237,599	356,398
2	TEX-RAY (SHANHAI)	TRYD APPAREL	Other accounts receivable-related party	Yes	86,640	86,027	-	6%	2	-	Operating turnover	-	-	-	402,365	603,547
2	TEX-RAY (SHANHAI)	TRYD TEXTILE	Other accounts receivable-related party	Yes	259,920	258,081	245,177	6%	2	-	Operating turnover	-		-	402,365	603,547
3	TEX-RAY (MEXICO)	AMRAY (MEXICO)	Other accounts receivable-related party	Yes	56,772	56,527	52,782	2.5%	2	-	Operating turnover	-	-	-	266,536	399,803
4	KMT	AIQ	Other accounts receivable-related party	Yes	15,450	-	-	2%	2	-	Operating turnover	-	-	-	124,363	124,363
5	KING'S METEL (SHANHAI)	AIQ (Zhejiang)	Other accounts receivable-related party	Yes	1,735	1,727	-	6%	2	-	Operating turnover	-	-	-	2,967	4,451
6	ZHENG-RAY	GREAT CPT	Other accounts receivable-related party	Yes	10,000	10,000	-	3%	2	-	Operating turnover	-	-	-	2,308	2,308

Note 1: Nature of the loan:

1) The borrower calls for loan arrangement.

2) The borrower has short-term financing necessities.

Note 2: The maximum financing amount is limited to not more than 40% of the company's net value, therefore, the calculation is based on the net value of the latest financial report. The ceiling on loan limit is $3,188,038 thousand NTD × 40% = $1,275,215 thousand NTD.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Note 3: The maximum financing amount to individual company is limited to no more than 40% of the company's net value, therefore the calculation is based on the net value of the latest financial report. The ceiling on loan is $3,188,038 thousand NTD × 40% = $1,275,215 thousand NTD.

Note 4: The maximum limit of financing is limited to 40% of the net value of the financial report of the lender company. However, the maximum limit of loans between 100% held foreign subsidiaries is limited to 150% of the lender company's net value.

Note 5: The maximum financing amount to individual company shall not exceed 40% of the subsidiary's net value. However, the loans between 100% held foreign subsidiaries shall not exceed 100% of the net value of the lender subsidiary.

(ii) Guarantees and endorsements for other parties

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	T.Q.M. (SWAZILAND)	2	1,594,019	100,000	-	-	51,348	- %	3,188,038	Y	N	N
0	The Company	GOOD TIME	2	1,594,019	55,620	33,714	22,476	-	1.06%	3,188,038	Y	N	N
0	The Company	TEX RAY (VN)	2	1,594,019	155,275	84,285	-	14,072	2.64%	3,188,038	Y	N	N
0	The Company	TEX-RAY (SHANHAI)	2	1,594,019	103,968	103,232	60,219	-	3.24%	3,188,038	Y	N	Y
0	The Company	TRYD APPAREL	2	1,594,019	166,323	154,523	60,342	14,072	4.85%	3,188,038	Y	N	Y
0	The Company	TRYD TEXTILE	2	1,594,019	877,686	866,697	383,096	198,892	27.19%	3,188,038	Y	N	Y
0	The Company	TST	2	1,594,019	102,000	48,095	16,663	-	1.51%	3,188,038	Y	N	N
0	The Company	WLT	2	1,594,019	10,000	10,000	7,849	-	0.31%	3,188,038	Y	N	N
1	TEX-RAY (SHANHAI)	TEX RAY (KUNSHAN)	2	402,365	43,320	43,013	15,055	-	10.69%	603,547	N	N	Y

Note 1: The relationships between the guarantee and the guarantor are as follows:
1. The company with which it does business.
2. The company directly or indirectly holds more than 50% of voting right.
3. A companies directly or indirectly hold more than 50% of voting rights of the public company.
4. Companies in which the public company directly or indirectly holds more than 90% of voting right may make endorsement / guarantees for each other.
5. Where a public company fulfills its obligations by providing mutual endorsements / guarantees for other company in the same industry or for joint builders for purposes of undertaking a construction project.
6. Where all capital contributing shareholders make endorsement / guarantees for the jointly invested company in proporation to their shareholding percentages.

Note 2: The maximum limit of endorsement / guarantee is limited to not more than 100% of the net value of the company, therefore the calculation is based on the net value of the latest financial report. The ceiling on endorsement / guarantee is $3,188,038 thousand NTD × 100% = $3,188,038 thousand NTD.

