Stock Code: 1531

KAULIN MFG. CO., LTD. AND ITS SUBSIDIARIES

Consolidated Financial Statements and Accountants' Review Report

For the Years Ended December 31, 2022 and 2021

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Statement

For the year 2022 (from January 1, 2022 to December 31, 2022), the company that should be included in the preparation of the consolidated financial statements of affiliated companies in accordance with the "Regulations Governing the Preparation of Consolidated Financial Statements and Related Party Reports of Affiliated Companies" are the same as the companies that should be included in the preparation of the consolidated financial statements of the Parent Subsidiary in accordance with International Financial Reporting Standard No. 10 approved by the Financial Supervisory Commission, and the information required to be disclosed in the consolidated financial statements of the Parent Subsidiary has been disclosed in the previous consolidated financial statements.

Company: KAULIN MFG. CO., LTD.

Chairman：LIN CHEN, YA-TZU

Date: Mar. 29, 2023

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. And its subsidiaries (KAULIN Group) 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 Individual Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above individual 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 and IFRSs approved by the FSC.

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 consolidated 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 GROUP 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 GROUP's consolidated financial statements of fiscal year 2022 based on the professional judgment of our accountants. The matters have been responded on the whole audited consolidated 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(8) to the consolidated financial statements; for uncertainty about accounting estimates and assumptions related to inventory impairment, please refer to Note 5 to the consolidated financial statements; for related disclosures about inventory, please refer to Note 6(5) to the consolidated financial statements.

KAULIN GROUP, 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 consolidated 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 consolidated 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 GROUP 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 GROUP for 2021 were audited by another accountant who issued an unqualified audit report on March 24, 2022.

KAULIN MFG. CO., LTD. has prepared its parent company only financial statements for 2022 and 2021, which have been audited and unqualified audit reports have been issued by this auditor and other accountants, respectively. These are available for reference.

Responsibility from Management and Governing Unit towards the Consolidated Financial Statements

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

When preparing the consolidated financial statements, the responsibility of management level also includes evaluating KAULIN GROUP'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 GROUP 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 GROUP is responsible for supervising the process of financial reports.

Responsibility of Accountants' Audit on the Consolidated Financial Statements

The purpose of the consolidated financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole consolidated 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 consolidated 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 consolidated 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 GROUP
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 GROUP's capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of consolidated 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 GROUP not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the consolidated financial statements (including relevant notes) as well as whether the consolidated financial statements present fairly, in all material respects, relevant transaction and events.
6. Sufficient and appropriate audit evidence has been obtained for the financial information of the entities within KAULIN GROUP to form an opinion on the consolidated financial statements. This auditor is responsible for the direction, supervision, and execution of the group audit engagement, as well as forming the audit opinion for the group.

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 GROUP's consolidated 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 TAI-TSAI-CHENG (VI) No. 0930106739

March 29, 2023

KAULIN MFG. CO., I

Consolidated

At Dec. 31, 2022

	Assets	**Dec. 31, 2022 Amount**	**%**	**Dec. 31, 2021 Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 1,170,341	26	1,055,332	22
1136	Financial assets measured at amortized cost - current (Note 6(3))	9,411	-	86,830	-
1150	Notes receivable (Note 6(4))	29,782	1	57,993	2
1170	Accounts receivable (Note 6(4) and (19))	745,570	16	960,843	17
130X	Inventory (Note 6(5))	1,257,923	27	1,221,850	29
1419	Advance payment	36,091	1	87,601	2
1470	Other current assets (Note 6(10))	5,237	-	7,222	-
	Total current assets	3,254,355	71	3,477,671	72
	Non-current assets:				
1517	Financial assets measured at FVTOCI－non-current (Note 6(2))	24,147	1	34,344	1
1600	Property, plant and equipment (Note 6(6))	974,119	21	994,249	20
1755	Right-of-use assets (Note 6(7))	40,598	1	42,229	1
1760	Investment property (Note 6(8))	197,881	4	199,955	4
1805	Goodwill (Note 6(9))	23,026	-	23,026	-
1821	Other intangible assets (Note 6(9))	7,878	-	5,105	-
1840	Deferred tax assets (Note (16))	83,279	2	87,821	2
1990	Other non-current assets (Note 6(10))	4,923	-	18,623	-
	Total non-current assets	1,355,851	29	1,405,352	28
	Total assets	**$ 4,610,206**	**100**	**4,883,023**	**100**

(Please see notes to the con

Chairperson: LIN CHEN, YA-ZI **Manager: LIN, SHENG-ZHI**

KAULIN MFG. CO., LTD. & SUBSIDIARIES

Consolidated Statement of Comprehensive Income

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

Unit:

		2022	
		Amount	%
4000	**Operating revenue (Note 6(19))**	$ 2,471,056	100
5000	**Operating cost (Note 6(5) and (15))**	2,026,501	82
	Gross profit	444,555	18
	Operating expense (Note 6(4), (6), (7), (8), (9), (12), (15) and 7):		
6100	Promotion expense	145,412	5
6200	Administration expense	164,760	7
6300	R&D expenses	45,465	2
6450	Expected credit losses (reversal gain)	(7,310)	-
	Total operating expenses	348,327	14
6900	**Net operating profit**	96,228	4
	Non-operating revenue/expense (Note 6(21)):		
7100	Interest income	16,014	1
7010	Other income	35,814	1
7020	Other gains and losses	119,412	5
7050	Financial costs	(8,090)	-
	Total non-operating revenue/expense	163,150	7
7900	**Net profit before tax**	259,378	11
7950	**Less: Income tax expense (Note 6(16))**	72,917	3
8200	**Net income**	186,461	8
	Other comprehensive income:		
8310	**Components of other comprehensive income that will not be reclassified to profit or loss (Note 6(16))**		
8311	Remeasurements of defined benefit plan	(1,178)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	(10,197)	-
8349	Less: Income tax related to the items which were not reclassified	(2,275)	-
	Total items not reclassified to profit or loss	(9,100)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss (Note 6(16))**		
8361	Exchange difference on translation of the financial statements of foreign operations	56,128	1
8399	Less: Income tax related to items that might be reclassified	11,226	-
	Total items that might be reclassified to profit or loss later	44,902	1
8300	**Total other comprehensive income in the term**	35,802	1
8500	**Total comprehensive income in the term**	**$ 222,263**	9
	Earnings per share (Note 6(18))		
9750	**Basic (NTD)**	**$**	**1.02**
9850	**Diluted (NTD)**	**$**	**1.02**

