Stock Code: 1531

# KAULIN MFG. CO., LTD.

## Parent Company Only Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2021 and 2020

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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, 2022 and 2021, the Statement of Comprehensive Income as of January 1 to December 31, 2022 and 2021 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, 2022 and 2021 in KAULIN MFG. CO., LTD. and the financial performance and consolidated cash flow of January 1 to December 31, 2022 and 2021 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 2022 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(4) 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.

**Other Matters**

The financial statements of KAULIN MFG. CO., LTD. for 2021 were audited by another accountant who issued an unqualified audit report on March 24, 2022.

**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. 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 2021 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 Approval Certificate No. | : TAI-TSAI-CHENG (VI) No. 0930105495<br>TAI-TSAI-CHENG (VI) No. 0930106739 |

March 29, 2023

# KAULIN MFG. CO., LTD.

## Balance Sheet

At Dec. 31, 2022 and Dec. 31, 2021

Unit: NT$ thousands

| | Assets | Dec. 31, 2022 Amount | % | Dec. 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | $ 785,053 | 17 | 659,154 | 14 |
| 1150 | Notes receivable (Note 6(3)) | 3,063 | - | 14,154 | - |
| 1170 | Accounts receivable (Note 6(3) and (18)) | 534,932 | 12 | 528,989 | 11 |
| 1181 | Accounts receivable－related parties (Note 7) | 244,934 | 5 | 342,584 | 7 |
| 1200 | Other receivables | 2,724 | - | 4,335 | - |
| 130X | Inventory(Note 6(5)) | 268,103 | 6 | 133,387 | 3 |
| 1419 | Advance payment | 8,119 | - | 6,181 | - |
| 1470 | Other current assets (Note 6(10)) | 380 | - | 349 | - |
| | **Total current assets** | 1,847,308 | 40 | 1,689,133 | 35 |
| | **Non-current assets:** | | | | |
| 1517 | Financial assets measured at FVTOCI - non-current (Note 6(2)) | 24,147 | - | 34,344 | 1 |
| 1550 | Investment accounted for using the equity method (Note 6(4)) | 1,827,615 | 40 | 2,119,272 | 44 |
| 1600 | Property, plant and equipment (Note 6(6)) | 677,961 | 15 | 693,385 | 15 |
| 1755 | Right-of-use assets (Note 6(7)) | 1,429 | - | 2,144 | - |
| 1760 | Investment property (Note 6(8)) | 178,809 | 4 | 178,845 | 4 |
| 1821 | Other intangible assets (Note 6(9)) | 4,642 | - | 3,758 | - |
| 1840 | Deferred tax assets (Note 6(15)) | 36,032 | 1 | 44,164 | 1 |
| 1990 | Other non-current assets(Note 6(10)) | 339 | - | 311 | - |
| | **Total non-current assets** | 2,750,974 | 60 | 3,076,223 | 65 |
| | **Total assets** | $ 4,598,282 | 100 | 4,765,356 | 100 |

| | Liabilities and Equity | Dec. 31, 2022 Amount | % | Dec. 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term loans (Note 6(11)) | $ 100,000 | 2 | 100,000 | 2 |
| 2170 | Accounts payable | 16,396 | - | 70,997 | 1 |
| 2180 | Accounts payable－Related parties (Note 7) | 356,940 | 8 | 547,888 | 11 |
| 2200 | Other payables (Note 6(13)) | 81,304 | 2 | 80,658 | 2 |
| 2230 | Income tax liabilities for the period (Note 6(15)) | 57,056 | 1 | 1,740 | - |
| 2280 | Lease liabilities - current (Note 6(12)) | 726 | - | 714 | - |
| 2300 | Other current liabilities (Note 6(13)) | 21,561 | 1 | 28,395 | 1 |
| | **Total current liabilities** | 633,983 | 14 | 830,392 | 17 |
| | **Non-current liabilities:** | | | | |
| 2581 | Lease liabilities - non-current (Note 6(12)) | 738 | - | 1,464 | - |
| 2570 | Deferred income tax liabilities (Note 6(15)) | 200,499 | 4 | 259,377 | 5 |
| 2640 | Net defined benefit liability- non-current (Note 6(14)) | 20,780 | 1 | 26,097 | 1 |
| 2670 | Other non-current liabilities (Note 6(13)) | - | - | 535 | - |
| | **Total non-current liabilities** | 222,017 | 5 | 287,473 | 6 |
| | **Total liabilities** | 856,000 | 19 | 1,117,865 | 23 |
| 3110 | Common shares (Note 6(16)) | 1,836,081 | 40 | 1,836,081 | 39 |
| 3200 | Capital reserves | 199,599 | 4 | 199,595 | 4 |
| | Retained earnings: | | | | |
| 3310 | Legal reserve | 734,810 | 16 | 717,716 | 16 |
| 3320 | Special reserve | 202,052 | 4 | 199,294 | 4 |
| 3350 | Unappropriated retained earnings | 959,107 | 21 | 920,916 | 19 |
| | | 1,895,969 | 41 | 1,837,926 | 39 |
| 3400 | Other equity | (165,308) | (4) | (202,052) | (4) |
| 3500 | Treasury shares | (24,059) | - | (24,059) | (1) |
| | **Total liabilities** | 3,742,282 | 81 | 3,647,491 | 77 |
| | **Total liabilities and equity** | $ 4,598,282 | 100 | 4,765,356 | 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**

**At Dec. 31, 2022 and Dec. 31, 2021**

**Unit: NT$ thousands**

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | **Amount** | **%** | **Amount** | **%** |
| 4000 | **Operating revenue (Note 6(18) and 7)** | $ 2,085,979 | 100 | 2,311,814 | 100 |
| 5000 | **Operating cost (Note 6(5) and 7)** | 1,858,529 | 89 | 2,065,144 | 89 |
| 5900 | **Gross profit** | 227,450 | 11 | 246,670 | 11 |
| 5910 | Less: Unrealized sales profit/loss | 22,128 | 1 | 12,349 | 1 |
| 5920 | Add: Realized sales profit/loss | 12,349 | - | 7,796 | - |
| | **Gross profit** | 217,671 | 10 | 242,117 | 10 |
| | **Operating expense (Note 6(3), (7), (8), (9) and 7)：** | | | | |
| 6100 | Promotion expense | 60,392 | 3 | 53,176 | 2 |
| 6200 | Administration expense | 96,856 | 4 | 84,488 | 3 |
| 6300 | R&D expense | 45,465 | 2 | 43,786 | 2 |
| 6450 | Expected credit loss (gain) | (6,798) | - | (7,534) | - |
| | **Total operating expenses** | 195,915 | 9 | 173,916 | 7 |
| 6900 | **Net operating profit** | 21,756 | 1 | 68,201 | 3 |
| | **Non-operating revenue/expense (Note 6(20))：** | | | | |
| 7100 | Interest income | 10,325 | - | 4,198 | - |
| 7010 | Other income | 13,516 | 1 | 12,771 | 1 |
| 7020 | Other gains and losses | 118,263 | 6 | (15,655) | (1) |
| 7050 | Financial costs | (865) | - | (582) | - |
| 7070 | Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method | 65,918 | 3 | 136,837 | 6 |
| | **Non-operating Total income and expenses** | 207,157 | 10 | 137,569 | 6 |
| 7900 | **Net profit before tax** | 228,913 | 11 | 205,770 | 9 |
| 7950 | **Less: Income tax expense (Note 6(15))** | 42,452 | 2 | 34,315 | 2 |
| 8200 | **Net profit for the period** | 186,461 | 9 | 171,455 | 7 |
| | **Other comprehensive income:** | | | | |
| 8310 | **Components of other comprehensive income that will not be reclassified to profit or loss：** | | | | |
| 8311 | Remeasurements of defined benefit plan | (1,178) | - | (650) | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at FVTOCI | (10,197) | - | 9,777 | - |
| 8349 | Less: Income tax related to the items which were not reclassified | (2,275) | - | 1,825 | - |
| | **Total items not reclassified to profit or loss** | (9,100) | - | 7,302 | - |
| 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 | 56,128 | 3 | (13,225) | - |
| 8399 | Less: Income tax related to items that might be reclassified | 11,226 | 1 | (2,645) | - |
| | **Total items that might be reclassified to profit or loss later** | 44,902 | 2 | (10,580) | - |
| 8300 | **Other comprehensive income in the fiscal year** | 35,802 | 2 | (3,278) | - |
| | **Total other comprehensive income for the period** | $ 222,263 | 11 | 168,177 | 7 |
| | **Earnings per share (NTD)(Note 6(17))** | | | | |
| 9750 | **Basic (NTD)** | $ | 1.02 | | 0.94 |
| 9850 | **Diluted (NTD)** | $ | 1.02 | | 0.94 |