Note 3: The maximum limit for a single enterprise endorsement / guarantee is not more than 50% of the net value of the company. Therefore, the calculation is based on the net value of the latest financial report. The ceiling on endorsement / guarantee is $3,188,038 thousand NTD × 50% = $1,594,019 thousand NTD.

Note 4: The amount of the endorsement / guarantee provided to a single enterprise with which the company does business shall not exceed the total amount of transactions in twelve months before the endorsement.

Note 5: The maximum limit of overseas subsidiary endorsement / guarantee is no more than 150% of the net value of the subsidiary's net value calculated based on the latest financial statement, and the limit of endorsement / guarantee for individual is not more than 100% of the net value of each subsidiary' calculated based on the latest financial statement.

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(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	SHIN ERA TECHNOLOGY CO., LTD.	-	Non-current financial assets at value through other comprehensive income	68	-	1.88%	-	
The Company	Cayman iMaker Technlogy Inc.	-	Non-current financial assets at value through other comprehensive income	800	-	8.80%	-	
The Company	TAIWAN UNITED OUTDOOR GROUP, INC.	-	Non-current financial assets at value through other comprehensive income	500	-	15.67%	-	
The Company	PHYSICLO, Inc.	-	Non-current financial assets at value through other comprehensive income	51	-	5.00%	-	
The Company	NIEN HSING TEXTILES	-	Financial assets at fair value through profit or loss	35	612	- %	612	
AIQ	Joiiup Technology Co., Ltd.	-	Non-current financial assets at value through other comprehensive income	333	-	5.71%	-	
TST	SEN JEWEL TECHNOLOGY CO., LTD.	-	Non-current financial assets at value through other comprehensive income	950	9,500	19.00%	9,500	
KING'S METEL FIBER (SHANHAI)	Shenzhen Titanium Investment Development Partnership.	-	Non-current financial assets at value through other comprehensive income	274	1,182	7.648%	1,182	

Note: The stocks of private companies have no active market price, so they are evaluated at the net equity value multiplied by the percentage of ownership or equity evaluation report for reference.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Z-PLY(NY)	Sub-subsidiary	Sales	$ (477,276)	(8.24)%	45 days	-	-	23,234	5.17%	
The Company	T.Q.M.(SWAZILAND)	Sub-subsidiary	Sales	(184,333)	(3.18)%	60 days	-	-	73,898	16.44%	
TRYD APPAREL	TEX-RAY (SHANGHAI)	Affiliated company	Sales	(269,430)	(19.76)%	60 days	-	-	74,160	42.95%	
TRYD APPAREL	The Company	Ultimate parent company	Sales	(512,046)	(37.55)%	30 days	-	-	646	0.37%	
TEX-RAY (SHANGHAI)	The Company	Ultimate parent company	Sales	(233,647)	(35.92)%	60 days	-	-	21,827	12.35%	
TEX-RAY (SHANGHAI)	Z-PLY(NY)	Affiliated company	Sales	(140,712)	(21.63)%	60 days	-	-	20,583	11.64%	
T.Q.M.(SWAZILAND)	TEX-RAY(SA)	Parent company	Sales	(1,240,588)	(96.18)%	75 days	-	-	924,611	99.33%	