KAULIN MFG. CO., LTD. & SUBSIDIARIES

Consolidated Statement of Changes in Equity

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

			Retained earnings				Oth
	Common shares	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange difference on translation of the financial statements of foreign operations
Balance as of Jan. 1, 2021	$ 1,836,081	199,595	717,716	204,006	781,990	1,703,712	(162,629)
Net income in the term	-	-	-	-	171,455	171,455	-
Other comprehensive income in the term	-	-	-	-	(519)	(519)	(10,580)
The total comprehensive income in the term	-	-	-	-	170,936	170,936	(10,580)
Appropriation and distribution of earnings:							
Cash dividend for common stock	-	-	-	-	(36,722)	(36,722)	-
Reversal of special reserve	-	-	-	(4,712)	4,712	-	-
Repurchase of treasury shares	-	-	-	-	-	-	-
Balance as of Dec. 31, 2021	1,836,081	199,595	717,716	199,294	920,916	1,837,926	(173,209)
Net income in the term	-	-	-	-	186,461	186,461	-
Other comprehensive income in the term	-	-	-	-	(942)	(942)	44,902
The total comprehensive income in the term	-	-	-	-	185,519	185,519	44,902
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)	-
Other changes in additional paid-in capital	-	4	-	-	-	-	-
Balance as of Dec. 31, 2022	**$ 1,836,081**	**199,599**	**734,810**	**202,052**	**959,107**	**1,895,969**	**(128,307)**

(Please see notes to the consolidated financial statement)

Chairperson: LIN CHEN, YA-ZI **Manager: LIN, SHENG-ZHI** **Accou**

KAULIN MFG. CO., LTD. & SUBSIDIARIES

Consolidated 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	$	259,378	242,979
Adjustment Items:			
Adjustments to reconcile profit (loss)			
Depreciation expense		68,175	66,849
Amortization expense		6,411	7,398
Expected credit loss reversal gain		(7,310)	(17,919)
Interest expense		8,090	2,079
Interest income		(16,014)	(22,433)
Dividend income		(991)	(871)
Loss (gain) on disposal and write-off of property, plant, and equipment		2,107	(2,489)
Loss (gain) on inventory valuation and write-off		32,625	(13,160)
Unrealized foreign exchange loss (gain)		(12,443)	5,139
Total income and expense items		80,650	24,593
Changes in assets/liabilities related to operating activities:			
Decrease in notes receivable		29,004	70,129
Decrease (increase) in accounts receivable		262,434	(308,647)
Increase in inventories		(63,021)	(385,492)
Decrease (increase) in advance payment		51,030	(45,813)
Decrease in other current assets		2,457	284
Decrease (increase) in contract liabilities		(25,248)	12,583
Decrease in notes payable		-	(17)
Decrease (increase) in accounts payable		(339,961)	140,671
Decrease (increase) in other payables		(15,763)	32,621
Increase in other current liabilities		586	103
Decrease in net defined benefit liability		(6,495)	(6,112)
Total adjustment items		(24,327)	(465,097)

(Please see notes to the consolidated financial statement)

Chairperson: LIN CHEN, YA-ZI **Manager: LIN, SHENG-ZHI** **Accounting Manager: LIN, ZENG-XIN**

KAULIN MFG. CO., LTD. & SUBSIDIARIES

Consolidated Statement of Cash Flows

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

Unit: NT$ thousands

		2022	2021
Cash inflow (outflow) from operating activities	$	235,051	(222,118)
Interest received		15,542	22,365
Interest paid		(7,883)	(2,040)
Income taxes paid		(81,135)	(26,639)
Net cash inflow (outflow) from operating activities		161,575	(228,432)
Cash flow from investing activities:			
Acquisition of financial assets measured at amortized cost		(9,289)	(237,918)
Disposal of financial assets measured at amortized cost		89,772	238,987
Acquisition of property, plant and equipment		(22,306)	(15,931)
Disposal of property, plant and equipment		1,070	5,691
Increase in refundable deposits		(515)	(2,427)
Acquisition of intangible assets		(9,123)	(3,607)
Increase in prepayments for business facilities		-	(14,531)
Dividends received		991	871
Net cash inflow (outflow) from investing activities		50,600	(28,865)
Cash flow from financing activities:			
Increase in short-term loans		358,800	238,401
Repayment of long-term borrowings		(343,652)	(100,000)
Decrease in deposits received		(535)	-
Repayment of lease principal		(1,066)	(978)
Issuance of cash dividends		(127,476)	(36,722)
Changes in other capital reserve		4	-
Cost of repurchased treasury stock		-	(24,059)
Net cash inflow (outflow) from financing activities		(113,925)	76,642
Effect of the changes in exchange rate on cash and cash equivalents		16,759	7,173
Increase (decrease) in cash and cash equivalents in the term		115,009	(173,482)
Beginning balance of cash and cash equivalents		1,055,332	1,228,814
Ending balance of cash and cash equivalents	**$**	**1,170,341**	**1,055,332**

(Please see notes to the consolidated financial statement)

Chairperson: **LIN CHEN, YA-ZI** Manager: **LIN, SHENG-ZHI** Accounting Manager: **LIN, ZENG-XIN**

KAULIN MFG. CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statement
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 consolidated 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 consolidated company began to apply the following new amendments to International Financial Reporting Standards (IFRS), and they did not have a significant impact on the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated company expects that the following other new and revised standards not yet approved will not have a significant impact on the consolidated 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 consolidated financial statements. Unless otherwise stated in notes 3 and 4 regarding changes in accounting, these policies have been consistently applied to all periods presented in these consolidated financial statements.