**(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

## At Dec. 31, 2022 and Dec. 31, 2021

**Unit: NT$ thousands**

| | Share capital | | Retained earnings | | | | Other equity items | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Legal reserve | Special reserve | Unappropriated retained earnings | Total | 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 |
| Balance as of Jan. 1, 2021 | $ 1,836,081 | 199,595 | 717,716 | 204,006 | 781,990 | 1,703,712 | (162,629) | (36,664) | (199,293) | - | 3,540,095 |
| Net income for 2021 | - | - | - | - | 171,455 | 171,455 | - | - | - | - | 171,455 |
| Other comprehensive income, 2021 | - | - | - | - | (519) | (519) | (10,580) | 7,821 | (2,759) | - | (3,278) |
| The total comprehensive income in 2021 | - | - | - | - | 170,936 | 170,936 | (10,580) | 7,821 | (2,759) | - | 168,177 |
| Appropriation and distribution of earnings: | | | | | | | | | | | |
| Cash dividend for common stock | - | - | - | - | (36,722) | (36,722) | - | - | - | - | (36,722) |
| Reversal of special reserve | - | - | - | (4,712) | 4,712 | - | - | - | - | - | - |
| Repurchase of treasury shares | - | - | - | - | - | - | - | - | - | (24,059) | (24,059) |
| Balance as of Dec. 31, 2021 | 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 for 2021 | - | - | - | - | 186,461 | 186,461 | - | - | - | - | 186,461 |
| Other comprehensive income, 2021 | - | - | - | - | (942) | (942) | 44,902 | (8,158) | 36,744 | - | 35,802 |
| The total comprehensive income in 2021 | - | - | - | - | 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** |

**(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**

**At Dec. 31, 2022 and Dec. 31, 2021**

**Unit: NT$ thousands**

| | | 2022 | 2021 |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| **Net profit before tax in the current period** | $ | 228,913 | 205,770 |
| **Adjustment Items:** | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation expense | | 16,643 | 18,650 |
| Amortization expense | | 5,436 | 6,638 |
| Expected credit loss reversal gain | | (6,798) | (7,534) |
| Interest expense | | 865 | 582 |
| Interest income | | (10,325) | (4,198) |
| Dividend income | | (991) | (871) |
| Share of profits of subsidiaries, associates, and joint ventures accounted for using the equity method | | (65,918) | (136,837) |
| Loss (gain) on disposal and write-off of property, plant, and equipment | | 26 | (689) |
| Loss on inventory valuation and write-off | | 8,477 | 3,899 |
| Unrealized sales profits | | 22,128 | 12,349 |
| Realized sales profits | | (12,349) | (7,796) |
| Unrealized foreign exchange loss (gain) | | (19,142) | 864 |
| Total income and expense items | | (61,948) | (114,943) |
| Changes in assets/liabilities related to operating activities: | | | |
| Decrease (increase) in notes receivable | | 11,091 | (9,373) |
| Decrease (increase) in accounts receivable | | 4,043 | (143,582) |
| Decrease (increase) in accounts receivable – related parties | | 107,763 | (196,694) |
| Decrease in other receivables | | 1,002 | 460 |
| Decrease (increase) in inventory | | (143,193) | 55,845 |
| Decrease (increase) in advance payment | | (1,938) | 3,047 |
| Increase in other current assets | | (31) | (142) |
| Decrease in notes payable | | - | (17) |
| Decrease in accounts payable | | (54,601) | (5,505) |
| Decrease (increase) in accounts payable-related parties | | (184,249) | 288,157 |
| Decrease (increase) in other payables | | (212) | 12,837 |
| Decrease (increase) in other current liabilities | | (6,834) | 9,218 |
| Decrease in net defined benefit liability | | (6,495) | (6,112) |
| Total adjustment items | | (335,602) | (106,804) |
| Cash inflow (outflow) from operating activities | | (106,689) | 98,966 |
| Interest received | | 9,238 | 4,498 |
| Interest paid | | (865) | (582) |
| Income taxes paid | | (45,137) | (249) |
| **Net cash inflow (outflow) from operating activities** | | (143,453) | 102,633 |
| **Cash flow from investing activities:** | | | |
| Cash dividends from long-term equity investments accounted for using the equity method | | 403,924 | - |
| Acquisition of property, plant and equipment | | (494) | (7,761) |
| Disposal of property, plant and equipment | | - | 1,143 |
| Increase in refundable deposits | | (28) | (5) |
| Acquisition of intangible assets | | (6,320) | (3,403) |
| Dividends received | | 991 | 871 |
| **Net cash inflow (outflow) from investing activities** | | 398,073 | (9,155) |
| **Cash flow from financing activities:** | | | |
| Increase in short-term loans | | - | 100,000 |
| Repayment of long-term borrowings | | - | (100,000) |
| Decrease in deposits received | | (535) | - |
| Repayment of lease principal | | (714) | (703) |
| Issuance of cash dividends | | (127,476) | (36,722) |
| Changes in other capital reserve | | 4 | - |
| Cost of repurchased treasury stock | | - | (24,059) |
| **Net cash outflow from financing activities** | | (128,721) | (61,484) |
| Increase in cash and cash equivalents | | 125,899 | 31,994 |
| Beginning balance of cash and cash equivalents | | 659,154 | 627,160 |
| Ending balance of cash and cash equivalents | $ | 785,053 | 659,154 |

**(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 31 December 2022 and 2021**
**(Unless otherwise specified, the basic unit for any amount shall be NT$ thousands.)**

**1. 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.

**2. The Date and Procedure of the Approval of the Financial Report**

This parent company only financial report was approved and published by the board of directors on March 23, 2023.

**3. The Application of Newly Published and Revised Standards and Interpretations**

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

From January 1, 2022, 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 International Accounting Standard (IAS) 16, "Property, Plant and Equipment - Costs to bring an asset to the intended use"

·The amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets - Costs of fulfilling a contract"

·Annual Improvements to IFRSs 2018-2020 Cycle

·The amendment to IFRS 3, "References to the Conceptual Framework"

(2) 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, 2023, and concluded that they will 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"

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

Newly issued and revised standards and interpretations not yet approved by the FSC that may be relevant to the company include the following:

| Newly issued or revised standards | Main revisions | Effective date of board of directors issuance |
|---|---|---|
| Amendment to IAS 1, "Classification of Liabilities as Current or Non-current" | Currently, IAS 1 stipulates that liabilities for which a company does not have an unconditional right to defer settlement for at least twelve months after the reporting period should be classified as current. The amendment deletes the unconditional requirement and replaces it with a requirement that the right exists at the end of the reporting period and is substantive. The amendment also clarifies how to classify liabilities that are to be settled by issuing the company's own equity instruments (such as convertible corporate bonds). | Jan. 1, 2024 |

The company is continuously assessing the impact of these standards and interpretations on its financial condition and operating results. The impact will be disclosed once the assessment is completed.

The company expects that the following other 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 IAS 1, "Non-current Liabilities with Covenants"

·The amendment to IFRS 17, "Comparative Information for Initial Application of IFRS 17 and IFRS 9"

·The amendment to IFRS 16, "Provisions for Leaseback Transactions"

**4. 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.

(1) 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"

(2) 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 expressed in NTD is in units of thousands of NTD.

(3) Foreign Currency

1. Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), foreign currency monetary items are translated using the exchange rate on the day. Foreign currency non-monetary items measured at fair value are translated into the functional currency at the exchange rate on the day when the fair value is measured, while foreign currency non-monetary items measured at historical cost are translated at the exchange rate on the transaction date.

The exchange differences arising from translation are usually recognized in profit or loss, except in the following cases, which are recognized in other 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 New Taiwan Dollars at the exchange rate at the reporting date; income and expense items are translated at the average exchange rate for the period, and the exchange differences arising therefrom are recognized in other comprehensive income.

When disposing of a foreign operation results in loss of control, joint control, or significant influence, the cumulative exchange differences related to the foreign operation are reclassified entirely to profit or loss. When partially disposing of a subsidiary that includes a foreign operation, the related cumulative exchange differences are reattributed to non-controlling interests proportionately. When partially disposing of an investment in associates or joint ventures that includes a foreign operation, the related cumulative exchange differences are reclassified to profit or loss proportionately.

For monetary receivables or payables of foreign operations, if there is no repayment plan and it is unlikely to be repaid in the foreseeable future, the foreign exchange gain or loss arising therefrom is considered a part of the net investment in the foreign operation and is recognized in other comprehensive income.

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

An asset is classified as current when it satisfies any of the following conditions, and all other assets not classified as current are classified as non-current:

1. It is expected to be realized, or intended to be sold or consumed, within the entity's normal operating cycle;
2. It is primarily held for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when it satisfies any of the following conditions, and all other liabilities not classified as current are classified as non-current:

1. It is expected to be settled within the entity's normal operating cycle;
2. It is primarily held for the purpose of trading;
3. It is expected to be settled within twelve months after the reporting period; or

4. The liability for which there is an unconditional right to defer settlement for at least twelve months after the reporting period. The terms of a liability that may, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

(5) Cash and Cash Equivalents

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

(6) 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.