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
KASUMI(SWAILAND)	T.Q.M.(SWAZILAND)	Affiliated company	Sales	(168,034)	(99.65)%	60 days	-	-	370,569	99.76%	
KMT	KMBV	Subsidiary	Sales	(118,137)	(37.83)%	90 days	Fixed profit margin	-	27,561	44.43%	
TEX-RAY(VN)	The Company	Ultimate parent company	Sales	(446,064)	(95.16)%	60 days	-	-	-	-%	
TRYD TEXTILE	TRYD APPAREL	Affiliated company	Sales	(497,752)	(66.54)%	30 days	-	-	32,613	23.40%	
Z-PLY(NY)	The Company	Ultimate parent company	Purchase	477,276	58.87%	45 days	-	-	(23,234)	(42.00)%	
T.Q.M.(SWAZILAND)	The Company	Ultimate parent company	Purchase	184,333	17.26%	60 days	-	-	(73,898)	(13.67)%	
TEX-RAY (SHANGHAI)	TRYD APPAREL	Affiliated company	Purchase	269,430	45.93%	60 days	-	-	(74,160)	(51.32)%	
The Company	TRYD APPAREL	Sub-subsidiary	Purchase	512,046	- %	30 days	-	-	(646)	(0.22)%	
The Company	TEX-RAY (SHANGHAI)	Sub-subsidiary	Purchase	233,647	- %	60 days	-	-	(21,827)	(7.52)%	
Z-PLY(NY)	TEX-RAY (SHANGHAI)	Affiliated company	Purchase	140,712	17.36%	60 days	-	-	(20,583)	(37.20)%	
TEX-RAY(SA)	T.Q.M.(SWAZILAND)	Subsidiary	Purchase	1,240,588	100.00%	75 days	-	-	(924,611)	(100.00)%	
T.Q.M.(SWAZILAND)	KASUMI(SWAILAND)	Affiliated company	Purchase	168,034	15.73%	60 days	-	-	(370,569)	(68.56)%	
KMBV	KMT	Parent company	Purchase	118,137	97.13%	90 days	Fixed profit margin	-	(27,561)	(97.76)%	
The Company	TEX-RAY(VN)	Sub-subsidiary	Purchase	446,064	- %	60 days	-	-	-	-%	
TRYD APPAREL	TRYD TEXTILE	Affiliated company	Purchase	497,752	39.58%	30 days	-	-	(32,613)	(37.33)%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss Allowance
					Amount	Action taken		
TEX-RAY (SHANGHAI)	TRYD TEXTILE	Affiliated company	245,177	(Note)	-	-	-	-
T.Q.M.(SWAZILAND)	TEX-RAY(SA)	Parent company	924,611	1.37	-	-	263,002	-
KASUMI(SWAILAND)	T.Q.M.(SWAZILAND)	Affiliated company	370,569	0.47	-	-	36,866	-

Note : Loan provided by the related party.

(ix) Trading in derivative instruments: None

(b) Information on investees

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of wnership	Carrying value			
The Company	TST	TAIWAN	Printing and dyeing finishing, machinery and equipment manufacturing and wholesale, etc.	$ 68,067	68,067	7,487,381	75.63%	43,039	15,115	10,691	Subsidiary
The Company	Great CPT	TAIWAN	Overseas investment holding	104,370	79,370	4,500,000	100.00%	64,786	(15,143)	(15,235)	Subsidiary
The Company	KMT	TAIWAN	Non-woven fabrics, copper secondary processing and fabric retailing, etc	84,881	84,881	13,217,428	63.46%	191,331	65,511	41,575	Subsidiary
The Company	ZHENG-RAY	TAIWAN	Trading and manufacturing of spinning and weaving	5,000	25,000	500,000	100.00%	5,771	(3,683)	(3,683)	Subsidiary
The Company	WLT	TAIWAN	Wholesale trade	21,000	21,000	2,100,000	70.00%	5,162	(15,687)	(10,981)	Subsidiary
The Company	FLYNN (SAMOA)	SAMOA	Overseas investment holding	310,613	310,613	9,100,000	100.00%	435,689	(159,428)	(159,428)	Subsidiary
The Company	TEX-RAY (CAYMAN)	CAYMAN	Overseas investment holding	1,057,841	-	33,542,722	100.00%	251,223	(58,045)	-	Subsidiary (Note)
The Company	TEX-RAY (BELIZE)	BELIZE	Overseas investment holding	1,063,287	1,314,510	-	100.00%	403,529	(61,344)	(61,344)	Subsidiary