(1) Compliance statement

These consolidated financial statements have been prepared in accordance with the Rules Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "Preparation Rules") and International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretation Bulletins that have been endorsed and effective by the Financial Supervisory Commission (hereinafter referred to as "IFRS endorsed by the FSC").

(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 consolidated financial statements have been prepared on a historical cost basis.

2. Functional and presentation currency

Each entity in the Group uses the currency of the primary economic environment in which it operates (the functional currency). The consolidated financial statements are presented in the Company's functional currency, New Taiwan Dollar (TWD). All financial information presented in TWD has been rounded to the nearest thousand.

(3) Basis of consolidation

1. Principles of the preparation of the consolidated financial statements

The consolidation scope includes the Company and entities controlled by the Company (i.e., subsidiaries). The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. From the date the Company gains control of the subsidiary, it includes the financial statements in the consolidated financial statements until it loses control. Intercompany transactions, balances and unrealized gains and losses are fully eliminated when preparing the consolidated financial statements. Comprehensive income attributable to the owners of the Company and non-controlling interests is presented even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries have been appropriately adjusted to ensure consistency with the accounting policies used by the Group.

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

2. Subsidiaries included in these consolidated financial statements are:

Name of the Investment Company	Name of Subsidiary	Main businesses	Shareholding percentag		Note
			Dec. 31, 2022	**Dec. 31, 2021**	
The company	SIRUBA Latin America	Buying and selling of industrial sewing machines and components, maintenance, and import and export businesses	100.00%	100.00%	Established in the United States in 1991.
The company	SIRUBA Singapore	General investment business	100.00%	100.00%	Established in Singapore in 1998.
The company	SIRUBA Vietnam	Buying and selling of industrial sewing machines and components, maintenance, and import and export businesses	100.00%	100.00%	Established in Vietnam in 2019.
SIRUBA Singapore	Ningbo KAUYIN Co.	Management of manufacturing and sales of industrial sewing machine parts, accessories, and their equipment	100.00%	100.00%	Established in the People's Republic of China in 2005.
SIRUBA Latin America	Young Da LLC	General investment business	100.00%	100.00%	Established in the United States in June 2012.

3. Subsidiaries not included in the consolidated financial report: None.

(4) Foreign currency

1. Foreign currency transactions

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

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

(1) Equity instruments designated at fair value through other comprehensive income.

2. Foreign operations

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

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

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

(5) Classification standard for distinguishing between current and non-current assets and liabilities

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

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

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

1. Expect to settle the liability during its normal operating cycle;
2. The liability is primarily held for trading purposes;
3. Expect to settle the liability within twelve months after the reporting period; or

4. The liability has an unconditional right to defer the settlement period to at least twelve months after the reporting period. The terms of the liabilities, which may be settled by issuing equity instruments at the option of the counterparty, do not affect their classification.

(6) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term and highly liquid investments that can be readily converted into a fixed amount of cash with insignificant risk of changes in value. Time deposits that meet the above definition and are held to meet short-term cash commitments rather than for investment or other purposes are reported as cash equivalents.

(7) Financial instruments

1. Financial Assets

The purchase or sale of financial assets conforms to customary transactions. For financial assets classified in the same way, the company adopts a consistent approach to all purchases and sales using either trade date or settlement date accounting.

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

(1) Financial Assets Measured at Amortized Cost

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

·The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

·The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

·The financial asset is held within a business model whose objective is both to collect contractual cash flows and to sell the financial asset.

·The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The consolidated company holds part of its accounts receivable in a business model whose objective is both to collect contractual cash flows and to sell, thus these receivables are measured at fair value through other comprehensive income.

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

For debt instrument investments, they are subsequently measured at fair value. Interest income calculated by the effective interest method, foreign exchange gains or losses, and impairment losses are recognized in profit or loss, and other net gains or losses are recognized in other comprehensive income. Upon derecognition, the accumulated amount in other comprehensive income is reclassified to profit or loss.

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 consolidated company has the right to receive dividends (usually the ex-dividend date).

(3) Impairment of Financial Assets

The consolidated 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 contract assets.

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 loss allowance for accounts receivable and contract assets is measured at an amount equal to lifetime expected credit losses.

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

The consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated company analyzes the timing and amount of write-offs on a basis of whether it can reasonably expect to recover. The consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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) Derecognition of Financial Liabilities

The company derecognizes financial liabilities when the contractual obligations have been fulfilled, canceled, or expired. When the terms of a financial liability are modified and the cash flows of the modified liability are significantly different, the original financial liability is derecognized and a new financial liability is recognized at fair value based on the modified terms.

When derecognizing financial liabilities, the difference between its carrying amount and the total amount of consideration paid or payable (including any transferred non-cash assets or assumed liabilities) is recognized as a gain or loss.

(5) 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.

(8) 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.

(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.

(10) 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: 3-5 years

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

(11) Leasing

The consolidated 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.

1. Lessee

The consolidated 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 consolidated 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 consolidated company is used. Generally, the consolidated 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 consolidated 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 consolidated company allocates the contract's consideration to individual lease components based on relative standalone prices. However, when leasing land and buildings, the consolidated 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 consolidated 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.

2. Lessor

As a lessor, the consolidated 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 consolidated company considers specific indicators, including whether the lease period covers a significant part of the economic life of the leased assets.

If the consolidated 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 consolidated company allocates the contract's consideration according to the provisions of International Financial Reporting Standard No. 15.

(12) Intangible assets

1.Recognition and measurement

The goodwill arising from the acquisition of a subsidiary is measured at cost less accumulated impairment.