At initial recognition, financial assets are classified as: financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, equity instrument 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

A financial asset is measured at amortized cost if it meets both of the following conditions and is 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 amortized cost using the effective interest method. The amortized cost is the initial recognition amount plus or minus the cumulative amortization calculated using the effective interest method, and any adjustment for any loss allowance. Interest income, foreign exchange gains or losses, and impairment losses are recognized in profit or loss. Upon derecognition, gains or losses are recognized in profit or loss.

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

A debt instrument investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

· The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

· 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.

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 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.

(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.

(7) 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.

(8) 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.

(9) 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 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.

(1) 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.

(11) 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, 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;

(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.

(12) 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.

The estimated useful life for the current and comparative period is 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.

(13) 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 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.

(14) Recognition of Revenue

1. Revenue from Contracts with Customers

Revenue is measured at the amount of consideration to which the 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.

(15) 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 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.

(16) 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) at the time of the transaction;
2. Temporary differences arising from investments in subsidiaries, associates, and joint ventures, where the parent 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.

(17) 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.

(18) Segment Information

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

**5. 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 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 information on accounting policies involving significant judgments and having a significant impact on the amounts recognized in this parent company only financial report is as follows:

(1) 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.

(2) 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 (3).

**6. Explanation of Important Accounting Items**

(1) Cash and cash equivalents

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Cash on hand and working capital | $ 906 | 1,402 |
| Checks and demand deposits | 404,214 | 203,651 |
| Time deposits in banks | 379,933 | 454,101 |
| Cash and cash equivalents in the cash flow statement | **$ 785,053** | **659,154** |

For the disclosure of the interest rate risk and sensitivity analysis of the company's financial assets and liabilities, please refer to Note 6 (21).

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

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Equity instruments measured at fair value through other comprehensive income or loss: | | |
| Foreign listed stocks - JUKI Corpopration | **$ 24,147** | **34,344** |

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 merged company's strategic investments that were not disposed of in the fiscal year 2022 and 2021, accumulated profit and loss during that period, were not transferred within equity.
3. For market risk and fair value information, please refer to Note 6 (21)

(3) Notes receivable and Accounts receivable

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Notes receivable－Generated from operating activities | $ 3,063 | 14,155 |
| Accounts receivable－Measured at amortized cost | 556,140 | 556,994 |
| Minus: allowance for loss | 21,208 | 28,006 |
| | $ 537,995 | 543,143 |

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 merged 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 merged 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:

| | Dec. 31, 2022 | | |
|---|---|---|---|
| | **Carrying amount of 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 |
| Over 360 days past due | | 13,387 | 100% | 13,387 |
| | **$** | **559,203** | | **21,208** |

| | Dec. 31, 2021 | | |
|---|---|---|---|
| | **Carrying amount of accounts receivable** | **Weighted average expected credit loss ratio** | **Allowance for expected credit losses during the period of continuation** |
| Not overdue | $ 466,417 | 0.01% | 47 |
| Within 120 days of expiration | 88,673 | 14.05% | 12,462 |
| 121~180 days of expiration | 39 | 15.38% | 6 |
| 181~240 days past due | 663 | 25.04% | 166 |
| 241~300 days past due | 11 | 27.27% | 3 |
| 301~360 days past due | 48 | 50% | 24 |
| Over 360 days past due | 15,298 | 100% | 15,298 |
| | $ 571,149 | | 28,006 |

The movement of the allowance for losses on notes receivable and accounts receivable is as follows

| | 2022 | 2021 |
|---|---|---|
| Beginning Balance | $ 28,006 | 35,540 |
| Reversal of impairment losses | (6,798) | (7,534) |
| Ending Balance | $ 21,208 | 28,006 |

At December 31, 2022 and 2021, none of the Company's notes and accounts receivable had been discounted or provided as collateral. (4) Investment accounted for using the equity method

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Investee subsidiaries | | |
| SIRUBA Investments Singapore (SIRUBA Singapore ) | $ 1,696,123 | 1,983,046 |
| SIRUBA Latin America | 146,502 | 133,152 |
| SIRUBA Vietnam | (15,010) | 3,074 |
| | $ 1,827,615 | 2,119,272 |

1. The Company's subsidiary, SIRUBA Singapore, resolved to distribute cash dividends of RMB 80,643 thousands on April 6, 2022, by a board resolution. The related dividend amount has been received and is deducted from the investment evaluated by the equity method.
2. As of December 31, 2022, and 2021, none of the company's investments assessed by the equity method have been pledged as collateral.

(5)Inventory

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Products | $ 19,394 | 13,505 |
| Finished products | 169,193 | 49,272 |
| Raw Materials | 44,868 | 39,734 |
| Work in progress | 30,175 | 25,534 |
| Inventory in transit | 23 | 612 |
| Other Inventory | 4,450 | 4,730 |
| | **$ 268,103** | **133,387** |

The cost of goods sold is broken down as follows:

| | 2022 | 2021 |
|---|---|---|
| Cost of inventories sold | $ 1,782,699 | 1,994,725 |
| Loss on decline in value of inventories | 6,702 | 2,848 |
| Unallocated manufacturing costs (Note) | 67,353 | 66,520 |
| Loss on obsolescence of inventories | 1,775 | 1,051 |
| Total | **$ 1,858,529** | **2,065,144** |

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, 2022, and 2021, none of the merged company's inventories were provided as pledge collateral.

(6) Property, plant and equipment

| | Self-owned land | Buildings | Machinery and Equipment | Transportation equipment | Other equipment | Total |
|---|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | | |
| Balance on Jan. 1, 2022 | $ 339,580 | 384,402 | 44,086 | 10,471 | 61,467 | 840,006 |
| Addition | - | - | - | 50 | 444 | 494 |
| Disposal | - | - | (90) | - | (1,058) | (1,148) |
| Balance on Dec. 31, 2022 | **$ 339,580** | **384,402** | **43,996** | **10,521** | **60,853** | **839,352** |
| Balance on Jan. 1, 2021 | $ 339,580 | 384,402 | 44,086 | 9,340 | 60,326 | 837,734 |
| Addition | - | - | - | 5,668 | 2,093 | 7,761 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Disposal | - | - | - | (4,537) | (952) | (5,489) |
| Balance on Dec. 31, 2021 | **$ 339,580** | **384,402** | **44,086** | **10,471** | **61,467** | **840,006** |
| Depreciation: | | | | | | |
| 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 | **$ -** | **68,763** | **29,390** | **5,324** | **57,914** | **161,391** |
| Balance on Jan. 1, 2021 | $ - | 50,570 | 20,820 | 6,720 | 55,646 | 133,756 |
| Depreciation | - | 9,125 | 4,358 | 1,393 | 3,024 | 17,900 |
| Disposal | - | - | - | (4,083) | (952) | (5,035) |
| Balance on Dec. 31, 2021 | **$ -** | **59,695** | **25,178** | **4,030** | **57,718** | **146,621** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Carrying amount: | | | | | | |
| Dec. 31, 2022 | $ 339,580 | 315,639 | 14,606 | 5,197 | 2,939 | 677,961 |
| Jan. 1, 2021 | $ 339,580 | 333,832 | 23,266 | 2,620 | 4,680 | 703,978 |
| Dec. 31, 2021 | $ 339,580 | 324,707 | 18,908 | 6,441 | 3,749 | 693,385 |

1. Guarantee

As at 31 December 2022 and 2021, none of the Company's property, plant and equipment had been pledged as security.

(7) Right-of-use asset

| | Buildings |
|---|---|
| Right-of-use asset cost: | |
| Balance on Dec. 31, 2022 (Beginning Balance) | $ 3,573 |
| Balance on Dec. 31, 2021 (Beginning Balance) | $ 3,573 |
| Accumulated depreciation and impairment losses on right-of-use assets: | |
| Balance on Jan. 1, 2022 | $ 1,429 |
| Depreciation: | 715 |
| Balance on Dec. 31, 2022 | $ 2,144 |
| Balance on Jan. 1, 2021 | $ 715 |
| Depreciation: | 714 |
| Balance on Dec. 31, 2021 | $ 1,429 |
| Carrying amount: | |
| Dec. 31, 2022 | $ 1,429 |
| Jan. 1, 2021 | $ 2,858 |
| Dec. 31, 2021 | $ 2,144 |

(8) 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.

| | Owned assets | | |
|---|---|---|---|
| | Improvements | House and building | Total |
| Cost: | | | |
| Balance on Dec. 31, 2022 (Beginning Balance) | $ 178,782 | 54,224 | 233,006 |

| | | | | |
|---|---|---|---|---|
| Balance on Dec. 31, 2021 (Beginning Balance) | **$** | **178,782** | **54,224** | **233,006** |
| Depreciation: | | | | |
| Balance on Jan. 1, 2022 | $ | - | 54,161 | 54,161 |
| Depreciation for the year | | - | 36 | 36 |
| Balance on Dec. 31, 2022 | **$** | **-** | **54,197** | **54,197** |
| Balance on Jan. 1, 2021 | $ | - | 54,125 | 54,125 |
| Depreciation for the year | | - | 36 | 36 |
| Balance on Dec. 31, 2021 | **$** | **-** | **54,161** | **54,161** |
| Carrying amount: | | | | |
| Dec. 31, 2022 | **$** | **178,782** | **27** | **178,809** |
| Jan. 1, 2021 | **$** | **178,782** | **99** | **178,881** |
| Dec. 31, 2021 | **$** | **178,782** | **63** | **178,845** |

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:

| | **2022** | **2021** |
|---|---|---|
| Fair value | **$ 472,164** | **472,164** |

As of December 31, 2022, and 2021, none of the merged company's investment properties were provided as pledge collateral.

