

KAULIN MFG. CO., LTD.
Parent Company Only Financial
Statements and Independent Auditors’
Report

For the Years Ended December 31, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors of KAULIN MFG. CO., LTD.:

Audit Opinion

We have audited the Balance Sheet of KAULIN MFG. CO., LTD. as of December 31, 2023 and 2022, the Statement of Comprehensive Income as of January 1 to December 31, 2023 and 2022 as well as the Statement of Changes in Equity, Statement of Cash Flows and the Notes to Parent Company Only Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above parent company only financial statements present fairly, in all material respects, of the financial status of December 31, 2023 and 2022 in KAULIN MFG. CO., LTD. and the financial performance and consolidated cash flow of January 1 to December 31, 2023 and 2022 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of the Audit Opinions

The audit was conducted by us in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the responsibility paragraph of the accountant's audit on the parent company only financial statements. The personnel regulated by independence at the accounting firm that our accountants work with have been managed according to the code of professional ethics to maintain independence from KAULIN MFG. CO., LTD. as well as perform other responsibilities addressed on the regulation. Based on the audit results of us, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

Key Audit Matters

Key audit matters refer to the most important matters on the audits to KAULIN MFG. CO., LTD.'s parent company only financial statements of fiscal year 2023 based on the professional judgment of our accountants. The matters have been responded on the whole audited parent company only financial statements and during the process of the expression of the audit opinions. There, our accountants will not express opinions separately towards the matters. Based on the judgment of the accountants, the following key audit matters that should be communicated on the audit report are as follows:

1. Inventory Impairment

For the accounting policy related to inventory impairment, please refer to Note 4(7) to the parent company only financial statements; for uncertainty about accounting estimates and assumptions related to inventory impairment, please refer to Note 5 to the parent company only financial statements; for related disclosures about inventory, please refer to Note 6(6) to the parent company only financial statements.

KAULIN MFG. CO., LTD., being in a highly mature industry with intense competition, has the value of its inventory affected by the market, and the valuation of the inventory is carried out based on policies and accounting estimates set by the management. Given that the balance of inventory is significant to the parent company only financial statements and it involves accounting estimates, the auditor considers the valuation of inventory as one of the matters requiring high attention in the audit of the parent company only financial statements.

Corresponding audit procedure:

The main audit procedures for the provision for inventory valuation impairment by the auditor include evaluating the reasonableness of the provision for inventory valuation impairment policy set by KAULIN MFG. CO., LTD. and whether it has been implemented according to relevant bulletin requirements. The auditor reviewed the inventory aging report, analyzed the changes in inventory aging, examined the sales status of the inventory and evaluated the net realizable value basis used to verify the reasonableness of the provision for inventory valuation impairment estimate, and assessed whether management has adequately disclosed relevant items about the provision for inventory valuation impairment.

Responsibility from Management and Governing Unit towards the Parent Company Only Financial Statements

Management level's responsibility is to prepare the parent company only financial statements present fairly according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control related to the preparation of the parent company only financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the parent company only financial statements, the responsibility of management level also includes evaluating KAULIN MFG. CO., LTD.'s capability of continuous operation, disclosure of relevant matters and the application of continuous operation accounting model unless the management level intends to liquidate KAULIN MFG. CO., LTD. or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governing unit (including the audit committee) at KAULIN MFG. CO., LTD. is responsible for supervising the process of financial reports.

Responsibility of Accountants' Audit on the Parent Company Only Financial Statements

The purpose of the parent company only financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole parent company only financial statements due to fraud or error as well as issue the audit report.

The reasonable assurance is the high certainty; however, it will not be able to guarantee that the significant untrue expression will definitely be able to be detected by generally accepted auditing standards, and the untrue expression might be caused from fraud or error. and the untrue expression might be caused from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the parent company only financial statements.

When we conduct the audit according to generally accepted auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the parent company only financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in KAULIN MFG. CO., LTD.
3. Evaluating the adequacy of the accounting policies used by the management level and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management level adopts and the existence of major uncertainty on events or situations with major concerns affecting KAULIN MFG. CO., LTD.'s capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of parent company only financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause KAULIN MFG. CO., LTD. not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the parent company only financial statements (including relevant notes) as well as whether the parent company only financial statements present fairly, in all material respects, relevant transaction and events.
6. Obtaining sufficient and appropriated audit evidence of the financial information from the investee companies accounted for using equity method as well as express opinions towards the parent company only financial statements. We are in charge of the directing, supervision and execution on the audit cases as well as concluding audit opinions towards the parent company only financial statements of KAULIN MFG. CO., LTD.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

We have also provided information to the governing unit that the personnel of the firm—under which our CPAs are working—who are subject to independence requirements have complied with the statement of independence in the CPA code of professional ethics and communicated to the governing unit all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on KAULIN MFG. CO., LTD.'s parent company only financial statements for fiscal year 2023 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

KPMG Taiwan

CPAs:

Competent Authority of Securities	:	TAI-TSAI-CHENG (VI)
Approval Certificate No.		No. 0930105495
		TAI-TSAI-CHENG (VI)
		No. 0930106739

March 14, 2024

KAULIN MFG. CO., LTD.

BALANCE SHEET

Dec. 31, 2023 and Dec. 31, 2022

Unit: NT\$ thousands

Assets		2023.12.31		2022.12.31		Liabilities and Equity		2023.12.31		2022.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 521,878	14	785,053	17	2100	Short-term loans (Note 6(12))	\$ 100,000	2	100,000	2
1150	Notes receivable (Note 6(4) and (19))	7,762	-	3,063	-	2170	Accounts payable	13,839	-	16,396	-
1170	Accounts receivable (Note 6(4) and (19))	415,390	10	534,932	12	2180	Accounts payable—Related parties (Note 7)	153,918	4	356,940	8
1181	Accounts receivable—related parties (Note 7)	97,230	2	244,934	5	2200	Other payables (Note 6(14))	58,029	1	81,304	2
1200	Other payables	2,623	-	2,724	-	2230	Income tax liabilities for the period (Note 6(16))	446	-	57,056	1
1210	Other receivables - Related parties (Note 7)	17,157	-	-	-	2280	Lease liabilities - current (Note 6(13))	738	-	726	-
130X	Inventories (Note 6(6))	287,191	7	268,103	6	2300	Other current liabilities (Note 6(14))	16,241	-	21,561	1
1419	Advance payment	10,539	-	8,119	-		Total current liabilities	343,211	7	633,983	14
1470	Other current assets (Note 6(11))	235	-	380	-	Non-current liabilities:					
	Total current assets	1,360,005	33	1,847,308	40	2581	Lease liabilities - non-current (Note 6(13))	-	-	738	-
Non-current assets:						2570	Deferred income tax liabilities (Note 6(16))	196,182	5	200,499	4
1517	Financial assets measured at FVTOCI - non-current (Note 6(3))	-	-	24,147	-	2640	Net defined benefit liability - non-current (Note 6(15))	14,847	-	20,780	1
1550	Investment accounted for using the equity method (Note 6(5))	1,889,794	46	1,827,615	40		Total non-current liabilities	211,029	5	222,017	5
1600	Property, plant and equipment (Note 6(7))	667,449	16	677,961	15		Total liabilities	554,240	12	856,000	19
1755	Right-of-use assets (Note 6(8))	715	-	1,429	-	3110	Common shares (Note 6(17))	1,836,081	44	1,836,081	40
1760	Investment property (Note 6(19))	178,782	4	178,809	4	3200	Capital reserves	199,653	5	199,599	4
1821	Other intangible assets (Note 6(10))	5,364	-	4,642	-		Retained earnings:				
1840	Deferred tax assets (Note 6(16))	33,687	1	36,032	1	3310	Legal reserve	753,361	18	734,810	16
1990	Other non-current assets (Note 6(11))	5,795	-	339	-	3320	Special reserve	165,308	4	202,052	4
	Total non-current assets	2,781,586	67	2,750,974	60	3350	Unappropriated retained earnings	809,619	20	959,107	21
								1,728,288	42	1,895,969	41
						3400	Other equity	(152,612)	(3)	(165,308)	(4)
						3500	Treasury shares	(24,059)	-	(24,059)	-
							Total liabilities	3,587,351	88	3,742,282	81
Total assets		\$ 4,141,591	100	4,598,282	100	Total liabilities and equity		\$ 4,141,591	100	4,598,282	100

(Please see notes to the parent company only financial statement)

Chairperson: LIN CHEN, YA-ZI

Manager: LIN, SHENG-ZHI

Accounting Manager: LIN, ZENG-XIN

KAULIN MFG. CO., LTD.
STATEMENT OF COMPREHENSIVE INCOME
Dec. 31, 2023 and Dec. 31, 2022

Unit: NT\$ thousands

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(19) and 7)	\$ 1,048,128	100	2,085,979	100
5000	Operating cost (Note 6(6) and 7)	915,807	87	1,858,529	89
5900	Gross profit	132,321	13	227,450	11
5910	Less: Unrealized sales profit/loss	15,590	1	22,128	1
5920	Add: Realized sales profit/loss	22,128	1	12,349	-
	Gross profit	138,859	13	217,671	10
	Operating expense (Note 6(4), (7), (8), (9), (10) and 7):				
6100	Promotion expense	61,347	6	60,392	3
6200	Administration expense	76,672	6	96,856	4
6300	R&D expenses	39,748	4	45,465	2
6450	Expected credit impairment loss (recovery gain)	2,612	-	(6,798)	-
	Total operating expenses	180,379	16	195,915	9
6900	Net operating profit (loss)	(41,520)	(3)	21,756	1
	Non-operating revenue/expense (Note 6(21)):				
7100	Interest income	21,460	2	10,325	-
7010	Other income	15,093	1	13,516	1
7020	Other gains and losses	5,967	1	118,263	6
7050	Financial costs	(1,723)	-	(865)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	22,033	2	65,918	3
	Total non-operating revenue/expense	62,830	6	207,157	10
7900	Net profit before tax	21,310	3	228,913	11
7950	Less: Income tax expense (Note 6(16))	7,285	1	42,452	2
8200	Net income	14,025	2	186,461	9
	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit plan	1,988	-	(1,178)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	(760)	-	(10,197)	-
8349	Less: Income tax related to the items which were not reclassified	246	-	(2,275)	-
	Total items not reclassified to profit or loss	982	-	(9,100)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss:				
8361	Exchange difference on translation of the financial statements of foreign operations	(30,382)	(3)	56,128	3
8399	Less: Income tax related to items that might be reclassified	(6,077)	(1)	11,226	1
	Total items that might be reclassified to profit or loss later	(24,305)	(2)	44,902	2
8300	Total other comprehensive income in the term	(23,323)	(2)	35,802	2
	Total comprehensive income in the term	\$ (9,298)	-	222,263	11
	Earnings per share (NTD)(Note 6(18))				
9750	Basic earnings per share (Unit: NTD)	\$ 0.08		1.02	
9850	Diluted earnings per share (Unit: NTD)	\$ 0.08		1.02	

(Please see notes to the parent company only financial statement)

Chairperson: LIN CHEN, YA-ZI

Manager: LIN, SHENG-ZHI

Accounting Manager: LIN, ZENG-XIN

KAULIN MFG. CO., LTD.
STATEMENT OF CHANGES IN EQUITY
Dec. 31, 2023 and Dec. 31, 2022

Unit: NT\$ thousands

							Other equity items				
	Share capital		Retained earnings				Exchange difference on translation of the financial statements of foreign operations	Unrealized gains or losses of the financial assets measured at FVTOCI	Total	Treasury shares	Total equity
	Common shares	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Total					
Balance as of January 1, 2022	\$ 1,836,081	199,595	717,716	199,294	920,916	1,837,926	(173,209)	(28,843)	(202,052)	(24,059)	3,647,491
Net income	-	-	-	-	186,461	186,461	-	-	-	-	186,461
Total other comprehensive income in the term	-	-	-	-	(942)	(942)	44,902	(8,158)	36,744	-	35,802
Total comprehensive income in the term	-	-	-	-	185,519	185,519	44,902	(8,158)	36,744	-	222,263
Appropriation and distribution of earnings:											
Appropriation to legal reserve	-	-	17,094	-	(17,094)	-	-	-	-	-	-
Appropriation to special reserve	-	-	-	2,758	(2,758)	-	-	-	-	-	-
Cash dividend for common stock	-	-	-	-	(127,476)	(127,476)	-	-	-	-	(127,476)
Other changes in additional paid-in capital	-	4	-	-	-	-	-	-	-	-	4
Balance as of Dec. 31, 2022	1,836,081	199,599	734,810	202,052	959,107	1,895,969	(128,307)	(37,001)	(165,308)	(24,059)	3,742,282
Net income (loss)	-	-	-	-	14,025	14,025	-	-	-	-	14,025
Total other comprehensive income in the term	-	-	-	-	1,590	1,590	(24,305)	(608)	(24,913)	-	(23,323)
Total comprehensive income in the term	-	-	-	-	15,615	15,615	(24,305)	(608)	(24,913)	-	(9,298)
Appropriation and distribution of earnings:											
Appropriation to legal reserve	-	-	18,551	-	(18,551)	-	-	-	-	-	-
Appropriation to special reserve	-	-	-	(36,744)	36,744	-	-	-	-	-	-
Cash dividend for common stock	-	-	-	-	(145,687)	(145,687)	-	-	-	-	(145,687)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(37,609)	(37,609)	-	37,609	37,609	-	-
Other changes in additional paid-in capital	-	54	-	-	-	-	-	-	-	-	54
Balance as of December 31, 2023	\$ 1,836,081	199,653	753,361	165,308	809,619	1,728,288	(152,612)	-	(152,612)	(24,059)	3,587,351

(Please see notes to the parent company only financial statement)