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 consolidated company, and the consolidated 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 consolidated 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

Except for goodwill, 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 consolidated 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 consolidated 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. Goodwill is subjected to an annual impairment test.

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

(1) Sale of Goods

The consolidated 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 consolidated company has objective evidence that all acceptance conditions have been met.

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

(15) Government grants and assistance

When the consolidated company receives related government grants, unconditional grants are recognized as non-operating income. Government grants compensating the consolidated company for incurred expenses or losses are recognized in profit or loss systematically and concurrently with the related expenses.

(16) 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. Prepaid contributions that result in cash refunds or reductions in future payments are recognized as an asset.

2.Defined benefit plans

The net obligation of the consolidated company for defined benefit plans is determined separately for each plan 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 any 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 consolidated 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 consolidated 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.Termination benefits

Termination benefits are recognized as an expense when the consolidated company can no longer withdraw the offer of those benefits or, if earlier, when the consolidated company recognizes costs for a restructuring that involves the payment of termination benefits. If termination benefits are not expected to be settled within 12 months after the reporting date, they are discounted.

5.Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when services are rendered. If the consolidated 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.

(17) 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.

(18) Earnings Per Share

The consolidated 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 consolidated 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.

(19) Segment Information

Operating segments are components of the consolidated company that engage in business activities that may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the consolidated company). The operating results of all operating segments are regularly reviewed by the primary decision-maker of the consolidated company to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment has separate financial information.

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

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

6. Explanation of Important Accounting Items

(1) Cash and cash equivalents

		Dec. 31, 2022	Dec. 31, 2021
Cash on hand and working capital	$	1,103	1,589
Checks and demand deposits		705,839	503,658
Time Deposits - within three months of the original recognised maturity date		463,399	550,085
Cash and cash equivalents in the Consolidated Cash Flow Statement	$	1,170,341	1,055,332

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

(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:			
Overseas listed (OTC) stocks - JUKI Corporation	$	24,147	34,344

1. The consolidated 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 consolidated 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 (22).

(3) Financial assets measured at amortized cost - current

		Dec. 31, 2022	Dec. 31, 2021
Time deposits with original maturity of more than 3 months	$	9,411	86,830

As of December 31, 2022, and 2021, the merged company's current financial assets measured at amortized cost were not provided as collateral.

(4) Notes receivable and accounts receivable

		Dec. 31, 2022	Dec. 31, 2021
Notes receivable—Generated from operating activities	$	29,782	57,999
Accounts receivable—Measured at amortized cost		767,908	990,447
Minus: allowance for loss		22,338	29,610
	$	775,352	1,018,836

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.

The analysis of expected credit losses for receivables and accounts in the Taiwan region of the merged company is as follows:

	Dec. 31, 2022			
		Carrying amount of bills and accounts receivable	Weighted average expected credit loss ratio	Allowance for expected credit losses during the period of continuation
Not overdue	$	430,504	0.13%	556
Within 120 days of expiration		66,460	0.79%	525
121~180 days of expiration		24,760	3.13%	775
181~240 days past due		20,003	10.42%	2,084
241~300 days past due		447	53.91%	241
301~360 days past due		3,642	99.95%	3,640
Over 360 days past due		13,387	100%	13,387
	$	559,203		21,208

	Dec. 31, 2021			
	Carrying amount of bills and accounts receivable		Weighted average expected credit loss ratio	Allowance for expected credit losses during the period of continuation
Not overdue	$	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

An analysis of the expected credit losses on bills and accounts receivable from overseas jurisdictions of the Consolidated Company is as follows:

	Dec. 31, 2022			
	Carrying amount of bills and accounts receivable		Weighted average expected credit loss ratio	Allowance for expected credit losses during the period of continuation
Not overdue	$	140,311	0.00%	2
Within 120 days of expiration		63,397	0.02%	11
121~180 days of expiration		16,563	0.58%	96
181~240 days past due		8,902	8.72%	776
241~300 days past due		9,053	0.00%	-
301~360 days past due		16	0.00%	-
Over 360 days past due		245	100%	245
	$	238,487		1,130

	Dec. 31, 2021			
	Carrying amount of bills and accounts receivable		Weighted average expected credit loss ratio	Allowance for expected credit losses during the period of continuation
Not overdue	$	468,368	0.01%	41
Within 120 days of expiration		7,028	0.01%	1
121~180 days of expiration		375	24.53%	92
181~240 days past due		14	50%	7
301~360 days past due		65	24.62%	16
More than 360 days past due		1,447	100%	1,447
	$	477,297		1,604

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

	2022	2021
Beginning Balance	$ 29,610	47,692
Impairment losses recognised (reversed)	(7,310)	(17,919)
Foreign currency translation gains and losses	38	(163)
Ending Balance	$ 22,338	29,610

At December 31, 2022 and 2021, none of the Consolidated Company's notes and accounts receivable had been discounted or provided as collateral.

(5) Inventory

	Dec. 31, 2022	Dec. 31, 2021
Products	$ 79,046	63,686
Finished products	761,890	522,485
Raw Materials	311,008	399,403
Work in progress	80,030	186,698
Inventory in transit	21,499	44,848
Other Inventory	4,450	4,730
	$ 1,257,923	1,221,850

The breakdown of operating costs is as follows:

	2022	2021
Cost of inventories sold	$ 1,875,590	2,384,935
Loss on obsolescence of inventories	9,002	7,623
Loss on decline in value of inventories (gain on reversal)	23,623	(20,783)
Unallocated manufacturing costs (Note)	118,286	44,240
Total	$ 2,026,501	2,416,015