(9) Intangible assets

| | | computer software |
|---|---|---|
| Cost: | | |
| Balance on Jan. 1, 2022 | $ | 24,725 |
| Obtained separately | | 6,320 |
| Disposal | | (2,979) |
| Balance on Dec. 31, 2022 | $ | 28,066 |
| Balance on Jan. 1, 2021 | $ | 23,658 |
| Obtained separately | | 3,403 |
| Disposal | | (2,862) |
| Reclassification | | 526 |
| Balance on Dec. 31, 2021 | $ | 24,725 |
| Amortization: | | |
| Balance on Jan. 1, 2022 | $ | 20,967 |
| Amortisation | | 5,436 |
| Disposal | | (2,979) |
| Balance on Dec. 31, 2022 | $ | 23,424 |
| Balance on Jan. 1, 2021 | $ | 17,191 |
| Amortisation | | 6,638 |
| Disposal | | (2,862) |
| Balance on Dec. 31, 2021 | $ | 20,967 |
| Carrying amount: | | |
| Dec. 31, 2022 | $ | 4,642 |
| Dec. 31, 2021 | $ | 3,758 |

1. Amortization expense

Amortization expense for intangible assets for the years 2022 and 2021 is reported in the Statement of Comprehensive Income as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Operating costs | $ | - | 189 |
| Operating expenses | $ | 5,436 | 6,449 |

2. Guarantee

As at 31 December 2022 and 2021, none of the Company's investment properties were pledged as security.

(1) Other current assets and Other non-current assets

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Other current assets | | |
| Temporary Payment | $ 380 | 349 |
| Other non-current assets | | |
| Refundable deposits | $ 339 | 311 |

(11) Short-term loans

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Unsecured bank loans | $ 100,000 | 100,000 |
| Unused credit | $ 400,000 | - |
| Interest Rate Range | 1.356% | 0.5184% |

(12) Lease liabilities

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

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Current | $ 726 | 714 |
| Non-current | $ 738 | 1,464 |

For maturity analysis, please refer to Note 6(21) Financial instruments.

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

| | 2022 | 2021 |
|---|---|---|
| Interest expense on lease liabilities | $ 30 | 41 |
| Fees on short-term leases | $ 92 | - |

Leases were recognized in the cash flow statement as follows:

| | 2022 | 2021 |
|---|---|---|
| Total amount of cash outflow from lease | $ (836) | (744) |

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.

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

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Other payables: | | |
| Salaries and bonuses payable | $ 31,673 | 32,420 |
| Remuneration of staff and directors and supervisors | 3,614 | 10,830 |
| Leave payment payable | 5,481 | 5,526 |
| Commission payable | 18,814 | 15,394 |
| Otthers | 21,722 | 16,488 |
| | **$ 81,304** | **80,658** |
| Other current liabilities: | | |
| Contract liabilities | $ 20,467 | 27,900 |
| Otthers | 1,094 | 495 |
| | **$ 21,561** | **28,395** |
| Other non-current liabilities: | | |
| Deposits received | **$ -** | **535** |

(14) Employee benefits

1. Defined benefit plan

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

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Current value of defined benefit obligations | $ 56,785 | 68,053 |
| Fair value of plan assets | (36,005) | (41,956) |
| Net defined benefit liability | **$ 20,780** | **26,097** |

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 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 36,005 thousand yuan. 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 merged company for the fiscal year 2022 and 2021 are as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Defined benefit obligation at 1 January | $ | 68,053 | 67,866 |
| Service cost and interest in the period | | 548 | 455 |
| -Actuarial gains and losses arising from changes in demographic assumptions | | - | 1,432 |
| -Actuarial gains and losses arising from changes in financial assumptions | | (2,940) | (632) |
| Gains and losses arising from prior service costs | | 7,399 | 375 |
| Benefits planned to be paid | | (16,275) | (1,443) |
| Defined benefit obligation at 31 December | **$** | **56,785** | **68,053** |

(3) Changes in the fair value of plan assets

The changes in the fair value of the defined benefit plan assets of the merged company for the fiscal year 2022 and 2021 are as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Fair value of plan assets at 1 January | $ | (41,956) | (36,307) |
| Interest income | | (212) | (137) |
| －Return on plan assets (Excluding current interest) | | (3,280) | (525) |
| Contributions from scheme participants | | (6,832) | (6,430) |
| Benefits paid by the plan | | 16,275 | 1,443 |
| Fair value of plan assets at 31 December | **$** | **(36,005)** | **(41,956)** |

(4) Costs recognized in profit or loss

The following is a breakdown of the expenses reported as expenses by the Company for the years 2022 and 2021:

| | | 2022 | 2021 |
|---|---|---|---|
| Service cost in the period | $ | 548 | 455 |
| Net interest on net defined benefit liabilities (assets) | | (212) | (137) |

| | | |
|---|---|---|
| | **$ 336** | **318** |

| | 2022 | 2021 |
|---|---|---|
| Operating costs | $ 49 | 284 |
| Marketing expenses | 15 | - |
| Administration expense | 260 | 34 |
| R&D expenses | 12 | - |
| Total | **$ 336** | **318** |

(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:

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Discount rate | 1.375% | 0.500% |
| Expected growth rate of salary | 3.000% | 2.750% |

The merged company expects to pay a contribution of NT$ 660 thousand to the defined benefit plan within one year after the reporting date of the 2022 fiscal year.

The weighted average duration of the defined benefit plan is 7.9 years.

(6) Sensitivity analysis

The effects of changes in the main actuarial assumptions adopted as of December 31, 2022, and 2021, on the present value of defined benefit obligations are as follows:

| | Effect on defined benefit obligations | |
|---|---|---|
| | **Increase by 0.25%** | **Decrease by 0.25%** |
| Dec. 31, 2022 | | |
| Discount rate (change 0.25%) | $ (1,120) | 1,134 |
| Expected growth rate of salary (change 0.25%) | 1,096 | (1,071) |
| Dec. 31, 2021 | | |
| Discount rate (change 0.25%) | $ (1,261) | 1,298 |
| Expected growth rate of salary (change 0.25%) | 1,247 | (1,218) |

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 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 retirement pension expenses under the defined contribution pension method of the merged company for the fiscal year 2022 and 2021 are 5,772 thousand yuan and 5,414 thousand yuan, respectively, which have been contributed to the Labor Insurance Bureau.

(15) Income tax

1. Income tax expense

The breakdown of the Company's income tax expense for the years 2022 and 2021 is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Current income tax | | | |
| Currently Generated | $ | 98,518 | 734 |
| Adjustments for the prior year | | 3,631 | 3,799 |
| Deferred income tax | | | |
| Occurrence and reversal of temporary differences | | (59,697) | 29,782 |
| Income tax expense | $ | 42,452 | 34,315 |

The breakdown of the Company's income tax expense recognized under other comprehensive income for fiscal 2022 and 2021 is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Items not reclassified to profit or loss: | | | |
| Remeasurement of defined benefit plans | $ | (236) | (131) |
| Gains or losses on financial assets measured at fair value through other comprehensive income | | (2,039) | 1,956 |
| | $ | (2,275) | 1,825 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of financial statements of foreign operating entities | $ | 11,226 | (2,645) |

A reconciliation of the Company's income tax expense (benefit) to net income before income taxes for fiscal years 2022 and 2021 is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Net profit before taxation | $ | 228,913 | 205,770 |
| Income tax at the Company's domestic tax rate | $ | 45,783 | 41,154 |
| Non-deductible expenses | | (685) | (1,782) |
| Tax-exempt income | | - | (140) |
| Adjustment of current income tax in prior years | | 3,631 | 3,799 |
| Additions to undistributed earnings | | 1,180 | - |
| Unrecognized loss carryforward | | (4,598) | (5,248) |
| Unrecognized investment tax credit | | (2,859) | (3,468) |
| Income tax expense | $ | 42,452 | 34,315 |