Chairperson: LIN CHEN, YA-ZI

Manager: LIN, SHENG-ZHI

Accounting Manager: LIN, ZENG-XIN

KAULIN MFG. CO., LTD.
STATEMENT OF CASH FLOWS
Dec. 31, 2023 and Dec. 31, 2022

Unit: NT\$ thousands

	2023	2022
Cash flow from operating activities:		
Net profit before tax	\$ 21,310	228,913
Adjustment Items:		
Adjustments to reconcile profit (loss)		
Depreciation expense	17,019	16,643
Amortization expense	4,518	5,436
Expected credit impairment loss (recovery gain)	2,612	(6,798)
Interest expense	1,723	865
Interest income	(21,460)	(10,325)
Dividend income	(771)	(991)
Share of profits of subsidiaries, associates, and joint ventures accounted for using the equity method	(22,033)	(65,918)
Loss on disposal and write-off of property, plant, and equipment	-	26
Loss on inventory valuation and write-off	22,172	8,477
Unrealized sales profits	15,590	22,128
Realized sales profits	(22,128)	(12,349)
Unrealized foreign currency exchange losses (gains)	3,166	(19,142)
Total income and expense items	408	(61,948)
Changes in assets/liabilities related to operating activities:		
Decrease (increase) of notes receivable	(4,699)	11,091
Decrease in accounts receivable	107,300	4,043
Decrease in accounts receivable - related parties	130,476	107,763
Decrease (increase) of other receivables	(23)	1,002
Increase in inventories	(41,260)	(143,193)
Increase in prepayments	(2,420)	(1,938)
Decrease (increase) of other current assets	145	(31)
Increase (decrease) of accounts payable	711	(54,601)
Decrease in accounts payable - related parties	(196,544)	(184,249)
Decrease in other payables	(23,218)	(212)
Decrease in other current liabilities	(5,320)	(6,834)
Decrease in net defined benefit liability	(3,945)	(6,495)
Total adjustment items	(38,389)	(335,602)
Cash outflow from operations	(17,079)	(106,689)
Interest received	21,584	9,238
Interest paid	(1,723)	(865)
Income taxes paid	(63,304)	(45,137)
Net cash outflow from operating activities	(60,522)	(143,453)
Cash flow from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	23,387	-
Acquisition of investments under equity method	(63,990)	-
Cash dividends from long-term equity investments accounted for using the equity method	-	403,924
Acquisition of property, plant and equipment	(5,766)	(494)
Increase in refundable deposits	-	(28)
Decrease in refundable deposits	27	-
Acquisition of intangible assets	(5,240)	(6,320)
Increase in prepayments for business facilities	(5,483)	-
Dividends received	771	991
Net cash (outflow) inflow from investing activities	(56,294)	398,073
Cash flow from financing activities:		
Decrease in deposits received	-	(535)
Repayment of lease principal	(726)	(714)
Issuance of cash dividends	(145,687)	(127,476)
Other changes in additional paid-in capital	54	4
Net cash outflow from financing activities	(146,359)	(128,721)
Increase (decrease) in cash and cash equivalents in the current period	(263,175)	125,899
Beginning balance of cash and cash equivalents	785,053	659,154
Ending balance of cash and cash equivalents	<u>\$ 521,878</u>	<u>785,053</u>

(Please see notes to the parent company only financial statement)

Chairperson: LIN CHEN, YA-ZI

Manager: LIN, SHENG-ZHI

Accounting Manager: LIN, ZENG-XIN

KAULIN MFG. CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENT NOTES
For the Years Ended December 31, 2023 and 2022
(Unless otherwise specified, the basic unit for any amount shall be NT\$ THOUSANDS.)

I. Company Profile

KAULIN MFG. CO., LTD. (hereinafter referred to as "the Company") was established on October 5, 1965, with the approval of the Ministry of Economic Affairs, with a registered address on the 11th floor, No. 128, Section 3, Minsheng East Road, Songshan District, Taipei City. The main business items of the Company and its subsidiaries (hereinafter collectively referred to as "the Consolidated Companies") are the manufacturing, assembly, and sale of various industrial sewing machines and their components.

The company's stock was originally listed on the OTC market at the Securities and Futures Bureau of the Ministry of Finance in Taiwan in June 1999, and then listed on the Taiwan Stock Exchange in September 2000.

II. The Date and Procedure of the Approval of the Financial Report

The parent company only financial statements were approved by the Board of Directors for release on March 14, 2024.

III. The Application of Newly Published and Revised Standards and Interpretations

- (I) The impact of the new and revised standards and interpretations approved by the Financial Supervisory Commission (FSC) that have been adopted

From January 1, 2023, the company began to apply the following new amendments to International Financial Reporting Standards (IFRS), and they did not have a significant impact on the parent company only financial statements.

- The amendment to IAS 1, "Disclosure of Accounting Policies"
- The amendment to IAS 8, "Definition of Accounting Estimates"
- The amendment to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

From May 23, 2023, the company began to apply the following new amendments to International Financial Reporting Standards (IFRS), and they did not have a significant impact on the parent company only financial statements.

- Amendments to IAS 12, "International Tax Reform — -Pillar Two Model Rules"

- (II) The impact of International Financial Reporting Standards approved by the FSC that have not yet been adopted

The company has evaluated the application of the following new amendments to International Financial Reporting Standards, effective from January 1, 2024, and concluded that they will not have a significant impact on the parent company only financial statements.

- Amendment to IAS 1, "Classification of Liabilities as Current or Non-current"
- The amendment to IAS 1, "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7, "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

(III) New and revised standards and interpretations not yet approved by the FSC

The company expects that the following new and revised standards not yet approved will not have a significant impact on the parent company only financial statements.

- The amendment 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 the amendments to IFRS 17
- The amendment to IFRS 17, "Comparative Information for Initial Application of IFRS 17 and IFRS 9"
- Amendments to IAS 21 "Lack of Exchangeability"

IV. Summary of Significant Accounting Policies

The following are the significant accounting policies adopted in these parent company only financial statements. These policies have been consistently applied to all periods presented in these parent company only financial statements.

(I) Compliance statement

These parent company only financial statements have been prepared in accordance with the "Rules Governing the Preparation of Financial Reports by Securities Issuers"

(II) Basis of preparation

1. Measurement basis

Except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of plan assets, these parent company only financial statements have been prepared on a historical cost basis.

2. Functional and presentation currency

The Company operates with the currency of its primary economic environment as its functional currency. This individual financial report is expressed in the Company's functional currency, New Taiwan Dollar (NTD). All financial information presented in TWD has been rounded to the nearest thousand.

(III) Foreign Currency

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (hereinafter referred to as the reporting date), foreign currency monetary items are translated using the exchange rate on that date. Foreign currency non-monetary items that are measured in terms of fair value are translated using the exchange rates at the date when the fair value was determined, and foreign currency non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences arising from the translation are generally recognized in profit or loss, except for the following cases which are recognized in other

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

comprehensive income:

- (1) Equity instruments designated as measured at fair value through other comprehensive income;

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into TWD at the exchange rates at the reporting date; their income and expenses are translated into TWD at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When the disposal of a foreign operation results in a loss of control, joint control, or significant influence, the cumulative exchange difference related to the foreign operation is fully reclassified as a profit or loss. When a partial disposal involves a subsidiary with a foreign operation, the relevant cumulative exchange difference is proportionally reattributed to non-controlling interests. When a partial disposal involves an associate or joint venture of a foreign operation, the relevant cumulative exchange difference is proportionally reclassified to profit or loss.

For monetary receivables or payables of a foreign operation, if there is no repayment plan and it is not possible to repay in the foreseeable future, the foreign exchange loss arising from it is considered part of the net investment in the foreign operation and is recognized as other comprehensive income.

(IV) Criteria for Classification of Assets and Liabilities as Current or Non-current

Assets that meet one of the following conditions are classified as current assets, and all other assets that are not current assets are classified as non-current assets:

1. Expect to realize the asset during its normal operating cycle, or intend to sell or consume it;
2. The asset is primarily held for trading purposes;
3. Expect to realize the asset within twelve months after the reporting period; or
4. The asset is cash or cash equivalent, except for the exchange or settlement of liabilities that are restricted at least twelve months after the reporting period.

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities that are not current liabilities are classified as non-current liabilities:

1. Expect to settle the liability during its normal operating cycle;
2. The liability is primarily held for trading purposes;
3. Expect to settle the liability within twelve months after the reporting period; or
4. The liability has an unconditional right to defer the settlement period to at least twelve months after the reporting period. The terms of the liabilities, which may be settled by issuing equity instruments at the option of the counterparty, do not affect their classification.

(V) Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
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short-term and highly liquid investments that can be readily converted into a fixed amount of cash with insignificant risk of changes in value. Time deposits that meet the above definition and are held to meet short-term cash commitments rather than for investment or other purposes are reported as cash equivalents.

(VI) Financial Instruments

1. Financial Assets

The purchase or sale of financial assets meets the regular transaction criteria, and the company uniformly applies the transaction date or settlement date accounting treatment to all purchases and sales of financial assets classified in the same way.

Financial assets are classified at initial recognition as: financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, equity investments measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. The company only reclassifies all affected financial assets from the first day of the next reporting period when the business model for managing financial assets changes.

(1) Financial Assets Measured at Amortized Cost

Financial assets are measured at amortized cost when they meet the following conditions, and are not designated as measured at fair value through profit or loss:

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

These assets are subsequently measured at their original recognition amount plus or minus the accumulated amortization calculated using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains or losses, and impairment losses are recognized in profit or loss. Any gains or losses are recognized in profit or loss upon derecognition.

(2) Financial Assets Measured at Fair Value Through Other Comprehensive Income

Debt instrument investments are measured at fair value through other comprehensive income when they meet the following conditions, and are not designated as measured at fair value through profit or loss:

- The financial asset is held within a business model whose objective is both to collect contractual cash flows and to sell the financial asset.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

At initial recognition, the company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an equity instrument investment that is not held for trading. This election is made on an instrument-by-instrument basis.

For equity instrument investments, they are subsequently measured at fair value. Dividend income (unless it clearly represents a recovery of part of the cost of the investment) is recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income and are not reclassified to profit or loss.

Dividend income from equity investments is recognized when the company has the right to receive dividends (usually the ex-dividend date).

(3) Impairment of Financial Assets

The company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, deposit guarantee and other financial assets, etc.) and accounts receivable.

The following financial assets are measured for loss allowance at an amount equal to 12-month expected credit losses, while the rest are measured for expected credit losses over the lifetime:

- The credit risk (i.e., the risk of default over the expected life of the financial instrument) of bank deposits has not increased significantly since initial recognition.

The company assumes that the credit risk on a financial asset has increased significantly if contractual payments are more than 120 days overdue.

The company considers the financial asset defaulted when contractual payments are more than 360 days overdue, or it is unlikely that the borrower will fully pay the amounts to the company due to failure to fulfill its credit obligations.

The Expected Credit Loss (ECL) over the lifetime refers to the anticipated credit losses arising from all possible default events during the expected lifespan of a financial instrument.

The 12-month ECL refers to the anticipated credit losses that could occur within twelve months after the reporting date (or shorter period, if the expected life of the financial instrument is less than twelve months).

The longest period for measuring ECL is the longest contract term over which the company is exposed to credit risk.

The ECL is a probability-weighted estimate of credit losses over the expected life of a financial instrument. Credit loss is measured by the present value of all cash shortfalls, that is, the difference between the cash flows due to the company under the contract and the cash flows the company expects to receive. The ECL is discounted at the effective interest rate of the

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

financial asset.

On each reporting date, the company assesses whether financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred. Evidence of financial asset credit impairment includes observable data on the following:

- Significant financial difficulties of the borrower or issuer;
- Default or delay in payment exceeding 360 days;
- The company granting a concession to the borrower that it would not consider due to economic or contractual reasons related to the borrower's financial difficulties;
- The borrower is likely to enter bankruptcy or other financial restructuring;
- The disappearance of the active market of the financial asset due to financial difficulties.

The provision for losses on financial assets measured at amortized cost is deducted from the carrying amount of the asset. The provision for losses on debt instrument investments measured at fair value through other comprehensive income is adjusted in profit or loss and recognized in other comprehensive income (without reducing the carrying amount of the asset).

When the company cannot reasonably expect to recover all or part of a financial asset, it reduces the total carrying amount of its financial assets directly. The company analyzes the timing and amount of write-offs on a basis of whether it can reasonably expect to recover. The company expects that the amount written off will not be significantly reversed. However, written-off financial assets can still be enforced to comply with the company's procedures for recovering overdue amounts.

(4) De-recognition of Financial Assets

The company only de-recognizes financial assets when the contractual rights to the cash flows from the asset have expired, or the financial assets have been transferred and almost all the risks and rewards of ownership of the asset have been transferred to another entity, or the entity has neither transferred nor retained substantially all the risks and rewards of ownership and has not retained control of the financial asset.

When the company engages in a transaction to transfer financial assets, if it retains all or substantially all of the risks and rewards of ownership of the transferred assets, it continues to recognize them in the balance sheet.

2. Financial Liabilities and Equity Instruments

(1) Classification of Liabilities or Equity

The debt and equity instruments issued by the company are classified as financial liabilities or equity according to the substance of the contract agreement and the definitions of financial liabilities and equity instruments.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

(2) Equity Transactions

Equity instruments represent any contract that confers a residual interest in the assets of an entity after deducting all its liabilities. The equity instruments issued by the company are recognized at the amount of consideration received less direct issuance costs.

(3) Treasury Stock

When the company repurchases its recognized equity instruments, the consideration paid (including directly attributable costs) is recognized as a reduction in equity. The repurchased shares are classified as treasury stock. Upon subsequent sale or reissue of the treasury stock, the amount received is recognized as an increase in equity, and the surplus or loss generated from the transaction is recognized as capital reserves or retained earnings (if capital reserves are insufficient to offset).

(4) Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are only offset when the company currently has a legally enforceable right to offset and intends to settle on a net basis or realize the assets and settle the liabilities simultaneously, expressed as a net amount in the balance sheet.