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

	Land	Buildings	Machinery and Equipment	Transportation equipment	Other equipment	Total
Cost or deemed cost:						
Balance on Jan. 1, 2022	$ 359,541	965,562	1,250,608	18,593	285,116	2,879,420
Add	-	-	874	49	21,383	22,306
Disposal	-	(3,360)	(16,680)	-	(6,336)	(26,376)
Reclassification	-	(6,547)	(214,561)	-	18,457	(202,651)
Effect of exchange rate changes	2,185	12,609	19,219	127	3,817	37,957
Balance on Dec.31, 2022	$ 361,726	968,264	1,039,460	18,769	322,437	2,710,656

	Land	Buildings	Machinery and Equipment	Transportation equipment	Other equipment	Total
Balance on Jan. 1, 2021	$ 360,117	969,565	1,289,961	16,894	283,717	2,920,254
Add	-	-	4,761	6,278	4,892	15,931
Disposal	-	-	(37,500)	(4,537)	(2,231)	(44,268)
Effect of exchange rate changes	(576)	(4,003)	(6,614)	(42)	(1,262)	(12,497)
Balance on Dec.31, 2021	$ 359,541	965,562	1,250,608	18,593	285,116	2,879,420
Depreciation:						
Balance on Jan. 1, 2022	$ -	421,229	1,191,801	9,202	262,939	1,885,171
Depreciation	-	36,934	10,453	2,362	13,742	63,491
Disposal	-	(774)	(16,099)	-	(6,326)	(23,199)
Reclassification	-	(6,547)	(214,561)	-	3,748	(217,360)
Effect of exchange rate changes	-	6,411	18,554	74	3,395	28,434
Balance on Dec.31, 2022	$ -	457,253	990,148	11,638	277,498	1,736,537
Balance on Jan. 1, 2021	$ -	386,861	1,220,529	10,990	255,089	1,873,469
Depreciation	-	36,370	12,406	2,318	11,212	62,306
Disposal	-	-	(34,752)	(4,083)	(2,231)	(41,066)
Effect of exchange rate changes	-	(2,002)	(6,382)	(23)	(1,131)	(9,538)
Balance on Dec.31, 2021	$ -	421,229	1,191,801	9,202	262,939	1,885,171
Carrying amount:						
Dec.31, 2022	$ 361,726	511,011	49,312	7,131	44,939	974,119
Jan. 1, 2021	$ 360,117	582,704	69,432	5,904	28,628	1,046,785
Dec.31, 2021	$ 359,541	544,333	58,807	9,391	22,177	994,249

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

(7) Right-of-use assets

	Land	Buildings	Transportation equipment	Total
Cost:				
Balance on Jan. 1, 2022	$ 58,557	3,573	1,044	63,174
Effect of exchange rate changes	916	-	16	932
Balance on Dec.31, 2022	$ 59,473	3,573	1,060	64,106
Balance on Jan. 1, 2021	$ 58,871	3,573	-	62,444
Add	-	-	1,044	1,044
Effect of exchange rate changes	(314)	-	-	(314)
Balance on Dec.31, 2021	$ 58,557	3,573	1,044	63,174
Depreciation:				
Balance on Jan. 1, 2022	$ 19,226	1,429	290	20,945
Provision for depreciation	1,196	715	355	2,266
Effect of exchange rate changes	294	-	3	297
Balance on Dec.31, 2022	$ 20,716	2,144	648	23,508

	Land	Buildings	Transportation equipment	Total
Balance on Jan. 1, 2021	$ 18,151	715	-	18,866
Provision for depreciation	1,171	714	290	2,175
Effect of exchange rate changes	(96)	-	-	(96)
Balance on Dec.31, 2021	$ 19,226	1,429	290	20,945
Carrying amount:				
Dec.31, 2022	$ 38,757	1,429	412	40,598
Jan. 1, 2021	$ 40,720	2,858	-	43,578
Dec.31, 2021	$ 39,331	2,144	754	42,229

The merged company leases the land use rights in China and subleases it through operating leases. The related usage right assets are reported as investment property, please refer to Note 6 (8). The above-mentioned usage right asset-related amount does not include usage right assets that meet the definition of investment property.

As of December 31, 2022, and 2021, none of the merged company's right-of-use assets were provided as collateral.

(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 three to five years, and the lessee does not 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		**Right-of-use assets**	
	Land	**House and building**	**Land use rights**	**Total**
Cost:				
Balance on Jan. 1, 2022	$ 178,782	92,046	5,264	276,092
Effect of changes in exchange rates	-	592	82	674
Balance on Dec.31, 2022	$ 178,782	92,638	5,346	276,766
Balance on Jan. 1, 2021	$ 178,782	92,248	5,293	276,323
Effect of changes in exchange rates	-	(202)	(29)	(231)
Balance on Dec.31, 2021	$ 178,782	92,046	5,264	276,092
Depreciation:				
Balance on Jan. 1, 2022	$ -	73,718	2,419	76,137
Provision for depreciation	-	2,297	121	2,418
Effect of changes in exchange rates	-	293	37	330
Balance on Dec.31, 2022	$ -	76,308	2,577	78,885
Balance on Jan. 1, 2021	$ -	71,561	2,313	73,874
Provision for depreciation	-	2,250	118	2,368
Effect of changes in exchange rates	-	(93)	(12)	(105)
Balance on Dec.31, 2021	$ -	73,718	2,419	76,137

		Owned assets		Right-of-use assets	
		Land	House and building	Land use rights	Total
Carrying amount:					
Dec.31, 2022	$	178,782	16,330	2,769	197,881
Jan. 1, 2021	$	178,782	20,687	2,980	202,449
Dec.31, 2021	$	178,782	18,328	2,845	199,955

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 Yinzhou District, Ningbo City, mainland China, of the merged company, is measured by the independent valuation agency Ningbo Wei Yuan Assessment Office on each balance sheet date with third-level input values. The valuation refers to market evidence of similar real estate transaction prices, and the fair value obtained from the valuation is as follows:

		Dec. 31, 2022	Dec. 31, 2021
Fair value	$	75,862	74,693

The fair value of the investment property located in Taoyuan City of the merged company is measured by the independent valuation company Sinyi Real Estate Appraisal Joint Office on each balance sheet date with third-level input values. The valuation uses a comparison method and income approach, and the fair value obtained from the valuation is as follows:

		Dec. 31, 2022	Dec. 31, 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

		Goodwill	PC software	Total
Cost:				
Balance on Jan. 1, 2022	$	23,026	30,392	53,418
Obtained separately		-	9,123	9,123
Disposal		-	(2,979)	(2,979)
Effect of changes in exchange rates		-	124	124
Balance on Dec.31, 2022	$	23,026	36,660	59,686
Balance on Jan. 1, 2021	$	23,026	29,148	52,174
Obtained separately		-	3,607	3,607
Reclassification		-	526	526
Disposal		-	(2,862)	(2,862)
Effect of changes in exchange rates		-	(27)	(27)
Balance on Dec.31, 2021	$	23,026	30,392	53,418

		Goodwill	PC software	Total
Depreciation:				
Balance on Jan. 1, 2022	$	-	25,287	25,287
Amortisation		-	6,411	6,411
Disposal		-	(2,979)	(2,979)
Effect of changes in exchange rates		-	63	63
Balance on Dec.31, 2022	**$**	**-**	**28,782**	**28,782**
Balance on Jan. 1, 2021	$	-	20,770	20,770
Amortisation		-	7,398	7,398
Disposal		-	(2,862)	(2,862)
Effect of changes in exchange rates		-	(19)	(19)
Balance on Dec.31, 2021	**$**	**-**	**25,287**	**25,287**
Carrying amount:				
Dec.31, 2022	**$**	**23,026**	**7,878**	**30,904**
Jan. 1, 2021	**$**	**23,026**	**8,378**	**31,404**
Dec.31, 2021	**$**	**23,026**	**5,105**	**28,131**

1. Amortization expense

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

		2022	**2021**
Operating cost	**$**	**412**	**505**
Operating expense	**$**	**5,999**	**6,893**

2. Guarantee

At 31 December 2022 and 2021, the Consolidated Company's intangible assets were not pledged as security.

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

		Dec. 31, 2022	**Dec. 31, 2021**
Other current assets			
Other payables	$	4,791	6,616
Other		446	606
	$	**5,237**	**7,222**
Other non-current assets			
Refundable deposits	$	4,199	3,684
Prepayment for equipment		-	14,695
Other		724	244
	$	**4,923**	**18,623**

(11) Short-term loans

	Dec. 31, 2022	Dec. 31, 2021
Unsecured bank loans	$ 253,549	238,401
Unused credit	$ 400,000	400,000
Interest Rate Range	1.36%~5.74%	0.52%~1.20%

(12) Lease liabilities

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

	Dec. 31, 2022	Dec. 31, 2021
Current	$ 1,093	1,059
Non-current	$ 800	1,887

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

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

	2022	2021
Interest expense on lease liabilities	$ 58	76
Short-term lease expenses	$ 2,962	2,458
Lease expenses of low-value assets (excluding short term leases which are low value leases)	$ 88	97

Leases were recognized in the cash flow statement as follows:

	2022	2021
Total amount of cash outflow from lease	$ 4,174	3,609

1. Lease of land, buildings, and construction

The merged company rents several lands in China, with a lease period of 50 years. At the end of the lease period, the merged company does not have a preferential purchase right for the leased land.

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.

The merged company expects the proportion of fixed and variable rent payments in future years to be roughly consistent with the current period.

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 payables

		Dec. 31, 2022	Dec. 31, 2021
Other payables:			
Salaries and bonuses payable	$	42,686	49,043
Commissions payable		18,814	15,394
Remuneration of staff and directors and supervisors		12,048	10,830
Payable for untaken leave		7,252	7,253
Others		53,007	66,005
	$	133,807	148,525

(14) Operating leases

The merged company leases out its investment properties. As it has not transferred almost all risks and rewards attached to the ownership of the target assets, these lease contracts are classified as operating leases. Please refer to Note 6 (8) Investment property for details.

The maturity analysis of lease payments is listed in the following table with the total undiscounted lease payments to be collected after the reporting date:

		Dec. 31, 2022	Dec. 31, 2021
Less than one year	$	24,312	22,054
One to two years		24,400	24,141
Two to three years		15,869	24,227
Three to four years		14,400	15,831
Four to five years		12,000	14,400
More than five years		-	12,000
Total undiscounted lease payments	$	90,981	112,653

(15) Employee benefits

1. Defined contribution plan

A reconciliation of the present value of the Consolidated 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 Consolidated 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 cost	$ 49	284
Promotion expense	15	-
Administration expense	260	34
R&D expenses	12	-
Total	$ 336	318

(5) Actuarial assumptions

The significant actuarial assumptions used by the Consolidated 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%
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 7.90 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%)	$ (1,102)	1,134
Growth rate of salary (change 0.25%)	1,096	(1,071)
Dec. 31, 2021		
Discount rate (change 0.25%)	$ (1,261)	1,298
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.

Employees of the company's subsidiaries in China, the United States, and Vietnam are members of the retirement benefit plans operated by the governments of China, the United States, and Vietnam. These subsidiaries are required to contribute a certain proportion of their salaries to the retirement benefit plan to provide funds for the plan. The obligation of these subsidiaries to this government-operated retirement benefit plan is only to contribute a specific amount.

The retirement pension expenses under the defined contribution pension method of the merged company for the fiscal year 2022 and 2021 are 14,583 thousand yuan and 14,061 thousand yuan, respectively, which have been contributed to the Labor Insurance Bureau.