2. Deferred income tax assets and liabilities

(1) Deferred income tax assets and liabilities recognised

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

Deferred income tax liabilities:

| | Dec. 31, 2022 | | | |
|---|---|---|---|---|
| | 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 | - | - | 4,159 | 4,159 |
| Unrealised redemption benefits | - | 4,564 | - | 4,564 |
| | $ 259,377 | (63,037) | 4,159 | 200,499 |

| | Dec. 31, 2021 | | | |
|---|---|---|---|---|
| | Beginning Balance | Debit/Loan Statement | Debit/credit to other comprehensive income statement | Ending Balance |
| Undistributed earnings of subsidiaries | $ 232,009 | 27,368 | - | 259,377 |
| | $ 232,009 | 27,368 | - | 259,377 |

Deferred tax assets:

| | Dec. 31, 2022 | | | |
|---|---|---|---|---|
| | Beginning Balance | Debit/Loan Statement | Debit/credit to other comprehensive income statement | Ending Balance |
| Financial assets measured at fair value through other comprehensive income or loss | $ 7,211 | - | 2,039 | 9,250 |
| Exchange differences on translation | 7,067 | - | (7,067) | - |
| Defined benefit plans | 10,803 | (1,299) | 236 | 9,740 |
| Bonus for untaken leave | 1,105 | (8) | - | 1,097 |
| Loss on decline in value of inventories | 9,779 | 1,340 | - | 11,119 |
| Unrealised exchange gain or loss | 5,298 | (5,298) | - | - |
| Other | 2,901 | 1,925 | - | 4,826 |
| | $ 44,164 | (3,340) | (4,792) | 36,032 |

| | Dec. 31, 2021 | | | |
|---|---|---|---|---|
| | Beginning Balance | Debit/Loan Statement | Debit/credit to other comprehensive income statement | Ending Balance |
| Financial assets measured at fair value through other comprehensive income or loss | $ 9,167 | - | (1,956) | 7,211 |
| Exchange differences on translation | 4,422 | - | 2,645 | 7,067 |
| Defined benefit plans | 11,896 | (1,224) | 131 | 10,803 |
| Unused holiday bonuses | 945 | 160 | - | 1,105 |
| Loss on decline in value of inventories | 9,210 | 569 | - | 9,779 |
| Unrealised exchange gains and losses | 8,099 | (2,801) | - | 5,298 |
| Other | 2,019 | 882 | - | 2,901 |
| | $ 45,758 | (2,414) | 820 | 44,164 |

3. Income Tax Assessment Situation

The company's business income tax settlement has been assessed by the tax collection authorities up to 2020.

(16) Capital and Other Equity

As of December 31, 2022 and 2021, 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. All issued shares have been fully paid up.

1. Common shares

The adjustment table for the number of the company's shares in circulation for the years 2022 and 2021 is as follows:

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Number of shares outstanding at the beginning of the period | $ 182,108 | 183,608 |
| Treasury shares | - | (1,500) |
| | $ 182,108 | 182,108 |

2. Capital reserves

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

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Share premium on issue | $ 85,553 | 85,553 |
| Consolidation premium | 114,042 | 114,042 |

| | | |
|---|---|---|
| Change in other capital reserves | 4 | - |
| | $ 199,599 | 199,595 |

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 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 2022, the amount is NT$4,000 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.

(3) Profit distribution

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Allotment Rate ($)** | **Amount** | **Allotment Rate ($)** | **Amount** |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash | $ 0.70 | $ 127,476 | 0.20 | 36,722 |

On 23 March 2023, the Company's Board of Directors proposed the appropriation of earnings for the year 2022 and the amount of dividends to be distributed to owners is as follows:

| | 2022 | |
|---|---|---|
| | **Allotment Rate ($)** | **Amount** |
| Dividends distributed to ordinary shareholders: | | |
| Cash | $ 0.80 | $ 145,686 |

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 Stocks

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, 2022, 1,500,000 repurchased shares that have not been cancelled are still held.

The treasury shares held by the company are not allowed to be pledged in accordance with securities trading laws and do not have shareholder rights until they are transferred.

5. Other Equity (Net Amount After Tax)

| | | Exchange differences on translation | Financial assets measured at fair value through other comprehensive income Unrealized gains or losses | Total |
|---|---|---|---|---|
| Balance on Jan. 1, 2022 | $ | (173,209) | (28,843) | (202,052) |
| Exchange differences arising on translation of net assets of foreign operating entities | | 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 | $ | (128,307) | (37,001) | (165,308) |
| Balance on Jan. 1, 2021 | $ | (162,629) | (36,664) | (199,293) |
| Exchange differences arising on translation of net assets of foreign operating entities | | (10,580) | - | (10,580) |
| Financial assets measured at fair value through other comprehensive income Unrealized gains or losses | | - | 7,821 | 7,821 |
| Balance on Dec. 31, 2021 | $ | (173,209) | (28,843) | (202,052) |

(17) Earnings per share

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

1. Basic earnings per share

| | | 2022 | 2021 |
|---|---|---|---|
| Net profit attributable to equity holders of the Company's ordinary shares | $ | 186,461 | 171,455 |
| Weighted average number of ordinary shares outstanding (in thousands) | | 182,108 | 182,507 |
| Basic earnings per share | $ | 1.02 | 0.94 |

2. Diluted earnings per share

| | 2022 | 2021 |
|---|---|---|
| Net profit attributable to equity holders of the Company's ordinary shares | $ 186,461 | 171,455 |
| Weighted average number of ordinary shares outstanding (in thousands) | 182,108 | 182,507 |
| Influence of dilutive potential common shares | | |
| Effect of employee stock-based compensation (in thousands) | 713 | 475 |
| Weighted average number of ordinary shares outstanding (after adjusting for the effect of dilutive potential ordinary shares) (thousands of shares) | 182,821 | 182,982 |
| Diluted earnings per share | $ 1.02 | 0.94 |

(18) Revenue from customer contracts

1. Breakdown of revenue

The breakdown of the Company's revenue is as follows

| | 2022 | 2021 |
|---|---|---|
| Revenue recognised in respect of customer contracts | $ 2,085,979 | 2,311,814 |

2. Contract balance

| | Dec. 31, 2022 | Dec. 31, 2021 | 110.1.1 |
|---|---|---|---|
| Accounts receivable | $ 534,932 | 528,989 | 382,221 |

| | Dec. 31, 2022 | Dec. 31, 2021 | 110.1.1 |
|---|---|---|---|
| Contract liabilities | $ 20,467 | 27,900 | 18,747 |

For accounts receivable and its impairment, please refer to Note 6 (4)

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.

(19) Remuneration for Employees, Directors, and Supervisors

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. However, when the company still has accumulated losses, an amount should be reserved in advance for their compensation. The target of the aforementioned employee remuneration in the form of shares or cash includes employees of subsidiary companies who meet certain conditions.

The estimated amounts of employee remuneration for the years 2022 and 2021 are 8,434,000 (in thousands) and 7,581,000 (in thousands), respectively, and the estimated amounts for directors and supervisors are 3,614,000 (in thousands) and 3,249,000 (in thousands), respectively. These amounts are calculated by multiplying the pre-tax net profit for each period, before deducting employee, director, and supervisor remuneration, by the distribution rate set in 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 2022 and 2021.

(20) Non-operating revenue/expense

1. Interest income

The breakdown of the Company's interest income for FY2022 and FY2021 is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Interests from bank deposit | $ | 10,325 | 4,198 |

2. Other income

The breakdown of the Company's other income for FY2022 and FY2021 is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Rental income | $ | 11,344 | 10,860 |
| Dividend income | | 991 | 871 |
| Government Grant Income | | - | 700 |
| Other income－Others | | 1,181 | 340 |
| | $ | 13,516 | 12,771 |

3. Other interests and losses

A breakdown of the Company's other gains and losses for the years 2022 and 2021 is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Disposal of investment accounted for using the equity method loss | $ | (26) | 689 |
| Foreign currency exchange gains (losses) | | 118,354 | (16,233) |
| Others | | (65) | (111) |
| | $ | 118,263 | (15,655) |

4. Financial costs

The breakdown of the Company's finance costs for FY2022 and FY2021 is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Interests from bank loans | $ | (835) | (541) |
| Interest on Lease liabilities | | (30) | (41) |
| | $ | (865) | (582) |

(21) Financial instruments

1. Credit Risk

(1) Maximum exposure to credit risk

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

(2) Concentration of credit risk

Our company's credit risk is mainly from some customers located in unstable political and economic environments or areas with foreign exchange control. As of December 31, 2022 and 2021, receivables from such customers account for approximately 35% and 43% of total receivables, respectively.

Our company's credit risk is primarily concentrated in two major customers located in the aforementioned regions. As of December 31, 2022 and 2021, the ratio of total receivables from these customers were 27% and 34%, respectively.