(VII) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost includes the acquisition, production or processing costs incurred to bring them to their present location and condition and other costs, calculated using the first-in, first-out method. The cost of finished goods and work in process includes a proportion of manufacturing costs based on normal production capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(VIII) Investment in Subsidiaries

When preparing individual financial statements, the company uses the equity method to evaluate companies in which it has control. Under the equity method, the current earnings and other comprehensive income of the individual financial report are the same as the allocation of the current earnings and other comprehensive income attributable to the parent company owners in the financial report prepared on a consolidated basis, and the owners' equity of the individual financial report is the same as the equity attributable to the parent company owners in the financial report prepared on a consolidated basis.

Any changes in the company's ownership interests in its subsidiaries that do not result in loss of control are treated as transactions with owners.

(IX) Investment Property

Investment property refers to property held for earning rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

cost, and subsequently at cost less accumulated depreciation and accumulated impairment. The depreciation method, useful life and residual value are processed in accordance with the regulations of property, plant, and equipment.

The gain or loss on disposal of investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss.

The rental income from investment property is recognized as non-operating income over the lease term on a straight-line basis. Lease incentives granted are recognized as part of the rental income over the lease term.

(X) Property, Plant, and Equipment

1. Recognition and Measurement

Items of property, plant, and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When major components of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment.

The gain or loss on disposal of property, plant, and equipment is recognized in profit or loss.

2. Subsequent Costs

Subsequent expenditure is capitalized only when it is probable that future economic benefits will flow to the company.

3. Depreciation

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

Land is not depreciated.

Estimated useful lives for the current and comparative periods are as follows:

- | | |
|----------------------------------|-----------|
| (1) Buildings and constructions: | 20 years |
| (2) Plant and equipment: | 3-5 years |
| (3) Office and other equipment: | 3 years |

The company reviews the depreciation method, useful life and residual value every year on the reporting date and adjusts them appropriately when necessary.

(XI) Leasing

1. The Judgement of Leasing

The company assesses whether a contract is or contains a lease on the contract inception date. If the contract transfers the right to use an identified asset for a period in exchange for consideration, then the contract is or contains a lease.

2. Lessee

The company recognizes the right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is initially measured at cost,

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

which includes the initial measurement of the lease liability, any lease payments made on or before the lease commencement date, plus any initial direct costs incurred and an estimate of costs for dismantling and removing the underlying asset and restoring the site or underlying asset, minus any lease incentives received.

Subsequent to initial recognition, the right-of-use asset is depreciated on a straight-line basis from the lease 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. Additionally, the company regularly assesses whether the right-of-use asset is impaired and recognizes any impairment losses incurred, and adjusts the right-of-use asset in the event of a lease liability remeasurement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date. If the interest rate implicit in the lease is readily determinable, the discount rate is that rate; if not readily determinable, the incremental borrowing rate of the company is used. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include:

- (1) Fixed payments, including in-substance fixed payments;
- (2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the lease commencement date;
- (3) Amounts expected to be payable under residual value guarantees; and
- (4) The exercise price of a purchase option if it is reasonably certain to be exercised, or penalties for early termination of the lease.

The lease liability is subsequently measured using the effective interest method and remeasured when:

- (1) There are changes in future lease payments resulting from changes in an index or rate used to determine those payments;
- (2) There are changes in the amounts expected to be payable under residual value guarantees;

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

- (3) There are changes in the assessment of whether a purchase option will be exercised;
- (4) There is a change in the estimate of the term of a lease due to an assessment of whether an extension or termination option will be exercised; and
- (5) There is a change in the scope or terms of a lease.

When the lease liability is remeasured due to changes in the index or rate determining lease payments, residual value guarantees, or assessments of purchase, extension, or termination options, the carrying amount of the right-of-use asset is adjusted correspondingly, and any remaining remeasurement amount is recognized in profit or loss once the carrying amount of the right-of-use asset has been reduced to zero.

For lease modifications that decrease the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between this and the remeasurement amount of the lease liability is recognized in profit or loss.

The company presents right-of-use assets and lease liabilities that do not meet the definition of investment property as separate line items in the balance sheet.

If the agreement includes both lease and non-lease components, the company allocates the contract's consideration to individual lease components based on relative standalone prices. However, when leasing land and buildings, the company chooses not to differentiate non-lease components and treats lease components and non-lease components as a single lease component.

For short-term leases and low-value asset leases of office equipment, the Company chooses not to recognize right-of-use assets and lease liabilities, but rather records related lease payments as expenses on a straight-line basis during the lease period.

3. Lessor

As a lessor, the company classifies leases on the inception date based on whether they transfer substantially all the risks and rewards incidental to ownership of the leased assets. If so, they are classified as finance leases, otherwise as operating leases. When assessing, the company considers specific indicators, including whether the lease period covers a significant part of the economic life of the leased assets.

If the company is a sub-lessor, it deals with the primary lease and sub-lease transactions separately and classifies the sub-lease transactions based on the right-of-use asset arising from the primary lease. If the primary lease is a short-term lease and the recognition exemption applies, the sub-lease transaction should be classified as an operating lease.

If the agreement includes lease and non-lease components, the company allocates the contract's consideration according to the provisions of International Financial Reporting Standard No. 15.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

(XII) Intangible assets

1. Recognition and measurement

Research-related expenditures are recognized as losses when incurred.

Development expenditures are only capitalized when they can be reliably measured, the technical or commercial feasibility of the product or process has been achieved, it is highly probable that future economic benefits will flow to the company, and the company intends and has sufficient resources to complete the development and use or sell the asset. Other development expenses are recognized as losses when incurred. After initial recognition, capitalized development expenses are measured at cost less accumulated amortization and accumulated impairment.

The company measures other acquired intangible assets with finite useful lives at their cost less accumulated amortization and accumulated impairment.

2. Subsequent expenditure

Subsequent expenditure is only capitalized when it can increase the future economic benefits of the relevant specific asset. All other expenses are recognized as losses when incurred, including internally generated goodwill and brands.

3. Amortization

Amortization is calculated based on the cost of the asset less its estimated residual value and is recognized as a loss over the estimated useful life of the intangible asset from when it is available for use, using the straight-line method.

Estimated useful lives for the current and comparative periods are as follows:

- | | |
|-----------------------|---------|
| (1) Computer software | 5 years |
|-----------------------|---------|

The company reviews the amortization method, useful life, and residual value of intangible assets on each annual reporting date and makes appropriate adjustments as necessary.

(XIII) Impairment of Non-Financial Assets

The company assesses at each reporting date whether there is any indication that the carrying amount of a non-financial asset (excluding inventory, contract assets, deferred income tax assets, and investment properties measured at fair value) may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

For the purpose of impairment testing, a group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets is identified as the smallest identifiable group of assets. Goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

discount rate that reflects current market assessments of the time value of money and the specific risks of the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount, an impairment loss is recognized.

Impairment losses are immediately recognized in profit or loss, first reducing the carrying amount of any goodwill allocated to the cash-generating unit, and then reducing the carrying amounts of the other assets in the unit on a pro-rata basis.

Goodwill impairment losses are not reversed. Non-financial assets other than goodwill are only reversed within the range of the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized in prior years.

(XIV) Recognition of Revenue

1. Revenue from Contracts with Customers

Revenue is measured at the amount of consideration to which the consolidated company expects to be entitled in exchange for transferring goods or services. The company recognizes revenue when it satisfies a performance obligation by transferring control over a good or service to a customer. The company describes the following major income items as follows:

(1) Sale of Goods

The company manufactures industrial sewing equipment and sells it to its customers. The company recognizes revenue when control over the product is transferred. This transfer of control refers to when the product has been delivered to the customer, the customer has full discretion over the product's sales channels and prices, and there are no unfulfilled obligations that would affect the customer's acceptance of the product. Delivery occurs when the product is transported to a specific location, the risk of obsolescence and loss has been transferred to the customer, the customer has accepted the product according to the sales contract, the acceptance terms have become ineffective, or the company has objective evidence that all acceptance conditions have been met.

The company does not recognize revenue at the time of raw material processing, as control over the processed product has not been transferred.

(XV) Employee benefits

1. Defined contribution plans

The obligation for contributions to defined contribution plans is recognized as an expense in the period during which services are rendered by employees.

2. Defined benefit plans

The net obligation of the company for defined benefit plans is determined by discounting the amount of future benefits earned by employees for their current or past service to present value, and deducting the fair value of plan assets.

Defined benefit obligations are annually actuarially determined by qualified actuaries using the projected unit credit method. An asset is recognized only to

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

the extent of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of economic benefits is considered, taking into account any minimum funding requirements.

Net defined benefit liability remeasurements, including actuarial gains and losses, return on plan assets (excluding interest), and any changes in the asset ceiling (excluding interest), are recognized immediately in other comprehensive income and accumulated in retained earnings. The net interest expense (income) of the net defined benefit liability (asset) is determined using the net defined benefit liability (asset) and discount rate at the beginning of the annual reporting period. Net interest expense and other expenses of defined benefit plans are recognized in profit or loss.

When a plan is amended or curtailed, changes in the benefits related to past service costs or curtailment gains or losses are recognized immediately in profit or loss. The company recognizes settlement gains or losses on defined benefit plans when the settlement occurs.

3. Other long-term employee benefits

The net obligation of the company for other long-term employee benefits is determined by discounting the amount of future benefits earned by employees for their current or past service to present value. Remeasurements are recognized in profit or loss as they arise.

4. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when services are rendered. If the company has a present legal or constructive obligation arising from past service provided by employees, and the obligation can be reliably estimated, the amount is recognized as a liability.

(XVI) Income tax

Income tax includes current and deferred income tax. Current income tax and deferred income tax are recognized in profit or loss, except for items related to business combinations, items recognized directly in equity, or items recognized in other comprehensive income.

Current income tax includes the expected income tax payable or refundable on the taxable income (loss) for the year, and any adjustments to income tax payable or refundable in respect of previous years. Amounts are measured at the best estimate of the amount expected to be paid or received, reflecting the uncertainty related to income taxes (if any), using the statutory tax rates or substantially enacted tax rates at the reporting date.

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax is not recognized for the following temporary differences:

1. Assets or liabilities initially recognized in transactions not involving business combinations, and that do not affect accounting profit and taxable income (loss)

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

at the time of the transaction;

2. Temporary differences arising from investments in subsidiaries, associates, and joint ventures, where the Company can control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. Taxable temporary differences arising from the initial recognition of goodwill.

For unused tax losses and unused income tax credits carried forward, and deductible temporary differences, deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available. They are revalued at each reporting date, with adjustments made for the portion of the related tax benefits that are not considered likely to be realized, or the amounts previously reduced when it becomes probable that sufficient taxable income will be available.

Deferred income tax is measured using the tax rate that is expected to apply when the temporary difference reverses, based on the statutory tax rate or substantive enacted tax rate as at the reporting date.

The merged company only offsets deferred income tax assets and deferred income tax liabilities when the following conditions are met:

1. Current income tax assets and current income tax liabilities are offset where there is a legally enforceable right to do so; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the taxpayers levied by the same tax authority:
 - (1) The same taxpayer; or
 - (2) Different taxpayers, but each taxpayer intends to offset current income tax liabilities and assets on a net basis, or simultaneously realize assets and settle liabilities in each future period where significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

(XVII) Earnings Per Share

The company presents basic and diluted earnings per share attributable to the ordinary equity holders of the parent company. The basic earnings per share of the company are calculated by dividing the profit or loss attributable to the ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by adjusting the profit or loss attributable to the ordinary equity holders of the parent company and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

(XVIII) Segment Information

The company has disclosed departmental information in the consolidated financial statements, so individual financial statements do not disclose departmental information.

V. The Main Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the management prepares this parent company only financial report in accordance with the International Financial Reporting Standards recognized by the Financial Supervisory Commission, it must make judgments, estimates, and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from estimates.

The Company may be faced with economic uncertainties, such as climate changes, inflation and technological changes. There is no significant impact on the Company. However, these events may materially affect the following accounting estimates made by the consolidated company in the next fiscal year. This is because such estimates involve forecasts for the future.

The management continuously reviews estimates and underlying assumptions, and changes in accounting estimates are recognized in the period of the change and future periods affected.

The uncertainty of assumptions and estimates has a significant risk that will lead to a material adjustment to the book value of assets and liabilities in the next fiscal year. The relevant information is as follows:

(I) Impairment of Inventory

The net realizable value of inventory is an estimate of the selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. These estimates are made based on current market conditions and historical sales experience of similar products, and changes in market conditions may significantly affect these estimates.

(II) Impairment Assessment of Accounts Receivable

The provision for loss on accounts receivable of the company is estimated based on the assumption of default risk and expected loss rate. On each reporting date, the company considers historical experience, current market conditions, and forward-looking estimates to determine the assumptions and selected input values to be used in calculating impairment. For detailed descriptions of related assumptions and input values, please refer to Note 6 (4).

The accounting policies and disclosures of the Company include the fair value measurement of its financial and non-financial assets and liabilities. The Company has established the relevant internal control system for fair value measurement. This includes establishing the valuation team to be responsible for reviewing all significant fair value measurements (including Level 3 fair value), and to report directly to the Chief Financial Officer. The valuation team reviews the significant

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

unobservable input value and adjustment on a regular basis. If the input value for measuring fair value uses external third-party information (such as brokerage or pricing service providers), the valuation team will evaluate the evidence provided by the third party to support the input value in order to determine the valuation and its fair value classification. It is in compliance with the International Financial Reporting Standards. The valuation team also reports material issues of valuation to the Company's Audit Committee. Investment property is regularly valued by the Company's Finance Department in accordance with the valuation methods and parameter assumptions announced by the Financial Supervisory Commission or external appraisers are engaged.