(16) Income tax

1. Income tax expenses

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

		2022	2021
Current income tax expense			
Generated in the fiscal year	$	131,906	32,119
Adjustments for the prior year		3,631	3,799
Deferred income tax expense			
Occurrence and Reversal of Temporal Differences		(62,620)	35,606
Income tax expenses	$	72,917	71,524

2. A breakdown of the Consolidated Company's income tax expense (benefit) recognized under other comprehensive income in fiscal 2022 and 2021 is as follows:

		2022	2021
Components of other comprehensive income that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plan	$	(236)	(131)
Gains or losses on valuation of financial assets at fair value through other comprehensive income		(2,039)	1,956
Subtotal	$	(2,275)	1,825
Components of other comprehensive income that will be reclassified to profit or loss:			
Exchange difference on translation of the financial statements of foreign operations	$	11,226	(2,645)

A reconciliation of the Consolidated 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 tax	$ 259,378	242,979
Income tax at the Company's domestic tax rate	$ 51,876	48,596
Non-deductible expenses	(2,251)	(3,112)
Tax-exempt income	-	(140)
Deferred income tax effect on earnings of subsidiaries	13,184	27,367
Unrecognized loss carryforwards	(4,599)	(9,301)
Effect of different tax rates applied to the consolidated entities	11,076	4,315
Adjustments to current income tax in prior years	3,631	3,799
Income tax expense	$ 72,917	71,524

3. 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	Exchange differences on translation of foreign operating institutions' statements	Ending Balance
Undistributed earnings of subsidiaries	$ 259,377	(67,601)	-	-	191,776
Exchange differences on translation of foreign operating institutions' statements	-	-	4,159	-	4,159
Unrealized exchange gain	-	4,564	-	-	4,564
Total	$ 259,377	(63,037)	4,159	-	200,499

	Dec. 31, 2021				
	Beginning Balance	Debit/Loan Statement	Debit/credit to other comprehensive income statement	Exchange differences on translation of foreign operating institutions' statements	Ending Balance
Undistributed earnings of subsidiaries	$ 232,009	27,368	-	-	259,377
Total	$ 232,009	27,368	-	-	259,377

Deferred tax assets:

	Dec. 31, 2022				
	Beginning Balance	Debit/Loan Statement	Debit/credit to other comprehensive income statement	Exchange differences on translation of foreign operating institutions' statements	Ending Balance
Financial assets at fair value through other comprehensive income	$ 7,211	-	2,039	-	9,250
Exchange differences on translation of foreign operating institutions' statements	7,067	-	(7,067)	-	-
Defined Benefit Plan	10,803	(1,299)	236	-	9,740
Unused leave bonus	1,537	(5)	-	7	1,539
Allowance for losses	21	55	-	-	76
Loss on decline in value of inventories	25,807	3,944	-	236	29,987
Unrealised gross profit on sales	2,470	1,956	-	-	4,426
Adjustment for salvage value of fixed assets	27,176	261	-	424	27,861
Unrealised exchange gain or loss	5,298	(5,298)	-	-	-
Other	431	(31)	-	-	400
Total	$ 87,821	(417)	(4,792)	667	83,279

	Dec. 31, 2021				
	Beginning Balance	Debit/Loan Statement	Debit/credit to other comprehensive income statement	Exchange differences on translation of foreign operating institutions' statements	Ending Balance
Financial assets at fair value through other comprehensive income	$ 9,167	-	(1,956)	-	7,211
Exchange differences on translation of foreign operating institutions' statements	4,422	-	2,645	-	7,067
Defined Benefit Plan	11,896	(1,224)	131	-	10,803
Unused leave bonus	1,369	170	-	(2)	1,537
Allowance for losses	7	14	-	-	21
Loss on decline in value of inventories	31,795	(5,868)	-	(120)	25,807
Unrealised gross profit on sales	1,558	912	-	-	2,470
Adjustment for salvage value of fixed assets	26,729	590	-	(143)	27,176
Unrealised exchange gain or loss	8,099	(2,801)	-	-	5,298
Other	462	(31)	-	-	431
Total	$ 95,504	(8,238)	820	(265)	87,821

(17) Capital and other interests

As at December 31, 2022 and 2021, the total authorized share capital of the Company was $2,000,000 thousand, with a par value of $10 per share, both for 200,000 thousand shares, and all issued shares were received.

1. Common share

A reconciliation of the number of outstanding shares of the Consolidated Company in 2022 and 2021 is as follows

(Expressed in thousands of shares)

	Common share	
	2022	**2021**
Number of shares outstanding at the beginning of 1 January	182,108	183,608
Treasury shares	-	(1,500)
Number of shares at the end of 31 December	**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 issue premium	$ 85,553	85,553
Consolidation Premium	114,042	114,042
Other	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 consolidated 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

The company resolved the profit distribution plans for 2022 and 2021 at the annual general meetings held on June 24 2022 and August 31 2021, respectively. The dividends distributed to the owners are as follows:

	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 the 2022 earnings in respect of the distribution of dividends to owners as follows:

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

4. Treasury Stock

On March 25, 2021, the company resolved in a board meeting to incentivize employee morale and retain excellent talents by proposing to purchase treasury stock to transfer to employees. It is estimated that 3,000 thousand shares of the company's common stock will be repurchased from March 26, 2021, to May 24, 2021. The repurchase price range is from 13 yuan to 19 yuan per share, and repurchases can continue if the stock price falls below the lower limit of the repurchase price range. As of December 31, 2022, 1,500 thousand shares have been repurchased and not yet cancelled.