2. Liquidity Risk

The table below shows the contract maturity dates of financial liabilities, including estimated interest but not the impact of netting 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 |
|---|---|---|---|---|---|---|---|
| **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 instruments | 100,000 | 100,706 | 94 | 180 | 100,432 | - | - |
| | $ 556,104 | 556,834 | 148,581 | 174,458 | 233,051 | 744 | - |
| **Dec. 31, 2021** | | | | | | | |
| Non-derivative financial liability | | | | | | | |
| No interest-bearing liabilities | $ 767,483 | 652,756 | 245,747 | 198,727 | 208,282 | - | - |
| Lease liabilities | 3,198 | 3,039 | 93 | 186 | 837 | 1,923 | - |
| Floating rate instruments | 239,251 | 239,096 | 44 | 138,892 | 100,160 | - | - |
| | $ 1,009,932 | 894,891 | 245,884 | 337,805 | 309,279 | 1,923 | - |

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:

| | Dec. 31, 2022 | | | Dec. 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Foreign currency** | **Exchange rate** | **TWD** | **Foreign currency** | **Exchange rate** | **TWD** |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| RMB/NTD | $ 23,438 | 4.4094 | 103,349 | 31,502 | 4.3415 | 136,766 |
| USD/NTD | 44,168 | 30.7100 | 1,356,390 | 50,256 | 27.6800 | 1,391,086 |
| USD/RMB | 13,930 | 6.9646 | 427,780 | 20,979 | 6.3757 | 580,687 |
| Non-monetary items | | | | | | |
| JPY/NTD | 103,903 | 0.2324 | 24,147 | 142,803 | 0.2405 | 34,344 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD/NTD | 13,197 | 30.7100 | 405,280 | 21,355 | 27.6800 | 591,106 |
| USD/RMB | 5,898 | 6.9646 | 181,143 | 7,685 | 6.3757 | 212,733 |

(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, 2022 and 2021, 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 2022 and 2021 will increase or decrease by 52,723,000 (in thousands) and 39,999,000 (in thousands), respectively.

(3) Exchange gains or losses 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 2022 and 2021 was 118,354,000 (in thousands) and (16,233,000) (in thousands), 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 following sensitivity analysis is determined based on the interest rate risk of non-derivative instruments on the reporting date. For floating-rate assets and liabilities, the analysis assumes that the amount of assets and liabilities in circulation on the reporting date will remain in circulation 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 2022 and 2021 will decrease or increase by NT$ 3,042,000 and NT$1,023,000, 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. These equity investments are not held for trading purposes, 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 equity prices rise or fall by 5%, the comprehensive income for the fiscal years 2022 and 2021 will respectively increase or decrease by NT$ 1,207 thousands and NT$ 1,717 thousands due to the change in fair value of financial assets measured at fair value through other comprehensive income.

6. Fair value information

(1) Types of financial instruments and their fair values

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 book values and fair values of various types of financial assets and financial liabilities (including fair value level information, but excluding financial instruments where the book value is a reasonable approximation of the fair value, and lease liabilities, which are not required to disclose fair value information) are as follows:

| | Dec. 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at FVTOCI | | | | | |
| Overseas Listed (Over-the-Counter) Stocks | $ 24,147 | 24,147 | - | - | 24,147 |

| | Dec. 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at FVTOCI | | | | | |
| Overseas Listed (Over-the-Counter) Stocks | $ 34,344 | 34,344 | - | - | 34,344 |

(2) Fair value measurement techniques for financial instruments

If there is an active market and public quotes for financial instruments, the fair value is determined by the active market's public quote.

(22) Financial Risk Management

1. Overview

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 finance department reports to the board of directors each quarter.

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 faces. Internal audit staff assist the audit committee in its oversight role. These staff carry out regular and exception 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) Investment

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) Exchange rate 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 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.

(23) 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 2022. Please refer to Note 6 (24) in the 2022 parent company only financial statements for related information.

(24) Non-cash investment and financing activities

The non-cash investment and financing activities of our company in the fiscal years 2022 and 2021 are as follows:

1. Obtained the right-of-use assets through leasing, please refer to Note 6 (7).
2. Adjustments to liabilities arising from financing activities are as shown in the table below.

| | | | Change in non-cash | | | | |
|---|---|---|---|---|---|---|---|
| | **Jan. 1, 2022** | **Cash flow** | **Acquisitions** | **Exchange rate movements** | **Changes in fair value** | **Changes in Lease Payments** | **Dec. 31, 2022** |
| Short-term borrowings | $ 100,000 | - | - | - | - | - | 100,000 |
| Lease liabilities | 2,178 | (714) | - | - | - | - | 1,464 |
| Total liabilities from financing activities | **$ 102,178** | **(714)** | **-** | **-** | **-** | **-** | **101,464** |

| | | | Change in non-cash | | | | |
|---|---|---|---|---|---|---|---|
| | **Jan. 1, 2021** | **Cash flow** | **Acquisitions** | **Exchange rate movements** | **Changes in fair value** | **Changes in Lease Payments** | **Dec. 31, 2021** |
| Short-term borrowings | $ - | 100,000 | - | - | - | - | 100,000 |
| Lease liabilities | 2,881 | (703) | - | - | - | - | 2,178 |
| Total liabilities from financing activities | **$ 2,881** | **99,297** | **-** | **-** | **-** | **-** | **102,178** |

## 7. Transactions with Related Parties

(1) Parent Company and Ultimate Controlling Party

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

(2) Names and Relationships of Related Parties

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 | Substantial Related Party |
| Guanglin Investment CO. | Substantial Related Party |
| LIN, PEI-JIA | Substantial Related Party |
| SIRUBA Latin America | A subsidiary of the Company |

| | |
|---|---|
| SIRUBA Investments Singapore | A subsidiary of the Company |
| SIRUBA Vietnam | A subsidiary of the Company |
| Ningbo KAOYIN Company | A subsidiary of the Company |

(3) Significant Transaction with related parties

1. Operating revenue

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

| **Accounting item** | **Type of related party/name** | **2022** | **2021** |
|---|---|---|---|
| Revenue from sales | Substantial Related Party | **$ 16** | **161** |
| | Subsidiaries: | | |
| | SIRUBA Latin America | $ 331,183 | 571,678 |
| | SIRUBA Vietnam | 161,101 | 95,769 |
| | Ningbo KAOYIN Company | 57,434 | 104,776 |
| | | **$ 549,718** | **772,223** |

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 | | 2022 | 2021 |
|---|---|---|---|
| Subsidiary: | | | |
| Ningbo KAOYIN Company | $ | 1,665,202 | 1,563,573 |

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

3. Related party receivables

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

| Accounting item | Type of related party/name | | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|---|---|
| Accounts receivable | Subsidiaries: | | | |
| | SIRUBA Latin America | $ | 50,015 | 211,106 |
| | Ningbo KAOYIN Company | | 18,452 | 41,698 |
| | SIRUBA Vietnam | | 176,467 | 89,780 |
| | | $ | 244,934 | 342,584 |

4. Related party payables

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

| Accounting item | Type of related party/name | | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|---|---|
| Accounts payable | Subsidiary: | | | |
| | Ningbo KAOYIN Company | $ | 356,940 | 547,888 |

5. Disposal of Property, plant and equipment

| Type of related party | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | Disposal price | Profit or loss on disposal | Disposal price | Profit or loss on disposal |
| Substantial Related Party－Guanglin Investment CO. | $ | - | - | 1,143 | 689 |

6. Lease

| | Lease liabilities | Interest expense |
|---|---|---|

| **Type of related party/name** | **Dec. 31, 2022** | **Dec. 31, 2021** | **2022** | **2021** |
|---|---|---|---|---|
| Substantial Related Party—LIN, PEI-JIA | $ 1,464 | 2,178 | 30 | 41 |

The company leased a building from Substantial Related Party in January 2020, the lease term is 5 years, the rent refers to the rent level of similar assets, and pays fixed rent according to the lease agreement on a monthly basis.

7. Others

| **Accounting item** | **Type of related party** | **2022** | **2021** |
|---|---|---|---|
| Donation | Substantial Related Party－KAULIN Foundation | $ 3,000 | 2,000 |

(4) Key management personnel transactions

Key management compensation includes:

| | | 2022 | 2021 |
|---|---|---|---|
| Short-term employee benefits | $ | 21,372 | 26,862 |
| Benefits after retirement | | 748 | 746 |
| | $ | 22,120 | 27,608 |

**8. Pledged assets: None.**

**9. Significant contingent liabilities and unrecognized contractual commitments: None.**

**10. Significant Disaster Losses: None.**

**11. Significant Post-Balance-Sheet Events**

To respond to the Group's long-term development plan and to continuously integrate resources, the Company has simplified the investment structure and optimized the operation management of the subsidiaries. On March 23, 2023, the Board of Directors of the parent company approved the dissolution and liquidation of the subsidiary SIRUBA Latin America and the grandchild company Yongda. The related liquidation procedures are expected to begin on June 30, 2023.