When the Company measures its assets and liabilities, it uses market-observable input values as much as possible. The level of fair value is based on the input value used in the valuation technique, which is classified as follows:

- (1) Level 1: The open quotation of the same assets or liabilities in an active market (unadjusted).
- (2) Level 2: In addition to the open quotation included in Level 1, the input parameter of the asset or liability can be observed directly (i.e. prices) or indirectly (i.e. derived from prices).
- (3) Level 3: The input parameters of the asset or liability are not based on observable market data (non-observable parameters).

Please refer to the following notes for information on the assumptions used to measure fair value:

1. Note 6(9), Investment property
2. Note 6(22), Financial instruments

VI. Explanation of Important Accounting Items

(I) Cash and cash equivalents

	<u>2023.12.31</u>	<u>2022.12.31</u>
Cash on hand and working capital	\$ 1,235	906
Checks and demand deposits	175,834	404,214
Time deposits in banks	<u>344,809</u>	<u>379,933</u>
Cash and cash equivalents in the cash flow statement	<u>\$ 521,878</u>	<u>785,053</u>

For the disclosure of the interest rate risk and sensitivity analysis of the company's financial assets and liabilities, please refer to Note 6 (22).

(II) Financial assets measured at fair value through profit or loss

	<u>2023.12.31</u>	<u>2022.12.31</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Non-hedging derivatives		
Foreign exchange forward contract	<u>\$ -</u>	<u>-</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
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The purpose of engaging in derivative transactions is to hedge the exchange rate and interest rate risks exposed by business, financing and investment activities. On December 31, 2023, the Company did not apply hedge accounting to report as derivatives of financial assets mandatorily measured at fair value through profit or loss and financial liabilities held for trading. Their breakdown is as follows:

Foreign exchange forward contract:

The Company had purchased US\$2,000 thousand of foreign exchange forward contracts this year, which expired on May 2, 2023. The net gain on financial assets was recognized as changes in fair value in profit or loss for NT\$1,790 thousand, accounted for under "Other gains and losses".

(III) Financial assets measured at fair value through other comprehensive income

	<u>2023.12.31</u>	<u>2022.12.31</u>
Equity instruments measured at fair value through other comprehensive income or loss:		
Foreign listed stocks - JUKI Corporation	\$ -	<u>24,147</u>

1. The company invested in common shares of JUKI Corporation for medium and long-term strategic purposes and expects to profit from long-term investment. The management of the Company believes that if the short-term fair value fluctuations of these investments are included in profit or loss, it is not consistent with the aforementioned long-term investment plan, so it chooses to designate these investments as measured at fair value through other comprehensive income.
2. The price for disposal of the equity instrument at fair value through other comprehensive income of the Company was NT\$23,387 thousand in 2023. The cumulative disposal loss was NT\$37,609 thousand in 2023. The aforementioned cumulative disposal loss has been transferred from other equity to retained earnings. The Company did not dispose of strategic investment in 2022 and did not make any transfer of accumulated gains and losses during the period.
3. For market risk and fair value information, please refer to Note 6 (22)

(IV) Notes receivable and accounts receivable

	<u>2023.12.31</u>	<u>2022.12.31</u>
Notes receivable—Generated from operating activities	\$ 7,762	3,063
Accounts receivable—Measured at amortized cost	439,210	556,140
Minus: allowance for loss	<u>23,820</u>	<u>21,208</u>
	<u>\$ 423,152</u>	<u>537,995</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

The merged company's average credit period for goods sales is between 60 and 180 days. It continuously monitors credit exposure and the credit rating of the counterparty, and diversifies the total transaction amount to credit-rated eligible customers. The credit limit of the counterparty is managed by the approval of the management level each year.

The Company measures the provision for credit losses of receivables and accounts based on expected credit losses over the holding period. Expected credit losses over the holding period are calculated using a provision matrix. For this measurement purpose, these receivables and accounts are grouped according to common credit risk characteristics that represent the customer's ability to pay all due amounts according to contract terms, taking into account the customer's past default records and current financial status, industry economic conditions, and have included forward-looking information, including macroeconomic and related industry information.

If there is evidence that the counterparty is facing serious financial difficulties and the merged company cannot reasonably expect to recover the amount, such as the counterparty is undergoing liquidation, the Company directly writes off related receivables and accounts, but will continue to pursue activities. The amount recovered from the pursuit is recognized in profit and loss.

An analysis of the expected credit losses on the Company's notes and accounts receivable is as follows:

	2023.12.31		
	Carrying amount of bills and accounts receivable	Weighted average expected credit loss ratio	Allowance for expected credit losses during the period of continuation
Not overdue	\$ 273,571	0.84%	2,286
Within 120 days of expiration	121,872	3.77%	4,595
121~180 days of expiration	21,430	20.95%	4,489
181~240 days past due	24,619	31.84%	7,839
241~300 days past due	3,069	71.68%	2,200
Over 360 days past due	2,411	100%	2,411
	<u>\$ 446,972</u>		<u>23,820</u>
	2022.12.31		
	Carrying amount of bills and accounts receivable	Weighted average expected credit loss ratio	Allowance for expected credit losses during the period of continuation
Not overdue	\$ 430,504	0.13%	556
Within 120 days of expiration	66,460	0.79%	525
121~180 days of expiration	24,760	3.13%	775
181~240 days past due	20,003	10.42%	2,084
241~300 days past due	447	53.91%	241
301~360 days past due	3,642	99.95%	3,640

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

Over 360 days past due	13,387	100%	13,387
	<u>\$ 559,203</u>		<u>21,208</u>

The following is a schedule of changes in the allowance for losses on notes receivable and accounts receivable of the Company:

	2023	2022
Beginning Balance	\$ 21,208	28,006
Impairment losses recognized	2,612	-
Reversal of impairment loss	-	(6,798)
Ending Balance	<u>\$ 23,820</u>	<u>21,208</u>

At December 31, 2023 and 2022, none of the Company's notes and accounts receivable had been discounted or provided as collateral.

(V) Investments accounted for using the equity method

	2023.12.31	2022.12.31
Investment in subsidiaries		
SIRUBA Investments Singapore (SIRUBA Singapore)	\$ 1,664,807	1,696,123
SIRUBA Latin America	215,789	146,502
SIRUBA Vietnam	9,198	(15,010)
	<u>\$ 1,889,794</u>	<u>1,827,615</u>

1. To enrich the working capital of the Vietnam subsidiary, SIRUBA Vietnam, the Board of Directors resolved on June 30, 2023 to issue capital increase in cash for the subsidiary, SIRUBA Vietnam, with an amount of US\$2,000 thousand, the relevant capital increase procedures were completed on September 19, 2023.
2. On April 6, 2022, the Board of Directors of the Company's subsidiary, SIRUBA Singapore, resolved to distribute cash dividends of RMB 80,643 thousand. The related dividends were received and were recognized as an investment deduction under equity method.
3. On December 31, 2023 and 2022, the Company's investments under the equity method were not provided as collateral.

On March 23, 2023, the Board of Directors of the Company approved the liquidation of its subsidiary, Siruba Latin American Company, and its sub-subsidiary Young Da LLC. The relevant liquidation procedures were initiated in June 30, 2023.

(VI) Inventories

	2023.12.31	2022.12.31
Products	\$ 16,895	19,394
Finished products	197,287	169,193
Raw Materials	50,321	44,868
Work in progress	11,921	30,175
Inventory in transit	6,356	23
Other Inventory	4,411	4,450
	<u>\$ 287,191</u>	<u>268,103</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

Cost of goods sold is detailed as follows:

	2023	2022
Cost of inventories sold	\$ 826,195	1,782,699
Loss on decline in value of inventories	20,748	6,702
Unallocated manufacturing costs (Note)	67,440	67,353
Loss on obsolescence of inventories	<u>1,424</u>	<u>1,775</u>
Total	<u>\$ 915,807</u>	<u>1,858,529</u>

Note: Unallocated manufacturing costs refer to the difference between the current manufacturing costs and those already allocated to the work order numbers based on standard manufacturing rates.

As of December 31, 2023, and 2022, none of the Company's inventories were provided as pledge collateral.

(VII) Property, Plant, and Equipment

	Self-owned land	Buildings	Machinery and Equipment	Transportat ion equipment	Other equipment	Total
Cost or deemed cost:						
Balance on Jan. 1, 2023	\$ 339,580	384,402	43,996	10,521	60,853	839,352
Add	-	637	-	-	5,129	5,766
Disposal	-	(335)	-	-	(1,436)	(1,771)
Balance on Dec.31, 2023	<u>\$ 339,580</u>	<u>384,704</u>	<u>43,996</u>	<u>10,521</u>	<u>64,546</u>	<u>843,347</u>
Balance on Jan. 1, 2022	\$ 339,580	384,402	44,086	10,471	61,467	840,006
Add	-	-	-	50	444	494
Disposal	-	-	(90)	-	(1,058)	(1,148)
Balance on Dec.31, 2022	<u>\$ 339,580</u>	<u>384,402</u>	<u>43,996</u>	<u>10,521</u>	<u>60,853</u>	<u>839,352</u>
Depreciation:						
Balance on Jan. 1, 2023	\$ -	68,763	29,390	5,324	57,914	161,391
Depreciation	-	9,126	4,065	1,260	1,827	16,278
Disposal	-	(335)	-	-	(1,436)	(1,771)
Balance on Dec.31, 2023	<u>\$ -</u>	<u>77,554</u>	<u>33,455</u>	<u>6,584</u>	<u>58,305</u>	<u>175,898</u>
Balance on Jan. 1, 2022	\$ -	59,695	25,178	4,030	57,718	146,621
Depreciation	-	9,068	4,276	1,294	1,254	15,892
Disposal	-	-	(64)	-	(1,058)	(1,122)
Balance on Dec.31, 2022	<u>\$ -</u>	<u>68,763</u>	<u>29,390</u>	<u>5,324</u>	<u>57,914</u>	<u>161,391</u>
Carrying amount:						
Dec.31, 2023	<u>\$ 339,580</u>	<u>307,150</u>	<u>10,541</u>	<u>3,937</u>	<u>6,241</u>	<u>667,449</u>
Jan. 1, 2022	<u>\$ 339,580</u>	<u>324,707</u>	<u>18,908</u>	<u>6,441</u>	<u>3,749</u>	<u>693,385</u>
Dec.31, 2022	<u>\$ 339,580</u>	<u>315,639</u>	<u>14,606</u>	<u>5,197</u>	<u>2,939</u>	<u>677,961</u>

1. Guarantee

As at 31 December 2023 and 2022, none of the Company's property, plant and equipment had been pledged as security.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

(VIII) Right-of-use assets

	<u>Buildings</u>
Right-of-use asset cost:	
Balance on Dec. 31, 2023 (Beginning Balance)	<u>\$ 3,573</u>
Balance on Dec. 31, 2022 (Beginning Balance)	<u>\$ 3,573</u>
Accumulated depreciation and impairment losses on right-of-use assets:	
Balance on Jan. 1, 2023	\$ 2,144
Provision for depreciation	714
Balance on Dec.31, 2023	<u>\$ 2,858</u>
Balance on Jan. 1, 2022	\$ 1,429
Provision for depreciation	715
Balance on Dec.31, 2022	<u>\$ 2,144</u>
Carrying amount:	
Dec.31, 2023	<u>\$ 715</u>
Jan. 1, 2022	<u>\$ 2,144</u>
Dec.31, 2022	<u>\$ 1,429</u>

(IX) Investment Property

Investment property includes the land use rights of the merged company's own assets and those leased to third parties through operating leases. The original non-cancellable period for leased investment properties is five to ten years, and the lessee have an option to extend the period at the end of the term.

The rental income of the leased investment property is a fixed amount.

	<u>Owned assets</u>		
	<u>Improvements</u>	<u>House and building</u>	<u>Total</u>
Cost:			
Balance on Dec.31, 2023 (Beginning Balance)	<u>\$ 178,782</u>	<u>54,224</u>	<u>233,006</u>
Balance on Dec.31, 2022 (Beginning Balance)	<u>\$ 178,782</u>	<u>54,224</u>	<u>233,006</u>
Depreciation:			
Balance on Jan. 1, 2023	\$ -	54,197	54,197
Depreciation for the year	-	27	27
Balance on Dec.31, 2023	<u>\$ -</u>	<u>54,224</u>	<u>54,224</u>
Balance on Jan. 1, 2022	\$ -	54,161	54,161
Depreciation for the year	-	36	36
Balance on Dec.31, 2022	<u>\$ -</u>	<u>54,197</u>	<u>54,197</u>
Carrying amount:			
Dec.31, 2023	<u>\$ 178,782</u>	<u>-</u>	<u>178,782</u>
Jan. 1, 2022	<u>\$ 178,782</u>	<u>63</u>	<u>178,845</u>
Dec.31, 2022	<u>\$ 178,782</u>	<u>27</u>	<u>178,809</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

The fair value of investment property is based on the valuation of an independent valuer (with recognized relevant professional qualifications and recent experience in the location and type of investment property being valued). The input values used in its fair value valuation technique are of the third level.

The fair value of the investment property located in Taoyuan City of the Company is measured by Sinyi Real Estate Appraisers Joint Office, an independent evaluation company, at the third-level input value on each balance sheet date. The valuation is carried out by the comparative method, and the fair value obtained from the valuation is as follows:

	2023	2022
Fair value	<u>\$ 506,072</u>	<u>472,164</u>

As of December 31, 2023, and 2022, none of the merged company's investment properties were provided as pledge collateral.