TEX-RAY INDUSTRIAL CO., LTD.
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2020	Original investment amount December 31, 2019	Balance as of December 31, 2020 Shares (thousands)	Balance as of December 31, 2020 Percentage of wnership	Balance as of December 31, 2020 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	TEX-RAY (BN)	SAMOA	Overseas investment holding	1,756,813	1,756,813	60,579,330	100.00%	57,235	(50,546)	(50,546)	Subsidiary
The Company	TEX-RAY (SA)	SOUTH AFRICA	Overseas investment holding	102,704	102,704	39,651,772	100.00%	1,059,497	177,435	177,435	Subsidiary
The Company	AIQ	TAIWAN	Wholesale trade	90,000	90,000	4,015,112	63.43%	788	(33,482)	(21,238)	Subsidiary
The Company	Unigym Global	CAYMAN	Electronic Information Supply Service Industry	9,092	-	-	- %	-	-	-	Prepayments for investments
TEX-RAY (BELIZE)	TEX-RAY (CAYMAN)	CAYMAN	Overseas investment holding	-	1,057,841	-	- %	-	(58,045)	Exempt from disclosure	Note
TEX-RAY (BN)	GOOD TIME	VIETNAM	Garment processing	227,750	227,750	-	100.00%	33,133	(18,259)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (BN)	MSWATI	MAURITIUS	Overseas investment holding	1,160,125	1,160,125	-	100.00%	(136,430)	(83,406)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (BN)	TEX-RAY(VN)	VIETNAM	Garment processing	423,990	423,990	-	100.00%	175,497	79,278	Exempt from disclosure	Sub-subsidiary
TEX-RAY (BN)	TRCA GARMENT	CAMBODIA	Garment processing	63,564	63,564	-	100.00%	(21,629)	(23,733)	Exempt from disclosure	Sub-subsidiary
FLYNN (SAMOA)	TRLA GROUP	USA	Marketing and trading	18,384	18,384	2,936,000	100.00%	50,472	(13,615)	Exempt from disclosure	Sub-subsidiary
FLYNN (SAMOA)	Z-PLY (NY)	USA	Marketing and trading	260,443	260,443	200	100.00%	385,120	(145,814)	Exempt from disclosure	Sub-subsidiary
Great CPT	TEXRAY (SWAZILAND)	ESWATINI	Garment processing	158,524	158,524	12,417,938	100.00%	3,264	(147)	Exempt from disclosure	Sub-subsidiary
Great CPT	YIHONG CO.,LTD	TAIWAN	Dyeing and finishing industry	6,000	6,000	600	20.00%	-	-	Exempt from disclosure	Investment accounted for using equity method
Great CPT	MASTERAY INTERNATIONAL CO., LTD.	TAIWAN	Wholesale trade	-	2,700	-	- %	-	(689)	Exempt from disclosure	Investment accounted for using equity method
TST	Taiwan Innovation (HK)	HONGKONG	Machine marketing and trading	-	390	-	- %	-	738	Exempt from disclosure	Note 2
TST	HUAI WEI BIOTECHNOLOGY CO., LTD	TAIWAN	Biotechnology Service	12,000	-	1,200,000	60.00%	11,348	(1,087)	Exempt from disclosure	Sub-subsidiary
KMT	KMBV	NETHERLANDS	Marketing and trading	7,950	7,950	200,000	100.00%	8,589	1,508	Exempt from disclosure	Sub-subsidiary
KMT	ELITETOP TECH	SAMOA	Overseas investment holding	-	48,091	-	- %	-	(3,224)	Exempt from disclosure	Sub-subsidiary
KMT	HND WIRE INC.	TAIWAN	Metal wire products manufacturing	-	10,004	-	- %	-	(2)	Exempt from disclosure	Investment accounted for using equity method
AIQ	AIQ-S(UK)	UK	Development of smart clothing technology	15,419	15,419	396,266	50.00%	3,076	4,934	Exempt from disclosure	Sub-subsidiary
AIQ	Taiwan Innovation (HK)	HONGKONG	Machine marketing and trading	390	-	100,000	100.00%	827	738	Exempt from disclosure	Sub-subsidiary
TEX-RAY (CAYMAN)	TEX-RAY(MEXICO)	MEXICO	Dyeing	1,168,882	1,168,882	-	100.00%	266,536	(33,747)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (CAYMAN)	AMRAY(MEXICO)	MEXICO	Garment processing	178,119	178,119	-	100.00%	(64,011)	(22,235)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	KASUMI(SWAZILAND)	ESWATINI	Trading and manufacturing of dyeing, finishing, woven fabrics and garments	43,461	43,461	1,657,400	100.00%	390,258	954	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	T.Q.M.(SWAZILAND)	ESWATINI	Dyeing	569,316	569,316	132,525,183	100.00%	948,925	150,903	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	U.I.W.(SWAZILAND)	ESWATINI	Garment processing	47,508	47,508	12,031,000	100.00%	21,158	(2,367)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	J.M. Rotary Print Industrial Co.,Ltd.	ESWATINI	Dyeing and finishing of fabrics, clothing sales	12,908	11,712	5,618,679	90.00%	1,023	(7,782)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (SA)	GOLDEN JUBILEE	ESWATINI	Garment processing	10,800	10,800	5,000,000	100.00%	26,515	8,768	Exempt from disclosure	Sub-subsidiary
T.Q.M.(SWAZILAND)	ESWT (SWAZILAND)	ESWATINI	Sale of agricultural products	1,822	-	900,000	90.00%	358	(1,604)	Exempt from disclosure	Third-tier company

Note : The Company adjusted of the holding structure of Merico production area on December 31, 2020. The shares of TEX-RAY (CANMAN), previously owned by TEX-RAY (BELIZE) were new owned directly by the Company.