**12. Other**

(1) The employee benefits, depreciation, depletion and amortisation expense functions are summarised as follows:

| Function / Type | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Operating Costs** | **Operating expenses** | **Total** | **Operating Costs** | **Operating expenses** | **Total** |
| Staff Welfare Costs | | | | | | |
| Salary Costs | 41,201 | 103,424 | 144,625 | 38,691 | 96,699 | 135,390 |
| Health Insurance Costs | 4,333 | 8,206 | 12,539 | 4,352 | 7,697 | 12,049 |
| Pension costs | 1,533 | 4,575 | 6,108 | 1,876 | 3,856 | 5,732 |
| Directors' remuneration | - | 3,614 | 3,614 | - | 3,753 | 3,753 |
| Other staff benefit expenses | 2,015 | 4,266 | 6,281 | 2,282 | 3,816 | 6,098 |
| Depreciation expense (Note) | 13,244 | 3,363 | 16,607 | 15,304 | 3,310 | 18,614 |
| Amortisation charge | - | 5,436 | 5,436 | 189 | 6,449 | 6,638 |

Note: The depreciation expense of investment property is listed in the deduction of other income. The amounts listed in the deduction of other income as of Dec. 31, 2022, and Dec. 31, 2021, are 36 thousands and 36 thousands, respectively.

Additional information on the number of employees and employee benefit costs for the Company's fiscal years 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Number of employees | 189 | 172 |
| Number of directors who are not also employees | 2 | 2 |
| Average employee benefit costs | $ 907 | 937 |
| Average staff salary costs | $ 773 | 796 |
| Adjustments to average staff salary costs | (2.89)% | |

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.

## 13. Disclosures

### (1) Relevant information about major transaction matters

In 2022, 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: None.

2. Endorsement and guarantee for others:

Unit: NT$1,000

| No. | Endorser Company Name | Endorsed by | | For a single company Endorsement | The highest endorsement in this issue | End-of-Term Memorization Guarante | Actual spending Amount (Note 2) | Guaranteed by property Endorsement | Ratio of accumulated endorsement guarantee amount to net | Endorsement Guarantee Maximu | Parent company For subsidia | Subsidiaries For the parent compan | Endorsement guarantee for mainlan |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Company Name | Relationships | | | | | | | | | | |

| | | | | Guarantee Limit | Guaranteed Balance (Note 2) | ed Balance (Note 2) | | Guarantee Amount | worth of the most recent financial statements (%) | m limit | ries Endorsement Guarantee | y Endorsement Guarantee | d China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | KAULIN MFG. | Ningbo KAOYIN Company | 3 | 1,871,141 (Note 1) | 317,503 | 153,549 | 153,549 | - | 4.10% | 3,742,282 (Note 3) | Y | N | Y |

Note 1: The guarantee and endorsement limit for a single enterprise is limited to 50% of the net value of the most recent audited or reviewed report by the accountant.

Note 2: The related NTD numbers in this table are shown using the exchange rate as of December 31, 2022.

Note 3: The total amount of endorsements and guarantees overall should not exceed the net value limit of the most recent audited or reviewed report by the accountant.

3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Unit: NT$ thousands /Share

| Holding Company | Type and Name of Marketable Securities | **Relationship with issuers of marketable securities** | Financial statement account | End of term | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Carrying amount | Shareholding % | **Fair value** | |
| KAULIN MFG. | 日本JUKI CO. | None | Financial assets at fair value through other comprehensive income Non-current | 168,400 | 24,147 | 0.56 % | 24,147 | Note 1 |

Note 1: The fair value is based on the closing price and exchange rate as of December 31, 2022.

4. The cumulative amount of securities purchased or sold reaches NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.
7. The amount of purchase or sale of goods with related parties reaches NT$100 million or 20% of the paid-in capital:

Unit: NT$1,000

| Import (Sales) of the company | Transaction counterparty | 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. | SIRUBA Latin America | Subsidiaries | Sales | (331,183) | (16) % | Subject to availability of funds | Price by appointment | Subject to availability of funds | 50,015 | 6% | |
| KAULIN MFG. | Ningbo KAOYIN Company | Subsidiaries | Import | 1,665,202 | 84 % | Subject to availability of funds | Price by appointment | Subject to availability of funds | (356,940) | (96)% | |
| KAULIN MFG. | SIRUBA Vietnam | Subsidiaries | Sales | (161,101) | (8) % | Subject to availability of funds | Price by appointment | Subject to availability of funds | 176,467 | 20% | |
| SIRUBA Latin America | KAULIN MFG. | Parent company | Import | 331,183 | 100 % | Subject to availability of funds | Price by appointment | Subject to availability of funds | (50,015) | 100% | |
| Ningbo KAOYIN Company | KAULIN MFG. | Parent company | Sales | (1,665,202) | (72) % | Subject to availability of funds | Price by appointment | Subject to availability of funds | 356,940 | 75% | |
| SIRUBA Vietnam | KAULIN MFG. | Parent company | Import | 161,101 | 98 % | Subject to availability of funds | Price by appointment | Subject to availability of funds | (176,467) | (99)% | |

8. Related party receivables amounting to at least NT$100 million or 20% of the paid-in capital:

Unit: NT$1,000

| Companies with accounts receivable | Transaction counterparty | Relationships | Balance of amounts due from related parties | Turnover rate | Overdue amounts due from related parties | | Subsequent recoveries of amounts due from related parties (Note 2) | Allowance for losses |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Handling | | |
| KAULIN MFG. | SIRUBA Vietnam | Subsidiaries | 176,467 | 1.21% | - | | 19,940 | - |
| Ningbo KAOYIN Company | KAULIN MFG. | Parent company | 356,940 | 3.68% | - | | 356,940 | - |

Note 1: As at 23 March 2023.

9. Engage in derivative transactions: None.

**(2) Information about the investment business:**

Information on the Company's investees for fiscal 2022 is as follows (excluding Mainland China investees):

Unit: NT$1,000

| 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 companies (Loss) benefit for the period | Recognized in this issue Investment (loss) gain | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of the period | Late last year | Number of shares (1,000 shares) | Ratio % | Carrying amount | | | |
| KAULIN MFG. | SIRUBA Singapore | Singapore | Investments, Holdings | 1,089,612 | 1,089,612 | 2,000,000 | 100.00% | 1,696,123 | 86,463 | 77,074 Note 3 | Subsidiaries |
| 〃 | SIRUBA Latin America | United States | Sales of industrial sewing machines | 50,468 | 50,468 | 300 | 100.00% | 146,502 | 63 | 63 | Subsidiaries |
| 〃 | SIRUBA Vietnam | Vietnam | Sales of industrial sewing machines | 9,381 | 9,381 | - | 100.00% | (15,010) | (11,219) | (11,219) | Subsidiaries |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| SIRUBA Latin America | Young Da LLC | United States | General Investment | 61,420 (USD2,000) (Note 1) | 61,420 (USD2,000) (Note 1) | - | 100.00% | 65,410 | 1,180 | - | Subsidiaries |

Note 1: Translated at the closing rate of USD1:NTD30.71.

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

**(3) Information of investment from Mainland China:**

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

Unit: NT$1,000

| Name of Mainland investee company | Main Business Items | Paid-in capital (Note 3,5) | Investment Approach | Accumulated investment amount remitted from Taiwan at the beginning of the period (Note 3) | Amount of investment remitted or recovered during the period | | Accumulated investments remitted from Taiwan at the end of the period (Note 3) | Profit or loss for the period of the investee company | Percentage of the Company's shareholding in direct or indirect investments | Investment gain or loss recognized in the period (Note 2) | Carrying value of investments at the end of the period | Repatriated investment income for the period ended (Note 2,3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remit | Take back | | | | | | |
| Ningbo KAOYIN Company | Manufacture and sale of industrial sewing machine parts, accessories and equipment. | 1,120,915 (USD36,500) | (1) | 336,275 (USD10,950) | - | - | 33 (USD10,950) | 86,530 | 100.00% | 77,140 | 1,685,635 | 894,648 (USD29,132) |

Note 1: It is invested in mainland companies through reinvestment in existing companies in the third zone.

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

Note 3: The actual paid-in capital, the amount of outbound investment, and the investment income repatriated are converted at a rate of USD1:NTD30.71.

Note 4: The actual paid-in capital of Ningbo KAOYIN 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 remittances from Taiwan to Mainland China at the end of the period | Amount of investment approved by the Investment Commission of the Ministry of Economic Affairs(Note) | Investment quota in Mainland China in accordance with the Investment Commission of the Ministry of Economic Affairs |
|---|---|---|
| 336,275 (USD10,950) | 1,120,915 (USD36,500) | 2,245,369 |

Note: The investment amount approved by the Investment Review Committee includes the original Gaolin Electromechanical Industry (Shenzhen) Co., Ltd.'s retained earnings reinvestment and merger amount of USD 25,550 thousands.