(X) Intangible assets

	PC software
Cost:	
Balance on Jan. 1, 2023	\$ 28,066
Obtained separately	5,240
Disposal	<u>(3,562)</u>
Balance on Dec.31, 2023	<u>\$ 29,744</u>
Balance on Jan. 1, 2022	\$ 24,725
Obtained separately	6,320
Disposal	<u>(2,979)</u>
Balance on Dec.31, 2022	<u>\$ 28,066</u>
Amortization:	
Balance on Jan. 1, 2023	\$ 23,424
Amortization	4,518
Disposal	<u>(3,562)</u>
Balance on Dec.31, 2023	<u>\$ 24,380</u>
Balance on Jan. 1, 2022	\$ 20,967
Amortization	5,436
Disposal	<u>(2,979)</u>
Balance on Dec.31, 2022	<u>\$ 23,424</u>
Carrying amount:	
Dec.31, 2023	<u>\$ 5,364</u>
Dec.31, 2022	<u>\$ 4,642</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

1. Amortization expense

Amortization expense for intangible assets for the years 2023 and 2022 is reported in the Statement of Comprehensive Income as follows:

	<u>2023</u>	<u>2022</u>
Operating cost	<u>\$ 11</u>	<u>-</u>
Operating expense	<u>\$ 4,507</u>	<u>5,436</u>

2. Guarantee

As of December 31, 2023 and 2022, the Company's intangible assets had not been provided as collateral.

(XI) Other current assets and other non-current assets

	<u>2023.12.31</u>	<u>2022.12.31</u>
Other current assets		
Temporary Payment	<u>\$ 235</u>	<u>380</u>
Other non-current assets		
Refundable deposits	\$ 312	339
Prepayment for equipment	<u>5,483</u>	<u>-</u>
	<u>\$ 5,795</u>	<u>339</u>

(XII) Short-term loans

	<u>2023.12.31</u>	<u>2022.12.31</u>
Unsecured bank loans	<u>\$ 100,000</u>	<u>100,000</u>
Unused credit	<u>\$ 400,000</u>	<u>400,000</u>
Interest Rate Range	<u>1.7693%</u>	<u>1.356%</u>

(XIII) Lease liabilities

The carrying amounts of the Company's lease liabilities are as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Current	<u>\$ 738</u>	<u>726</u>
Non-current	<u>\$ -</u>	<u>738</u>

For maturity analysis, please refer to Note 6(22) Financial instruments.

The amounts recognized in profit or loss for leases are as follows:

	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	<u>\$ 18</u>	<u>30</u>
Short-term lease expenses	<u>\$ 787</u>	<u>92</u>

Leases were recognized in the cash flow statement as follows:

	<u>2023</u>	<u>2022</u>
Total amount of cash outflow from lease	<u>\$ 1,531</u>	<u>836</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

1. Lease of land, buildings, and construction

The merged company rents buildings for store use, with a lease period of 5 years. At the end of the lease period, the merged company does not have a preferential purchase right for the leased building, and it is agreed that the merged company may not sublet or transfer all or part of the lease object without the lessor's consent.

2. Other leases

The merged company chooses to apply the exemption of recognizing short-term leases for stores that meet the criteria, and does not recognize related right-of-use assets and lease liabilities for these leases.

(XIV) Other current liabilities and Other non-current liabilities

	<u>2023.12.31</u>	<u>2022.12.31</u>
Other payables:		
Salaries and bonuses payable	\$ 16,439	31,673
Remuneration of staff and directors and supervisors	2,634	3,614
Leave payment payable	5,108	5,481
Commissions payable	19,919	18,814
Others	13,929	21,722
	<u>\$ 58,029</u>	<u>81,304</u>
Other current liabilities:		
Contract liabilities	\$ 15,158	20,467
Others	1,083	1,094
	<u>\$ 16,241</u>	<u>21,561</u>
Other non-current liabilities:		

(XV) Employee benefits

1. Defined contribution plan

A reconciliation of the present value of the Company's defined benefit obligation to the fair value of plan assets is as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Current value of defined benefit obligations	\$ 54,549	56,785
Fair value of plan assets	(39,702)	(36,005)
Net defined benefit liability	<u>\$ 14,847</u>	<u>20,780</u>

The merged company allocates its defined benefit plan to the special account for labor retirement reserve at Bank of Taiwan. The retirement payment for each employee subject to the Labor Standards Act is calculated based on the basis obtained from years of service and the average salary of the six months before retirement.

(1) Composition of plan assets

The retirement fund provided by the merged company in accordance with the Labor Standards Act is managed by the Labor Fund Bureau of the

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

Ministry of Labor (hereinafter referred to as the Labor Fund Bureau). According to the "Regulations on the Receipt, Custody, and Use of Labor Retirement Funds," the use of the fund, the minimum annual revenue allocated, should not be lower than the revenue calculated at the local bank's two-year fixed deposit rate.

As of the reporting date, the balance of the Labor Retirement Reserve special account at Bank of Taiwan of the merged company is NT\$39,702 thousand. The information on the use of labor retirement fund assets includes fund return rates and asset allocation of the fund, please refer to the information published on the website of the Labor Fund Bureau of the Ministry of Labor.

(2) Changes in the present value of defined benefit obligations

The changes in the present value of the defined benefit obligations of the Company for the fiscal year 2023 and 2022 are as follows:

	2023	2022
Defined benefit obligation at 1 January	\$ 56,785	68,053
Service cost and interest in the period	926	548
- Actuarial gains and losses arising from changes in financial assumptions	482	(2,940)
Gains and losses arising from prior service costs	(2,147)	7,399
Benefits planned to be paid	(1,497)	(16,275)
Defined benefit obligation at 31 December	<u>\$ 54,549</u>	<u>56,785</u>

(3) Changes in the fair value of plan assets

The changes in the fair value of the defined benefit plan assets of the Company for the fiscal year 2023 and 2022 are as follows:

	2023	2022
Fair value of plan assets at 1 January	\$ 36,005	41,956
Interest income	500	212
- Return on plan assets (Excluding current interest)	323	3,280
Contributions from scheme participants	4,371	6,832
Benefits paid by the plan	(1,497)	(16,275)
Fair value of plan assets at 31 December	<u>\$ 39,702</u>	<u>36,005</u>

(4) Costs recognized in profit or loss

The following is a breakdown of the expenses reported as expenses by the Company for the years 2023 and 2022:

	2023	2022
Service cost in the period	\$ 926	548
Net interest on net defined benefit liabilities (assets)	(500)	(212)
	<u>\$ 426</u>	<u>336</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

	<u>2023</u>	<u>2022</u>
Operating cost	\$ 67	49
Promotion expense	14	15
Administration expense	326	260
R&D expenses	<u>19</u>	<u>12</u>
Total	<u>\$ 426</u>	<u>336</u>

(5) Actuarial assumptions

The significant actuarial assumptions used by the Company to determine the present value of the defined benefit obligation at the reporting date are as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Discount rate	1.250%	1.375%
Growth rate of salary	3.000%	3.000%

The Company expects to appropriate the amount of NT\$681 thousand for the defined benefit plan within one year after the 2023 reporting date.

The weighted average durations of the 2023 and 2022 defined benefit plans are 7.1 years and 7.9 years, respectively.

(6) Sensitivity analysis

The effects of changes in the main actuarial assumptions adopted as of December 31, 2023, and 2022, on the present value of defined benefit obligations are as follows:

	<u>Effect on defined benefit obligations</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2023		
Discount rate (change 0.25%)	\$ (958)	983
Growth rate of salary (change 0.25%)	949	(930)
Dec. 31, 2022		
Discount rate (change 0.25%)	\$ (1,120)	1,134
Growth rate of salary (change 0.25%)	1,096	(1,071)

The above sensitivity analysis is based on analyzing the impact of changes in a single assumption while other assumptions remain unchanged. In practice, many assumptions may be linked. The sensitivity analysis is consistent with the method used to calculate the net pension liability on the balance sheet.

The method and assumptions used to prepare the sensitivity analysis this period are the same as those of the previous period.

2. Defined contribution plan

The merged company's defined contribution plan is in accordance with the provisions of the Labor Pension Act. According to the contribution rate of 6% of

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

the workers' monthly wages, it is contributed to the personal account of the Labor Pension of the Labor Insurance Bureau. After the merged company has contributed a fixed amount to the Labor Insurance Bureau under this plan, there is no legal or implied obligation to pay additional amounts.

The Company's pension expense under the defined contribution plan was NT\$5,774 thousand and NT\$5,772 thousand in 2023 and 2022, respectively; also, the amount had been appropriated to the Bureau of Labor Insurance.

(XVI) Income tax

1. Income tax expenses

A breakdown of the Company's income tax expense for the years 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Current income tax expense		
Generated in the fiscal year	\$ 12,004	98,518
Adjustments for the prior year	824	3,631
Deferred income tax		
Occurrence and reversal of temporary differences	<u>(5,543)</u>	<u>(59,697)</u>
Income tax expenses	<u><u>\$ 7,285</u></u>	<u><u>42,452</u></u>

The breakdown of the Company's income tax expense recognized under other comprehensive income for fiscal 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plan	\$ 398	(236)
Gains or losses on valuation of financial assets at fair value through other comprehensive income	<u>(152)</u>	<u>(2,039)</u>
	<u><u>\$ 246</u></u>	<u><u>(2,275)</u></u>
Components of other comprehensive income that will be reclassified to profit or loss:		
Exchange difference on translation of the financial statements of foreign operations	<u><u>\$ (6,077)</u></u>	<u><u>11,226</u></u>

A reconciliation of the Company's income tax expense to net income before income taxes for fiscal years 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Net profit before tax	<u><u>\$ 21,310</u></u>	<u><u>228,913</u></u>
Income tax at the Company's domestic tax rate	\$ 4,262	45,783
Non-deductible expenses	1,216	(685)
Adjustment of current income tax in prior years	824	3,631
Additions to undistributed earnings	2,648	1,180
Unrecognized loss carryforwards	-	(4,598)
Unrecognized investment tax credit	<u>(1,665)</u>	<u>(2,859)</u>
Income tax expenses	<u><u>\$ 7,285</u></u>	<u><u>42,452</u></u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

2. Deferred income tax assets and liabilities

(1) Deferred income tax assets and liabilities recognized

Changes in deferred income tax assets and liabilities are as follows:

Deferred tax assets:

2023.12.31					
	Beginning Balance	Debit/Loan Statement	Debit/credit to other comprehensive income statement	Debit/credit equity	Ending Balance
Financial assets at fair value through other comprehensive income	\$ 9,250	-	152	(9,402)	-
Exchange differences on translation of foreign operating institutions' statements	-	-	1,918	-	1,918
Defined Benefit Plan	9,740	(789)	(398)	-	8,553
Unused leave bonus	1,097	(76)	-	-	1,021
Loss on decline in value of inventories	11,119	4,150	-	-	15,269
Unrealized exchange losses	-	3,406	-	-	3,406
Other	4,826	(1,306)	-	-	3,520
	<u>\$ 36,032</u>	<u>5,385</u>	<u>1,672</u>	<u>(9,402)</u>	<u>33,687</u>

2022.12.31					
	Beginning Balance	Debit/Loan Statement	Debit/credit to other comprehensive income statement	Debit/credit equity	Ending Balance
Financial assets at fair value through other comprehensive income	\$ 7,211	-	2,039	-	9,250
Exchange differences on translation of foreign operating institutions' statements	7,067	-	(7,067)	-	-
Defined Benefit Plan	10,803	(1,299)	236	-	9,740
Unused leave bonus	1,105	(8)	-	-	1,097
Loss on decline in value of inventories	9,779	1,340	-	-	11,119
Unrealized exchange gain	5,298	(5,298)	-	-	-
Other	2,901	1,925	-	-	4,826
	<u>\$ 44,164</u>	<u>(3,340)</u>	<u>(4,792)</u>	<u>-</u>	<u>36,032</u>

Deferred income tax liabilities:

2023.12.31				
	Beginning Balance	Debit/Loan Statement	Debit/credit to other comprehensive income statement	Ending Balance
Undistributed earnings of subsidiaries	\$ 191,776	4,406	-	196,182
Exchange differences on translation of foreign operating institutions' statements	4,159	-	(4,159)	-
Unrealized exchange gain	4,564	(4,564)	-	-
	<u>\$ 200,499</u>	<u>(158)</u>	<u>(4,159)</u>	<u>196,182</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

	2022.12.31			
	Beginning Balance	Debit/Loan Statement	Debit/credit to other comprehensive income statement	Ending Balance
Undistributed earnings of subsidiaries	\$ 259,377	(67,601)	-	191,776
Exchange differences on translation of foreign operating institutions' statements	-	-	4,159	4,159
Unrealized exchange gain	-	4,564	-	4,564
	<u>\$ 259,377</u>	<u>(63,037)</u>	<u>4,159</u>	<u>200,499</u>

3. Income Tax Assessment Situation

The Company's business income tax settlement has been assessed by the tax collection authorities up to 2021.

(XVII) Capital and other interests

As of December 31, 2023 and 2022, the total registered capital of our company is 2,000,000,000 (in thousands), with a face value of 10 dollars per share, totaling 200,000,000 (in thousands of) shares. A total of 183,608 thousand shares were issued and payments for all issued shares have been collected.

1. Common share

The adjustment table for the number of the company's shares in circulation for the years 2023 and 2022 is as follows:

	2023.12.31	2022.12.31
Quantity of shares incurred	\$ 1,833,608	183,608
Less: Treasury shares	(1,500)	(1,500)
Outstanding shares	<u>1,832,108</u>	<u>182,108</u>

2. Capital reserves

The balance of the Company's capital reserve is as follows:

	2023.12.31	2022.12.31
Share issue premium	\$ 85,553	85,553
Consolidation Premium	114,042	114,042
Other changes in additional paid-in capital	58	4
	<u>\$ 199,653</u>	<u>199,599</u>

According to the company law, the capital reserve must first be used to offset losses before new shares or cash can be distributed according to the proportion of the original shares held by the shareholders using the realized capital reserve. The realized capital reserve mentioned above includes the excess proceeds from issuing shares at more than their par value and the proceeds from accepting donations. In accordance with the rules for handling the issuance of securities by issuers, the capital reserve that can be used for capital replenishment cannot exceed ten percent of the paid-in capital each year.