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(c) Information on investment in mainland China

(i) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow						
TEX-RAY (SHANGHAI)	Operating textile storage, trading, distribution, display and technology development	282,574	(2)	282,574	-	-	282,574	(3,217)	100.00%	(3,217)	402,365	-
TEX-RAY (YANCHENG)	Manufacturing and sales of textiles, clothing, shoes and hats	45,527	(3)	-	-	-	-	580	100.00%	580	(48,625)	-
TEXRAY(KUNSHAN)	Development of composite fabrics	168,268	(3)	-	-	-	-	4,842	100.00%	4,842	172,569	-
TRYD TEXTILE	Garment processing and engaged in spinning, weaving, high-end fabrics, bleaching and dyeing, printing and garment production	1,749,139	(2)	1,235,108	-	-	1,235,108	(81,283)	100.00%	(81,283)	(39,610)	-
TRYD ARRAREL	Knitted garment processing	164,220	(2)	86,711	-	-	86,711	1,574	100.00%	1,574	(13,461)	-
KING'S METAL FIBER (SHANGHAI)	Wholesale of glass products, high-efficiency insulation materials, textiles, clothing, apparel and accessories	51,221	(2)	47,247	3,974	-	51,221	(9,045)	63.43%	(5,737)	1,882	-
AIQ (Zhejiang)	System development, production and sales of smart devices	10,318	(3)	-	-	-	-	(3,355)	63.43%	(2,128)	(16)	-
TRYD ARRAREL (HENAN) (Note 3)	Garment processing	-	(2)	46,494	-	-	46,494	-	-%	-	-	-
TRYD TEXTILE RESEARCH INSTITUTE (Note 4)	Technology research and development of polymer composite materials and new textile materials	49,149	(2)	-	-	-	-	-	-%	-	-	-
Wei-Da Testing	Testing service and environmental assessment	31,065	(3)	-	-	-	-	1,674	100.00%	1,674	6,871	-
SHANGHAI JIN PEILI (Note 5)	Weaving, dyeing and finishing of high-end fabrics, sales of products of the company	111,088	(2)	14,321	-	-	14,321	-	-%	-	-	-
JIANAN TEXTILE (Note 6)	Weaving, dyeing and finishing of high-grade fabrics	29,613	(2)	29,613	-	-	29,613	-	-%	-	-	-

Note 1: Three types of investment method are as follows:

1. Directly investing in the mainland area.
2. Investing in the mainland through companies in another country (Please refer to Noter 4(c) of consolidated financial statement for the year ended December 31, 2020.)
3. Other methods.

Note 2: The investment gains and losses recognized at the equity method are based on the financial information of the mainland investee companies, which was audited by the auditors of parent company during the same fiscal period.

Note 3: The business was deregistered in November 2015, and the share capital was remitted back to the upper parent company MSWATI in March 2016.

Note 4: The business was liquidated in October 2019.

Note 5: The business was liquidated in December 2012.

Note 6: The business was sold in June 2012, and the returns of original investment was remitted back to the upper parent company MSWATI.

Note 7: The numbers listed above are presented in NTD rounded to nearest thousand, according to the currency rate on December 31, 2020. (USD: 28.0950, CNY: 4.318)

(ii) Limitation on investment in Mainland China

The Company had obtained the certification letter of the operating headquarters from the Ministry of Economic Affairs on August 6, 2018. The validity period is from August 2, 2018 to August 1, 2021, and there is no such restriction of ceiling on investment in Mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China are disclosed in “Business relationships and significant intercompany transactions”.

(d) Major shareholders:

Shareholding Shareholder’s Name	Shares	Percentage
YUE-DA TEXTILE HOLDINGS, LTD B.V	42,052,440	17.99%
Xian-Yu, Guo	23,680,000	10.13%
SUXHOU WEIDE CO., LTD.	23,362,466	9.99%
Feng-Ying, Yeh	14,280,000	6.11%

(14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2020.

TEX-RAY INDUSTRIAL CO., LTD.

Chairman: Lin Zui Yeh