3. Significant transactions between the Company and the companies invested in the Mainland:

For significant transactions directly or indirectly between the Company and the mainland-invested companies from January 1, 2022, to December 31, 2022, please refer to Note 13 (1).

**(4) Information of Major Shareholders:**

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

Note: (1) The major shareholder information in this table is calculated by the Central Securities Depository based on the last business day at the end of each quarter. It calculates shareholders who hold over five percent of the company's completed dematerialized delivery (including treasury shares) of common and preferred shares. As for the capital stock recorded in the company's financial statements and the actual number of shares completed in the company's dematerialized delivery, there may be differences due to different calculation bases.

## 14. Segment Information

Please refer to the 2022 parent company only financial statements.

**KAULIN MFG. CO., LTD.**

**Cash and cash equivalents Details**

**Dec. 31, 2022** **Unit: NT$1,000**

| Item | Description | Amount |
|---|---|---|
| Cash | Petty cash and foreign currency cash | $ 906 |
| Bank deposit | | |
| Demand deposit | | 115,591 |
| Foreign Currency Deposits | USD8,655,000，@30.71 | 265,782 |
| | RMB3,415,000，@4.409 | 15,057 |
| | JPY20,401,000， @0.232 | 4,741 |
| | EUR93,000， @32.72 | 3,043 |
| | Subtotal | 288,623 |
| Fixed Deposit | USD Fixed Deposit USD9,500,000，@30.710 | 291,745 |
| | RMB Fixed Deposit RMB20,000,000，@4.409 | 88,188 |
| | Subtotal | 379,933 |
| | | **$ 785,053** |

**KAULIN MFG. CO., LTD.**

**Accounts receivable Details**

**Dec. 31, 2022** **Unit: NT$1,000**

| Name of Client | Description | Amount |
|---|---|---|
| Non-related: | | |
| A | Businesses | $ 89,935 |
| B | 〃 | 61,715 |
| C | 〃 | 50,919 |
| D | 〃 | 48,196 |
| E | 〃 | 44,062 |
| F | 〃 | 35,326 |
| G | 〃 | 32,152 |
| H | 〃 | 29,084 |
| Others (where the amount is less than 5% of the balance of the account) | 〃 | 164,751 |
| Minus: Allowance for bad debts | | 21,208 |
| | | $ 534,932 |

**Inventory Details**

| Item | Amount | | Note |
|---|---|---|---|
| | Cost | Net realisable value | |
| Products | $ 19,394 | 25,244 | Note |
| Finished goods | 169,193 | 218,187 | |
| Raw materials | 44,868 | 117,409 | |
| Work in progress | 30,175 | 30,448 | |
| Inventory in transit | 23 | 23 | |
| Other Inventory | 4,450 | 4,450 | |
| Total | $ 268,103 | 395,761 | |

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**

**2022**

**Unit: NT$1,000**

| Name | Beginning | | Increase | | Decrease | | End | | Provision of guarantee or pledge | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Fair Value | Number of shares | Amount | Number of shares | Amount | Number of shares | Fair Value | | |
| JUKI CO. | 168,400 | $ 34,344 | - | - | - | 10,197 | 168,400 | 24,147 | No | 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

**2022** **Unit: NT$1,000**

| Name | Beginning balance Shares | Beginning balance Amount | Increase Shares | Increase Amount | Decrease Shares | Decrease Amount | Ending balance Shares | Ending balance Holding% | Ending balance Amount | Net equity Unit price | Net equity Amount | Provision of guarantee or pledge |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investments accounted for using the equity method: | | | | | | | | | | | | |
| SIRUBA Singapore | 2,000,000 | $ 1,983,046 | - | 117,001 Note 1 | - | 403,924 Note 2 | 2,000,000 | 100.00 | 1,696,123 | - | 1,695,259 | No |
| SIRUBA Latin America | 300 | 133,152 | - | 16,347 Note 3 | - | 2,996 Note 4 | 300 | 100.00 | 146,503 | - | 152,864 | 〃 |
| SIRUBA Vietnam | - | 3,074 | - | 627 Note 5 | - | 18,712 Note 6 | - | 100.00 | (15,011) | - | (6,028) | 〃 |
| **Total** | | $ 2,119,272 | | 133,975 | | 425,632 | | | 1,827,615 | | 1,842,095 | |

Note 1: The increase of 117,001 thousands this period is due to an investment gain of 77,847 thousands and an exchange difference adjustment of 39,154 thousands from the conversion of financial statements of foreign operating entities.
Note 2: The decrease of 403,924 thousands this period is due to the repatriation of profits from the subsidiary.
Note 3: The increase of 16,347 thousands this period is due to the exchange difference adjustment from the conversion of financial statements of foreign operating entities.
Note 4: The decrease of 2,996 thousands this period is due to investment losses.
Note 5: The increase of 627 thousands this period is due to the exchange difference adjustment from the conversion of financial statements of foreign operating entities.
Note 6: The decrease of 18,712 thousands this period is due to investment losses.

**KAULIN MFG. CO., LTD.**

**Accounts payable Details**

**Dec. 31, 2022** **Unit: NT$1,000**

| Name of Client | Description | Amount | |
|---|---|---|---|
| A | Businesses | $ | 7,259 |
| B | 〃 | | 2,559 |
| C | 〃 | | 1,094 |
| D | 〃 | | 943 |
| Others (where the amount is less than 5% of the balance of the account) | 〃 | | 4,541 |
| | | **$** | **16,396** |

## Short-term loans Details

| Type | Creditor | Ending balance | Term | Interest rate(%) | Limit | Mortgage or guarantee | Note |
|---|---|---|---|---|---|---|---|
| Credit loan | China Export Bank | **$ 100,000** | 2022/8/10~ 2023/8/10 | 1.356% | **400,000** | | Note |

Note: The facilities include unutilised facilities from other banks.

**KAULIN MFG. CO., LTD.**

**Operating revenue Details**

**2022** **Unit: NT$1,000**

| Item | Number of units (thousands) | Amount |
|---|---|---|
| Sewing machine for thin material | 89,421 | $ 1,435,896 |
| Sewing machine for thick material (Note) | 3,470 | 654,315 |
| Less: Sales returns and discounts | - | 4,232 |
| Net operating revenue | | $ 2,085,979 |

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

**KAULIN MFG. CO., LTD.**

**Operating costs Details**

**2022** **Unit: NT$1,000**

| Item | Amount |
|---|---|
| Raw materials, stock in transit and other inventories at the beginning of the period | $ 76,800 |
| Add: Incoming materials for the period | 323,455 |
| Less: Raw materials, inventories in transit and other inventories at the end of the period | (81,294) |
| Sales of raw materials | (1,182) |
| Transferred expenses | (721) |
| Direct raw material consumption | 317,058 |
| Direct labour | 8,683 |
| Manufacturing costs | 5,929 |
| Production costs | 331,670 |
| Add: Work in progress at the beginning of the period | 30,846 |
| Less: Work in progress at the end of the period | (30,448) |
| Cost of finished goods | 332,068 |
| Add: Finished goods at the beginning of the period | 59,172 |
| Purchases during the period | 174,255 |
| Less: Finished goods at end of period | (187,277) |
| Transferred expenses | (117) |
| Cost of goods sold of finished goods | 378,101 |
| Opening merchandise | 15,467 |
| Add: Current period's purchases | 1,480,096 |
| Less: Merchandise at end of period | (24,682) |
| Transferred expenses | (112) |
| Cost of goods sold | 1,470,769 |
| Cost of raw materials sold | 1,182 |
| Loss on decline in value of inventories | 6,702 |
| Loss on obsolescence of inventories | 1,775 |
| | **$ 1,858,529** |

## KAULIN MFG. CO., LTD.

### Promotion expense Details

**2022** **Unit: NT$1,000**

| Item | Amount |
|---|---|
| Salary | $ 26,616 |
| Freight | 11,179 |
| Advertising costs | 6,802 |
| Export expenses | 5,129 |
| Others (amount less than 5% of the balance of the account) | 10,666 |
| | **$ 60,392** |

### Administration expense Details

| Item | Amount |
|---|---|
| Salary | $ 50,891 |
| Labour costs | 13,458 |
| Others (where the amount is less than 5% of the balance of the account) | 32,507 |
| | **$ 96,856** |

# KAULIN MFG. CO., LTD.

## R&D expense Details

**2022** **Unit: NT$1,000**

| Item | | Amount |
|---|---|---|
| Salary | $ | 25,254 |
| Material costs | | 7,498 |
| Labour costs | | 2,610 |
| Insurance premiums | | 2,402 |
| Amortization | | 2,138 |
| Others (amount less than 5% of the balance of the account) | | 5,563 |
| | **$** | **45,465** |