When employees of the company leave during the stock trust period, the Employee Welfare Trust Plan Committee will sell the trust-held shares of the

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

resigned employees to third parties according to the trust agreement. The net amount of the proceeds from the disposal, minus the amount to be returned to the employees, is remitted back to the company. In 2023 and 2022, the amount is NT\$54 thousand and NT\$4 thousand, respectively, and is credited to the equity account item of capital reserve - share issuance premium after the company repurchases and reissues the shares.

3. Retained Earnings

According to the articles of association of the company, if there is a surplus in the annual final settlement, taxes shall be paid first, followed by making up for the losses of previous years, then setting aside 10% of the statutory earnings reserve. However, this restriction does not apply when the statutory earnings reserve has reached the company's paid-in capital. In addition, a special earnings reserve shall be set aside based on the company's operating needs and legal provisions. If there is still a surplus, along with the undistributed earnings from the beginning of the period, the board of directors shall propose a profit distribution plan to be resolved at the shareholders' meeting.

The statutory earnings reserve should be set aside until the balance reaches the total amount of the company's paid-in capital. The statutory earnings reserve can be used to offset losses.

The company sets aside and reverses the special earnings reserve according to the regulations of the Financial Supervisory Commission with reference number JING-GUAN-ZHENG-FA-TZU-1090150022.

(1) Statutory earnings reserve

When the company has no losses, it may distribute new shares or cash to shareholders based on the statutory earnings reserve, subject to a resolution by the shareholders' meeting. However, the distribution is limited to the portion of the reserve exceeding 25% of the paid-in capital.

(2) Special earnings reserve

According to the regulations of the Financial Supervisory Commission, when distributing the distributable earnings of the company, the difference between the net amount of other equity items reduced in the current year and the balance of the special earnings reserve set aside in the previous paragraph shall be set aside from the current period's profit and loss and the undistributed earnings of previous periods. The accumulated amount of other equity items reduced in previous periods shall not be distributed and shall be set aside from the undistributed earnings of previous periods as a special earnings reserve. Subsequently, when other equity items are reversed, the distributable earnings can be distributed based on the reversed portion.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

(3) Profit distribution

	2022		2021	
	Allotment Rate (\$)	Amount	Allotment Rate (\$)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.80	<u>\$ 145,687</u>	0.70	<u>127,476</u>

On March 14, 2024, the Company's Board of Directors proposed the appropriation of the 2023 earnings in respect of the distribution of dividends to owners as follows:

	2023	
	Allotment Rate (\$)	Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.20	<u>\$ 36,422</u>

Information on the distribution of earnings resolved at the Company's shareholders' meeting is available on the Market Observation Post System and other channels.

4. Treasury Stock

On March 25, 2021, the company's board of directors resolved to buy back shares to motivate employees and retain outstanding talent. It is anticipated that from March 26, 2021 to May 24, 2021, the company will repurchase 3,000,000 ordinary shares, with a repurchase price range of 13 to 19 dollars per share. If the share price falls below the lower limit of the repurchase price, repurchasing can continue. As of December 31, 2023, 1,500,000 repurchased shares that have not been cancelled are still held.

The company's held treasury stock cannot be pledged according to the Securities Trading Law and cannot enjoy shareholder rights before transfer.

5. Other equity (net after tax)

	Exchange difference on translation of the financial statements of foreign operations	Financial assets measured at fair value through other comprehensive income Unrealized gains or losses	Total
Balance on Jan. 1, 2023	\$ (128,307)	(37,001)	(165,308)
Exchange differences on translation	(24,305)	-	(24,305)
Unrealized valuation loss of financial assets measured at fair value through other comprehensive income	-	(608)	(608)
Disposal of equity instruments at fair value through other comprehensive income	-	37,609	37,609

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

Balance on Dec.31, 2023	<u>\$</u>	<u>(152,612)</u>	<u>-</u>	<u>(152,612)</u>
Balance on Jan. 1, 2022	\$	(173,209)	(28,843)	(202,052)
Exchange differences on translation		44,902	-	44,902
Financial assets measured at fair value through other comprehensive income Unrealized gains or losses		-	(8,158)	(8,158)
Balance on Dec.31, 2022	<u>\$</u>	<u>(128,307)</u>	<u>(37,001)</u>	<u>(165,308)</u>

(XVIII) Earnings Per Share

The calculations of the Company's basic and diluted earnings per share are as follows:

1. Basic earnings per share

	<u>2023</u>	<u>2022</u>
Net profit attributable to equity holders of the Company's ordinary shares	<u>\$ 14,025</u>	<u>186,461</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>182,108</u>	<u>182,108</u>
Basic earnings per share (NTD)	<u>\$ 0.08</u>	<u>1.02</u>

2. Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Net profit attributable to equity holders of the Company's ordinary shares	<u>\$ 14,025</u>	<u>186,461</u>
Weighted average number of ordinary shares outstanding (in thousands)	182,108	182,108
Influence of dilutive potential common shares		
Effect of employee stock-based compensation (thousands of shares)	<u>272</u>	<u>713</u>
Weighted average number of common shares outstanding (after adjusting for the effect of dilutive potential common shares) (thousands)	<u>182,380</u>	<u>182,821</u>
Diluted earnings per share (NT\$)	<u>\$ 0.08</u>	<u>1.02</u>

(XIX) Income from customer contracts

1. Breakdown of revenue

The breakdown of the Company's revenue is as follows:

	<u>2023</u>	<u>2022</u>
Revenue recognized in respect of customer contracts	<u>\$ 1,048,128</u>	<u>2,085,979</u>

2. Contract balance

	<u>2023.12.31</u>	<u>2022.12.31</u>	<u>2022.1.1</u>
Notes receivable and accounts receivable	<u>\$ 423,152</u>	<u>537,995</u>	<u>543,143</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

	<u>2023.12.31</u>	<u>2022.12.31</u>	<u>2022.1.1</u>
Contract liabilities	\$ <u>15,158</u>	<u>20,467</u>	<u>27,900</u>

Please refer to Note 6 (4) for the disclosure of impairment of notes and accounts receivable.

The changes in contract assets and contract liabilities mainly stem from the difference in time between when the company transfers goods or services to customers to meet performance obligations and when customers make payments.

(XX) Employee and director and supervisor remuneration

In accordance with the company's articles of association, if there are profits for the year, 2% to 8% should be allocated for employee remuneration and no more than 3% for director and supervisor remuneration. But when the company still has accumulated losses, it should reserve an amount to offset it in advance. The beneficiaries of the aforementioned employee remuneration in shares or cash include employees of subsidiary companies who meet certain conditions.

The estimated amounts of employee remuneration for the fiscal year 2023 and 2022 are NT\$1,916 thousand and NT\$8,434 thousand, respectively, and the estimated amounts of remuneration for directors and supervisors are NT\$718 thousand and NT\$3,614 thousand, respectively. The estimate is based on the company's pre-tax net profit for the period minus the amount before employee and director and supervisor remuneration times the distribution percentage for employee remuneration and director and supervisor remuneration set by the company's articles of association. There is no difference between the amount of employee, director, and supervisor remuneration distributed by the board of directors' resolution and the estimated amount in the company's individual financial statements for the years 2023 and 2022.

(XXI) Non-operating revenue/expense

1. Interest income

A breakdown of the Company's interest income for the years 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Bank Deposit Interest	\$ <u>21,460</u>	<u>10,325</u>

2. Other income

A breakdown of the Company's other income for the years 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Rental income	\$ 13,344	11,344
Dividend income	771	991
Other income - Other	<u>978</u>	<u>1,181</u>
	\$ <u>15,093</u>	<u>13,516</u>

3. Other benefits and losses

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

A breakdown of the Company's other gains and losses for the years 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Disposal of investment accounted for using the equity method loss	\$ -	(26)
Foreign currency exchange gains (losses)	4,223	118,354
Other	<u>1,744</u>	<u>(65)</u>
	<u><u>\$ 5,967</u></u>	<u><u>118,263</u></u>

4. Financial costs

The financial cost breakdown of the Company for FY2023 and FY2022 is as follows:

	<u>2023</u>	<u>2022</u>
Interest on bank loans	\$ (1,705)	(835)
Interest on lease liabilities	<u>(18)</u>	<u>(30)</u>
	<u><u>\$ (1,723)</u></u>	<u><u>(865)</u></u>

(XXII) Financial instruments

1. Credit risk

(1) Maximum credit exposure

The book value of financial assets represents the maximum credit exposure.

(2) Concentration of credit risk

The credit risk of the Company by region mainly comes from some customers who are in politically and economically unstable environments or areas with foreign exchange controls. As of December 31, 2023, and 2022, the receivables and accounts receivable from these customers accounted for approximately 46% and 35% of the total receivables and accounts receivable, respectively.

The credit risk of the Company by customer is mainly concentrated in the two major customers located in the aforementioned regions. As of December 31, 2023, and 2022, the total amount of accounts receivable from the aforementioned customers accounted for 29% and 27% respectively.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

2. Liquidity risk

The table below is the contract maturity date of financial liabilities, including estimated interest but not the effect of net amount agreements.

	Carrying amount	Contractual Cash Flow	Request pay-as-you- go or less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
December 31, 2023							
Non-derivative financial liability							
No interest-bearing liabilities	\$ 225,786	225,786	118,198	44,794	62,794	-	-
Lease liabilities	738	744	62	124	558	-	-
Floating Rate Instrument	100,000	101,260	150	291	100,819	-	-
	<u>\$ 326,524</u>	<u>327,790</u>	<u>118,410</u>	<u>45,209</u>	<u>164,171</u>	<u>-</u>	<u>-</u>
Dec. 31, 2022							
Non-derivative financial liability							
No interest-bearing liabilities	\$ 454,640	454,640	148,425	174,092	132,123	-	-
Lease liabilities	1,464	1,488	62	186	496	744	-
Floating Rate Instrument	100,000	100,706	94	180	100,432	-	-
	<u>\$ 556,104</u>	<u>556,834</u>	<u>148,581</u>	<u>174,458</u>	<u>233,051</u>	<u>744</u>	<u>-</u>

Our company does not anticipate that the timing of cash flows in the maturity date analysis will significantly advance, or that the actual amounts will be significantly different.

3. Exchange Rate Risk

(1) Exposure to exchange rate risk

Our company's financial assets and liabilities exposed to significant foreign exchange risk are as follows:

	2023.12.31			2022.12.31			
	Foreign currency	Exchange Rate	TWD	Foreign currency	Exchange Rate	TWD	
<u>Financial assets</u>							
<u>Monetary items</u>							
RMB/NTD	\$	26,755	4.3352	115,990	23,438	4.4094	103,349
USD/NTD		28,663	30.7050	880,104	44,168	30.7100	1,356,390
USD/RMB	-	-	-	13,930	6.9646		427,780
<u>Non-monetary items</u>							
JPY/NTD		124,954	0.2172	27,140	103,903	0.2324	24,147
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD/NTD		6,649	30.7050	204,144	13,197	30.7100	405,280
USD/RMB	-	-	-	5,898	6.9646		181,143

(2) Sensitivity Analysis

Our company's exchange rate risk for monetary items mainly comes from cash and cash equivalents, receivables, financial assets measured at fair value through other comprehensive income, borrowings, and payables denominated in foreign currencies, which generate foreign exchange gains or losses during conversion. As of December 31, 2023 and 2022, if the New Taiwan dollar depreciates or appreciates by 5% relative to the US dollar, RMB, and Yen, with all other factors remaining the same, the net profit after tax for 2023 and 2022 will increase or decrease by NT\$39,598 thousand and NT\$52,723 thousand, respectively.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

(3) Exchange loss on monetary items

Due to the diversity of functional currencies used by our company, we disclose information about exchange gains or losses on monetary items in an aggregate manner. The foreign exchange gain (loss) (including realized and unrealized) for 2023 and 2022 was NT\$4,223 thousand and NT\$118,354 thousand, respectively.

4. Interest Rate Risk

As our company deposits funds at both fixed and floating interest rates and borrows funds at floating interest rates, it is exposed to interest rate risk.

Our company's interest rate risk for financial assets and financial liabilities is explained in the liquidity risk management section of this note.

The sensitivity analysis below is determined based on the interest rate exposure of non-derivative instruments on the reporting date. For floating rate assets and liabilities, the analysis assumes that the amount of assets and liabilities outstanding on the reporting date circulates throughout the year. The volatility used when reporting interest rates internally to key management personnel is an increase or decrease of 1%, which also represents management's assessment of the reasonably possible range of interest rate changes.

If interest rates increase or decrease by 1%, with all other variables remaining the same, the net profit of our company for 2023 and 2022 will decrease or increase by NT\$ 758 thousand and NT\$3,042 thousand, respectively. The main reason is the risk of our company's variable rate borrowings and variable rate bank deposits.

5. Other Price Risks

The company faces equity price risk due to its investment in listed equity securities. Such equity investments are not held for trading but are strategic investments. The company does not actively trade these investments. The company's equity price risk is primarily concentrated in the equity instruments of the same industry on the Japan Stock Exchange.

If the fair value of equity increases by 5% or decreases by 5%, the comprehensive income for the year 2022 will increase/decrease by NT\$1,207 thousand, due to the changes in the fair value of financial assets measured at fair value through other comprehensive income.

6. Fair Value Information

(1) Types and fair value of financial instruments

The company's financial assets and liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income are based on recurring fair value measurements. The carrying amounts and fair values of various types of financial assets and financial liabilities (including fair value level information, but excluding financial instruments whose carrying amounts are reasonable approximations of fair value and lease liabilities, which are not required to disclose fair value information) are presented as follows:

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

	2022.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Overseas Listed (Over-the-Counter) Stocks	<u>\$ 24,147</u>	<u>24,147</u>	<u>-</u>	<u>-</u>	<u>24,147</u>

- (2) Fair value measurement techniques for financial instruments measured at fair value

When financial instruments have active market quoted prices, their fair value is determined based on the active market quoted prices.

(XXIII) Financial Risk Management

1. Summary

The company is exposed to the following risks due to the use of financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This note presents information on the company's exposure to each of these risks, the company's objectives, policies, and processes for measuring and managing risk. For further quantitative disclosures, please refer to the respective notes in the individual financial statements.

2. Risk management framework

The company's main financial instruments include equity investments, accounts receivable, accounts payable, lease liabilities, and borrowings. The Company's finance department serves various business units, coordinating and operating in domestic and international financial markets, managing financial risks related to the Company's operations through internal risk reporting analysis based on risk degree and breadth. These risks include market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk. The financial management department reports to the Board of Directors quarterly.

The establishment of the company's risk management policy is to identify and analyze the risks the company faces, to set appropriate risk limits and controls, and to monitor the adherence to risk and risk limits. The risk management policy and system are regularly reviewed to reflect market conditions and changes in the company's operations. Through training, management standards, and operating procedures, the company develops a disciplined and constructive control environment so that all employees understand their roles and obligations.

The company's audit committee supervises how management monitors the company's adherence to its risk management policy and procedures, and reviews the appropriateness of the company's risk management framework for the risks it

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

faces. Internal audit staff assist the audit committee in its oversight role. These personnel conduct regular and ad hoc reviews of risk management controls and procedures and report the review results to the Audit Committee.

3. 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, mainly arising from the company's accounts receivable from customers and securities investments.

(1) Accounts receivable and other receivables

The policy of our company is to only do business with parties with outstanding credit, and to obtain collateral when necessary to mitigate the risk of financial loss due to default. We only transact with enterprises rated as 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 mutual transaction records to rate main customers. We continue to monitor credit exposures and the credit ratings of counterparties, distribute the total transaction amount among customers who are qualified by credit rating, and control credit exposure through transaction counterparty credit limit reviewed and approved by the Risk Management Committee annually.

Our company does not hold any collateral or other credit enhancements to avoid credit risk of financial assets.

(2) Investments

Credit risk of bank deposits and other financial instruments is measured and monitored by our Finance Department. Since our transaction partners and performers are all reputable banks and financial institutions, corporate organizations, and government agencies with an investment grade or above, there is no major doubt about their performance, thus there is no significant credit risk.

(3) Guarantees

Our company's policy is to only provide financial guarantees to wholly owned subsidiaries.

4. Liquidity Risk

Our company manages and maintains sufficient cash and cash equivalents and supports group operations to mitigate the impact of cash flow fluctuations. Our management supervises the credit status of bank financing limits and ensures compliance with loan contract terms.

5. Market Risk

(1) Foreign Exchange Risk

Our company is exposed to exchange rate risk generated by transactions denominated in non-functional currencies and investments in foreign operating entities. Our functional currency is mainly the New Taiwan Dollar. For the exchange rate risk generated, we adopt natural

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

hedging operations, so market exchange rate changes will cause the market price of these financial products to change accordingly.

(2) Interest Rate Risk

Our company is exposed to the cash flow risk of interest rate fluctuations, mainly in the form of floating-rate bank current deposits, so market interest rate changes will cause the effective interest rate of these financial products to change, resulting in fluctuations in their future cash flows.

(XXIV) Capital Management

Our company's capital management goals, policies, and procedures are consistent with those disclosed in the parent company only financial statements for the fiscal year 2023. Please refer to Note 6 (27) in the 2023 parent company only financial statements for related information.

(XXV) Non-cash Investing and Financing Activities

The non-cash investing and financing activities of the Company for the years 2023 and 2022 are as follows:

1. Acquisition of right-of-use assets through lease arrangements, please refer to Note 6(8) for details.
2. Adjustments to liabilities arising from financing activities are as shown in the table below.

	Change in non-cash						2023.12.31
	2023.1.1	Cash Flow	Acquisitions	Exchange rate changes	Changes in fair value	Changes in Lease Payments	
Short-term loan	\$ 100,000	-	-	-	-	-	100,000
Lease liabilities	1,464	(726)	-	-	-	-	738
Total liabilities from financing activities	<u>\$ 101,464</u>	<u>(726)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,738</u>

	Change in non-cash						2022.12.31
	2022.1.1	Cash Flow	Acquisitions	Exchange rate changes	Changes in fair value	Changes in Lease Payments	
Short-term loan	\$ 100,000	-	-	-	-	-	100,000
Lease liabilities	2,178	(714)	-	-	-	-	1,464
Total liabilities from financing activities	<u>\$ 102,178</u>	<u>(714)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,464</u>

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

VII. Transaction with related parties

(I) Parent company and ultimate controller

The Company is the ultimate controller of the Company and its subsidiaries.

(II) Name of related party and its Relationships

The related parties who had transactions with the Company during the period covered by this standalone financial statement are as follows:

Name of related party	Relationship with the Company
KAULIN Foundation (Kaulin Foundation)	Substantial Related Parties
GUANLIN Investment Co.	Substantial Related Parties
LIN, PEI-JIA	Substantial Related Parties
SIRUBA Latin America	A subsidiary of the Company
SIRUBA Investments Singapore	A subsidiary of the Company
SIRUBA Vietnam	A subsidiary of the Company
Ningbo KAUYIN Company	A subsidiary of the Company

(III) Significant transactions with related parties

1. Operating revenue

The Company's significant sales to related parties were as follows:

Accounting item	Type of related party/Name	2023	2022
Revenue from sales	Substantial Related Parties	<u>\$ 10</u>	<u>16</u>
	Subsidiaries:		
	SIRUBA Latin America	\$ -	331,183
	SIRUBA Vietnam	21,401	161,101
	Ningbo KAUYIN Company	34,742	57,434
Sales returned	Subsidiaries:		
	SIRUBA Latin America	(46,014)	-
		<u>\$ 10,129</u>	<u>549,718</u>

The transaction price and terms of payment for the Company's sales to related parties are not significantly different from those of non-related parties.

2. Purchases

The amount of goods purchased by the Company from related parties is as follows:

Type of related party/Name	2023	2022
Subsidiaries:		
Ningbo KAUYIN Company	\$ 789,910	1,665,202
	<u>\$ 789,910</u>	<u>1,665,202</u>

The Company's purchase prices to the above companies are not significantly different from the prices that the Company would normally charge to manufacturers.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

3. Related party receivables

The breakdown of the amounts due from the Company's related parties is as follows:

<u>Accounting item</u>	<u>Type of related party/Name</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
Accounts receivable	Subsidiaries:		
	SIRUBA Latin America	\$ -	50,015
	Ningbo KAUYIN Company	22,577	18,452
	SIRUBA Vietnam	74,653	176,467
		<u>\$ 97,230</u>	<u>244,934</u>

4. Related party payables

The breakdown of amounts due to related parties by the Company is as follows:

<u>Accounting item</u>	<u>Type of related party/Name</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
Accounts payable	Subsidiaries:		
	Ningbo KAUYIN Company	<u>\$ 153,918</u>	<u>356,940</u>

5. Loans to related parties

The Company's loans to the related parties are disbursed as follows:

<u>Type of related party/Name</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
Subsidiaries:		
SIRUBA Vietnam	\$ 17,157	-
	<u>\$ 17,157</u>	<u>-</u>

The Company's loaning of funds to related parties is with interest accrued at the average interest rate of the Company's short-term borrowings from financial institutions in the year, and the loans are unsecured. After assessment, no impairment loss is required. The Company recognized related interest income of NT\$1,178 thousand in 2023, and the amount of interest receivable as of December 31, 2023 was NT\$1,178 thousand.

6. Lease

<u>Type of related party/Name</u>	<u>Lease liabilities</u>		<u>Interest expense</u>	
	<u>2023.12.31</u>	<u>2022.12.31</u>	<u>2023</u>	<u>2022</u>
Substantial Related Parties—LIN, PEI-JIA	<u>\$ 738</u>	<u>1,464</u>	<u>18</u>	<u>30</u>

The Company leases buildings from Substantial Related Parties in January 2020, all for a term of five years, at a fixed monthly lease payment based on a lease agreement with reference to rental rates for similar assets.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

7. Others

Accounting item	Type of related party	2023	2022
Donation	Substantial Related Parties – KAULIN Foundation	\$ 2,000	3,000

8. Capital increase in subsidiaries and distribution of dividends

In order to enrich the working capital of the Vietnam subsidiary, SIRUBA Vietnam, the Board of Directors resolved on June 30, 2023 to issue capital increase in cash for the subsidiary, SIRUBA Vietnam, with an amount of US\$2,000 thousand, the relevant capital increase procedures were completed on September 19, 2023.

On April 6, 2022, the Board of Directors of the Company's subsidiary, SIRUBA Singapore, resolved to distribute cash dividends of RMB 80,643 thousand. The related dividends were received and were recognized as an investment deduction under equity method.

(IV) Key management personnel transactions

Key management compensation includes:

	2023	2022
Short-term employee benefits	\$ 29,586	21,372
Benefits after retirement	924	748
	<u>\$ 30,510</u>	<u>22,120</u>

VIII. Pledged assets: None.

IX. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

The Company signed contracts with ARES INTERNATIONAL CORP., Neweb Technologies Co.,Ltd., and Oracle Taiwan in 2023 to conduct ERP system upgrades. The total contract price was about NT\$26,370 thousand. As of December 31, 2023, NT\$5,250 thousand have been paid.

X. Significant Disaster Losses: None.

XI. Material events after the period: None.

XII. Others

(I) The employee benefits, depreciation, depletion and amortization expense functions are summarized as follows:

Function Nature	2023			2022		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Staff Welfare Costs						
Salary Costs	41,901	85,979	127,880	41,201	103,424	144,625
Health Insurance Costs	4,659	8,112	12,771	4,333	8,206	12,539

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

Pension costs	1,597	4,603	6,200	1,533	4,575	6,108
Directors' remuneration	-	718	718	-	3,614	3,614
Other staff benefit costs	1,762	3,634	5,396	2,015	4,266	6,281
Depreciation expense (Note)	13,059	3,933	16,992	13,244	3,363	16,607
Amortization expense	11	4,507	4,518	-	5,436	5,436

Note: Depreciation expenses for investment properties are reported as a deduction from other income. The amounts listed in the deduction of other income as of Dec. 31, 2023, and Dec. 31, 2022, are NT\$27 thousands and NT\$36 thousands, respectively.

Additional information on the number of employees and employee benefit costs for the Company's fiscal years 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Number of employees	<u>172</u>	<u>189</u>
Number of directors who are not also employees	<u>2</u>	<u>2</u>
Average employee benefit costs	<u>\$ 896</u>	<u>907</u>
Average staff salary costs	<u>\$ 752</u>	<u>773</u>
Adjustments to average staff salary costs	<u>(2.72)%</u>	

Information on the Company's salary and remuneration policy (including directors, managers, and employees) is as follows: The Company's policy, standard, and combination for remuneration, and the procedures for setting remuneration, are mainly implemented in accordance with the personnel regulations. The remuneration paid to directors includes independent director remuneration, director remuneration from profit distribution, and travel expenses. Independent directors receive a fixed amount of remuneration each year; director remuneration from profit distribution is according to the company's articles of association, if there is profit in the year, not more than three percent is allocated as director remuneration, submitted to the board of directors for resolution and reported at the shareholders' meeting, while independent directors do not participate in director remuneration from profit distribution; travel expenses are paid according to the level of the same industry, according to the attendance of the board of directors at the board of directors and functional committees under the board of directors. Manager remuneration, in addition to the relevant methods of the company's personnel regulations, also considers the scope of responsibility of the position, personal performance and educational qualifications, and references the salary level of the same type of position in the same industry market. Employee salary policy mainly consists of monthly salary, festival bonus, year-end bonus, performance bonus, performance bonus; and the distribution indicators for employee dividends, in addition to reviewing the level of the same industry and considering the overall operating performance and profitability of the company, the achievement rate of the overall operating goals of each unit to the company, etc., are all important considerations for distribution.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

XIII. Disclosures

(I) Information on major transactions

In 2023, according to the provisions of the Financial Reporting Preparation Guidelines for Securities Issuers, the Company should disclose the following relevant information about significant transaction matters:

1. Lending to others:

Unit: NT\$ thousands

No. (Note 1)	Lending company	Borrower	Account used	Related party	Current maximum amount	Ending Balance	Actual spending Amount	Interest Rate Range	Nature of the loaning of funds (Note 2)	Business transaction amount	Reasons for the necessity of short-term financing	Provision for loss allowance	Collateral		Limit of loans to individual borrowers	Total limit of loans
													Name	Value		
0	The Company	SIRUBA Vietnam	Other receivables-Related party	Yes	112,487	17,157	17,157	2.867%	1	91,827		-	None	-	91,827	717,470

Note 1: The information on the lending of funds by the Company and its subsidiaries should be divided into two tables and indicated in the number column. The number should be filled in as follows:

(1) "0" for the Company.

(2) Subsidiaries are numbered sequentially from 1.

Note 2: 1- A business associate.

2- Where necessary for short-term financing.

Note 3: The limit of individual loans of the Company is limited to the average amount of business transactions between both parties in the last three years, and the total amount of loans is limited to 20% of the net worth of the Company.

2. Endorsement and guarantee for others:

Unit: NT\$ thousands

No.	Endorser Company Name	Endorsed by		For a single company Endorsement Guarantee Limit	The highest endorsement in this issue Guaranteed Balance (Note 2)	End-of-Term Memorization Guaranteed Balance (Note 2)	Actual spending Amount (Note 2)	Guaranteed by property Endorsement Guarantee Amount	Ratio of accumulated endorsement guarantee amount to net worth of the most recent financial statements (%)	Endorsement Guarantee Maximum limit (Note 3)	Parent company For subsidiaries Endorsement Guarantee	Subsidiaries For the parent company Endorsement Guarantee	Endorsement guarantee for mainland China
		Company Name	Relationships										
0	KAULIN MFG.	Ningbo KAUYIN Company	Sub-Subsidiary	1,793,676 (Note 1)	153,525	-	-	-	- %	3,587,351 (Note 3)	Y	N	Y

Note 1: The limit for guarantees and endorsements to a single enterprise is 50% of the most recent audited or reviewed net worth based on the accountant's certification.

Note 2: The amounts in New Taiwan Dollar are based on the exchange rate as of December 31, 2023.

Note 3: The total amount of guarantees provided shall not exceed the most recent audited or reviewed net worth based on the accountant's certification.

- Marketable securities held at the end of the period (Excluding investment in subsidiaries, associated undertakings and joint venture interests): None.
- The cumulative amount of securities purchased or sold reaches NT\$300 million or 20% of the paid-in capital: None.
- Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- The amount of purchase or sale of goods with related parties reaches NT\$100 million or 20% of the paid-in capital:

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

Unit: NT\$ thousands

Import (Sales) of the company	Transaction counterpart	Relationships	Transaction Scenario				Terms of Transaction is different from the general transaction and the reasons why		Receivable (paid) bills and accounts		Remark
			Import (Sales)	Amount	Percentage of total import (sales)	Credit Period	Unit price	Credit Period	Balance	Percentage of total receivables (paid) Bills and Accounts % of the ratio	
KAULIN MFG.	Ningbo KAUYIN Company	Sub-Subsidiary	Import	789,910	87 %	Subject to availability of funds	Price by appointment	Subject to availability of funds	(153,918)	(92)%	
Ningbo KAUYIN Company	KAULIN MFG.	The ultimate parent company	Sales	(789,910)	(65) %	Subject to availability of funds	Price by appointment	Subject to availability of funds	153,918	50%	

8. Receivables from related parties amounting to at least NT\$100 million or 20 percent of the paid-in capital:

Unit: NT\$ thousands

Companies with accounts receivable	Transaction counterpart	Relationships	Balance of amounts due from related parties	Turnover rate	Overdue amounts due from related parties		Amounts due from related parties recovered in the period (Note 2)	Allowance for losses
					Amount	Method		
Ningbo KAUYIN Company	KAULIN MFG.	The ultimate parent company	153,918	3.09%	-		149,220	-

Note 1: As of March 14, 2024.

9. Engagement in derivative transactions:
Please refer to Note 6(2).

(II) Information about the investment business:

Information on the Company's investees for fiscal 2023 is as follows (excluding Mainland China investees):

Unit: NT\$ thousands

Name of the Investment Company	Name of the Investee Company	Location	Main businesses	Original investment amount		Shares held as of the end of the period			Investee company Profit or loss for the period	Investment gains and losses recognized in the current period	Remark
				End of the period	Late last year	Number of shares	Ratio %	Carrying amount			
KAULIN MFG.	SIRUBA Singapore	Singapore	Investments, Holdings	1,089,612	1,089,612	2,000,000	100.00%	1,664,807	(14,585)	(4,614) Note 2	Subsidiary
"	SIRUBA Latin America	United States	Sales of industrial sewing machines	50,468	50,468	300	100.00%	215,789	63,434	63,434	Subsidiary
"	SIRUBA Vietnam	Vietnam	Sales of industrial sewing machines	73,371	9,381	-	100.00%	9,198	(36,786)	(36,786)	Subsidiary
SIRUBA Latin America	Young Da LLC	United States	General investment	-	61,410 (USD2,000) (Note 1)	-	100.00%	11,452	91,690	-	Subsidiary

Note 1: Converted based on the exchange rate of USD 1: NTD 30.705 at the end of the period.

Note 2: Represents adjustment for unrealized gain on inter-parent-subsidiary transactions.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

(III) Information of Investment from Mainland China:

1. Information on the name and main business items of the investee company in Mainland China:

Unit: NT\$ thousands

Mainland China Investee Company Name	Main businesses	Paid-in capital (Note 3,5)	Investment Method	The beginning of the current period is from Accumulated remittances from Taiwan Investment Amount (Note 3)	Remittance or Investment recoveries Amount		The cumulative investment from Cumulative investment remitted from Taiwan Amounts (Note 3)	Investee company Profit or loss for the period	Shareholding percentage of the Company's direct or indirect investments	Recognized during the period Investment income or loss (Note 2)	Book value of investment at the end of the period	Repatriated investment income (Note 2, 3)
					Export	Take back						
Ningbo KAUYIN Company	Manufacture and sale of industrial sewing machine parts, accessories and equipment.	1,120,733 (USD36,500)	(1)	336,220 (USD10,950)	-	-	336,220 (USD10,950)	(14,305)	100.00%	(4,335)	1,643,506	894,502 (USD29,132)

Note 1: Investments in Mainland China companies through reinvestment of existing companies in the third area.

Note 2: It is calculated based on the audited financial statements of the parent company.

Note 3: The above amounts of paid-in capital, outbound investment amount, and repatriated investment income are converted based on the exchange rate of USD 1: NTD 30.705.

Note 4: The actual paid-in capital of Ningbo KAUYIN Company includes the original Gaolin Electromechanical Industry (Shenzhen) Co., Ltd.'s retained earnings reinvestment and merger amount of USD 25,550 thousands.

2. Investment quota to Mainland China:

Cumulative amount of investment from Taiwan to China at the end of the period	Investment Audit Committee of Ministry of Economic Affairs approves investment in Amount (Note)	Investment quota in Mainland China according to the Investment Commission of the Ministry of Economic Affairs
336,220 (USD10,950)	1,120,733 (USD36,500)	2,152,411

Note: The approved investment amount by the Investment Commission includes the earnings reinvestment and merger amount of the original KAULIN Electromechanical Industry (Shenzhen) Co., Ltd., totaling USD 25,550,000.

3. Significant transactions with Mainland China investee companies:

For significant transactions directly or indirectly between the Company and the mainland-invested companies from January 1, 2023, to December 31, 2023, please refer to Note 13 (1).

(IV) Major shareholder information:

	Shares	Number of shares held	Shareholding ratio
Name of Major Shareholder			
HONGLIN Investment Co.		43,263,015	23.56%
LIN, YU-WEN		15,496,873	8.44%

Note: (1) The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation (TDCC) based on the last business day of each quarter, considering the common shares and preferred shares held by shareholders that have completed non-physical registration and delivery (including treasury shares), totaling more than 5% of the company's shares. The number of shares recorded in the company's financial reports as capital may differ due to different calculation bases or factors.

Notes to the parent company only financial statements of KAULIN MFG. CO., LTD.
(Continued)

XIV. Segment Information

Please refer to the 2023 parent company only financial statements.

KAULIN MFG. CO., LTD.

Cash and cash equivalents Details

December 31, 2023

Unit: NT\$ thousands

Item	Description	Amount
Cash	Petty cash and foreign currency cash	<u>\$ 1,235</u>
Bank deposit:		
Demand deposit		<u>45,530</u>
Foreign Currency Deposits	USD 3,020 thousand, @30.705	92,739
	RMB1,720 thousand, @4.335	7,458
	JPY124,884 thousand, @0.217	27,125
	EUR 88 thousand, @33.98	<u>2,982</u>
	Subtotal	130,304
Fixed Deposit	USD Fixed Deposit USD7,700 thousand, @30.705	236,429
	RMB Fixed Deposit RMB25,000 thousand, @4.335	<u>108,380</u>
	Subtotal	<u>344,809</u>
		<u>\$ 521,878</u>

KAULIN MFG. CO., LTD.

Accounts receivable Details

December 31, 2023

Unit: NT\$ thousands

Name of Client	Description	Amount
Non-related:		
A	Businesses	\$ 96,199
B	"	76,323
C	"	51,652
D	"	29,838
E	"	29,001
F	"	23,581
Others (where the amount is less than 5% of the balance of the account)	"	132,616
Minus: Allowance for bad debts		23,820
		<u><u>\$ 415,390</u></u>

Inventory Details

Item	Amount	Net realizable value	Note
	Cost		
Products	\$ 16,895	31,079	Note
Finished products	197,287	282,386	
Raw Materials	50,321	133,611	
Work in progress	11,921	12,247	
Inventory in transit	6,356	6,356	
Other Inventory	4,411	4,411	
Total	<u><u>\$ 287,191</u></u>	<u><u>470,090</u></u>	

Note: None of the above inventories are guaranteed or pledged

KAULIN MFG. CO., LTD.

**Financial assets measured at fair value through other comprehensive income -
non-current variation Details**

January 1, 2023 to December 31, 2023

Unit: NT\$ thousands

Name	Beginning		Increase		Decrease		End of term		Provision of guarantee or pledge	Remark
	Number of shares	Fair Value	Number of shares	Amount	Number of shares	Amount	Number of shares	Fair Value		
JUKI Co. Ltd.	168,400	<u>\$ 24,147</u>	-	<u>-</u>	168,400	<u>24,147</u>	-	<u>-</u>	None	Note

Note: The decrease in the current period represents the change in fair value.

KAULIN MFG. CO., LTD.

Investment accounted for using the equity method variation Details

January 1, 2023 to December 31, 2023

Name	Beginning balance		Increase		Decrease		Ending balance			Unit: NT\$ thousands		Provision of guarantee or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding ratio (%)	Amount	Net equity		
										Unit price	Unit price	
Investments accounted for using the equity method:												
SIRUBA Singapore	2,000,000	\$ 1,696,123	-	-	-	31,316	2,000,000	100.00	1,664,807	-	1,652,694	None
						Note 1						
SIRUBA Latin America	300	146,503	-	69,795	-	509	300	100.00	215,789	-	215,788	"
				Note 2		Note 3						
SIRUBA Vietnam	-	(15,011)	-	63,990	-	39,781	-	100.00	9,198	-	19,282	"
				Note 4		Note 5						
Total		\$ 1,827,615		133,785		71,606			1,889,794		1,887,764	

Note 1: The decrease of NT\$31,316 thousand in the current period is due to the investment loss of NT\$3,336 thousand and the exchange difference adjustment of NT\$27,980 thousand from the translation of the financial statements of foreign operations.

Note 2: The increase of NT\$69,795 thousand in the current period is due to investment gains.

Note 3: The decrease of NT\$509 thousand in this period is due to the exchange difference adjustment from the conversion of financial statements of foreign operating entities.

Note 4: The increase of NT\$63,990 thousand in the current period is due to the increase in capital of subsidiaries.

Note 5: The decrease of NT\$39,781 thousand in the current period is mainly due to the investment loss of NT\$37,888 thousand and the exchange difference adjustment of NT\$1,893 thousand from the translation of the financial statements of foreign operations.

KAULIN MFG. CO., LTD.

Accounts payable Details

December 31, 2023

Unit: NT\$ thousands

Name of Client	Description	Amount
A	Businesses	\$ 5,379
B	"	4,052
C	"	853
Others (where the amount is less than 5% of the balance of the account)	"	3,555
		<u>\$ 13,839</u>

Short-term loans Details

Type of loan	Creditor's bank	Ending Balance	Duration of contract	Interest Rate Range (%)	Financing limit	Mortgage or guarantee	Remark
Credit loan	China Export Bank	<u>\$ 100,000</u>	2023/9/7~2024/9/7	1.7693%	400,000	None	Note

Note: The facilities include unutilized facilities from other banks.

KAULIN MFG. CO., LTD.
Operating revenue Details
January 1, 2023 to December 31, 2023

Unit: NT\$ thousands

<u>Item</u>	<u>Number of units (thousands)</u>	<u>Amount</u>
Sewing machine for thin material	33,472	\$ 581,098
Sewing machine for thick material (Note)	-	536,732
Less: Sales returns and discounts	-	<u>69,702</u>
Net operating revenue		<u><u>\$ 1,048,128</u></u>

Note: The amount of each item does not exceed 5% of the amount in this account.

KAULIN MFG. CO., LTD.
Operating costs Details
January 1, 2023 to December 31, 2023

Unit: NT\$ thousands

Item	Amount
Raw materials, stock in transit and other inventories at the beginning of the period	\$ 81,294
Add: Incoming materials for the period	255,430
Sales and returns of raw materials	6,800
Less: Raw materials, inventories in transit and other inventories at the end of the period	(97,490)
Transferred expenses	<u>(1,696)</u>
Direct raw material consumption	244,338
Direct labor	9,307
Manufacturing costs	<u>3,318</u>
Production costs	256,963
Add: Work in progress at the beginning of the period	30,448
Less: Work in progress at the end of the period	<u>(12,247)</u>
Cost of finished goods	275,164
Add: Finished goods at the beginning of the period	187,277
Purchases during the period	47,268
Less: Finished goods at end of period	(227,832)
Transferred expenses	<u>(240)</u>
Cost of goods sold of finished goods	281,637
Opening merchandise	24,682
Add: Current period's purchases	620,290
Less: Merchandise at end of period	(25,970)
Transferred expenses	<u>(204)</u>
Cost of goods sold	618,798
Cost of sales return of raw materials	(6,800)
Loss on decline in value of inventories	20,748
Loss on obsolescence of inventories	<u>1,424</u>
	<u>\$ 915,807</u>

KAULIN MFG. CO., LTD.
Promotion expense Details
January 1, 2023 to December 31, 2023

Unit: NT\$ thousands

Item	Amount
Salary	\$ 22,739
Export expenses	5,452
Advertising costs	4,646
Travel expenses	6,983
Labor costs	9,450
Others (where the amount is less than 5% of the balance of the account)	12,077
	<u><u>\$ 61,347</u></u>

Administration expense Details

Item	Amount
Salary	\$ 39,118
Insurance premiums	4,626
Labor costs	9,978
Others (where the amount is less than 5% of the balance of the account)	22,950
	<u><u>\$ 76,672</u></u>

KAULIN MFG. CO., LTD.
R&D expense Details
January 1, 2023 to December 31, 2023

Unit: NT\$ thousands

<u>Item</u>	<u>Amount</u>
Salary	\$ 23,376
Material costs	3,295
Labor costs	4,186
Insurance premiums	2,442
Others (where the amount is less than 5% of the balance of the account)	6,449
	<u><u>\$ 39,748</u></u>