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

5. Other equity (net after tax)

	Exchange 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 on translation	44,902	-	44,902
Financial assets measured at fair value through other comprehensive income Unrealized gains or losses	-	(8,158)	(8,158)
Balance on Dec. 31, 2022	**$ (128,307)**	**(37,001)**	**(165,308)**
Balance on Jan. 1, 2021	$ (162,629)	(36,664)	(199,293)
Exchange differences on translation	(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)**

(18) Earnings per share

1. Basic earnings per share

The basic earnings per share of the merged company for the fiscal year 2022 and 2021 were calculated based on the net profit attributable to the holders of ordinary equity of the company, which were 186,461 thousand yuan and 171,455 thousand yuan, respectively, and the weighted average number of ordinary shares circulating outside were 182,108 thousand shares and 182,507 thousand shares, respectively. The relevant calculations are as follows:

	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 (NT$)	**$ 1.02**	**0.94**

2. Diluted earnings per share

The diluted earnings per share for the fiscal year 2022 and 2021 were calculated based on the net profit attributable to the holders of ordinary equity of the company, which were 186,461 thousand yuan and 171,455 thousand yuan, respectively, and the weighted average number of ordinary shares circulating outside after adjusting all potential common stock dilutive effects were 182,821 thousand shares and 182,982 thousand shares, respectively. The relevant calculations are as follows:

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

(19) Income from customer contracts

1. Breakdown of income

		2022	2021
Main regional markets:			
Mainland China	$	450,820	707,350
India		239,110	315,616
Japan		419,204	460,196
Asia		382,893	427,841
Latin America		500,814	581,522
Other countries		478,215	454,473
	$	2,471,056	2,946,998
Main product/service lines:			
Sewing machine for thin material	$	1,771,110	2,206,833
Sewing machine for thick material		699,946	740,165
	$	2,471,056	2,946,998

2. Contract balance

		Dec. 31, 2022	Dec. 31, 2021
Notes receivable and accounts receivable	$	775,352	1,018,836

		Dec. 31, 2022	Dec. 31, 2021
Contract liabilities	$	22,806	48,054

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

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

(20) Employee and director and supervisor remuneration

According to the company's articles of association, if there is profit in the year, 2% to 8% should be allocated for employee remuneration and not more than 3% for director and supervisor remuneration. But when the company still has accumulated losses, it should reserve an amount to offset it in advance. The beneficiaries of the aforementioned employee remuneration in shares or cash include employees of subsidiary companies who meet certain conditions.

The estimated amounts of employee remuneration for the fiscal year 2022 and 2021 are 8,434 thousand yuan and 7,581 thousand yuan, respectively, and the estimated amounts of remuneration for directors and supervisors are 3,614 thousand yuan and 3,249 thousand yuan, respectively. The estimate is based on the company's pre-tax net profit for the period minus the amount before employee and director and supervisor remuneration times the distribution percentage for employee remuneration and director and supervisor remuneration set by the company's articles of association. The amount of employee and director and supervisor remuneration distributed by the board of directors' resolution mentioned above is no different from the estimated amounts in the 2022 and 2021 consolidated financial statements of the company.

(21) Non-operating revenue/expense

1. Interest income

A breakdown of the Consolidated Company's interest income for the years 2022 and 2021 is as follows

	2022	2021
Bank Deposit Interest	$ 16,014	22,433

2. Other income

A breakdown of the Consolidated Company's other income for the years 2022 and 2021 is as follows

	2022	2021
Rental income	$ 22,555	20,545
Dividend income	991	871
Government grants	-	700
Other income - Other	12,268	11,575
	$ 35,814	33,691

3. Other benefits and losses

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

	2022	2021
(Loss) gain on disposal and scrapping of property, plant and equipment	$ (2,107)	2,489
Net foreign currency exchange gain (loss)	127,570	(22,661)
Other	(6,051)	(6,773)
	$ 119,412	(26,945)

4. Financial costsrup

The financial cost breakdown of the Consolidated Company for FY2022 and FY2021 is as follows:

	2022	2021
Interest on bank loans	$ (8,032)	(2,003)
Interest on lease liabilities	(58)	(76)
	$ (8,090)	(2,079)

(22) Financial instruments

1. Credit risk

(1) Maximum credit exposure

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

(2) Concentration of credit risk

The credit risk of the combined company by region mainly comes from some customers who are in politically and economically unstable environments or areas with foreign exchange controls. As of December 31, 2022, and 2021, the receivables and accounts receivable from these customers accounted for approximately 36% and 29% of the total receivables and accounts receivable, respectively.

The credit risk of the combined company by customer is mainly concentrated in the two major customers located in the aforementioned regions. As of December 31, 2022, and 2021, the total amount of accounts receivable from the aforementioned customers accounted for 27% and 17% respectively.

2. Liquidity risk

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

	Carrying amount	Contractual Cash Flow	Request pay-as-you-go or less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Dec. 31, 2022							
Non-derivative financial liability							
No interest-bearing liabilities	$ 305,958	305,958	75,602	145,782	84,141	433	-
Lease liabilities	1,893	1,930	94	281	748	807	-
Floating Rate Instrument	253,549	255,450	506	154,512	100,432	-	-
	$ 561,400	**563,338**	**76,202**	**300,575**	**185,321**	**1,240**	**-**
Dec. 31, 2021							
Non-derivative financial liability							
No interest-bearing liabilities	$ 652,756	652,756	245,747	198,727	208,282	-	-
Lease liabilities	2,946	3,039	93	186	837	1,923	-
Floating Rate Instrument	238,401	239,096	44	138,892	100,160	-	-
	$ 894,103	**894,891**	**245,884**	**337,805**	**309,279**	**1,923**	**-**

The combined company does not expect the cash flow of the maturity date analysis to occur significantly earlier, or the actual amount will be significantly different.

3. Exchange Rate Risk

(1) Exposure to exchange rate risk

The combined company's exposure to significant foreign currency exchange rate risk is as follows for financial assets and liabilities:

	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/NTD	5,898	6.9646	181,143	7,685	6.3757	212,733

(2) Sensitivity Analysis

The exchange rate risk of the combined company's monetary items mainly comes from cash and cash equivalents, receivables, financial assets measured at fair value through other comprehensive income, borrowings and payable items that are denominated in foreign currencies, resulting in foreign currency exchange gains and losses during conversion. If the New Taiwan Dollar depreciates or appreciates by 5% against the US dollar, RMB and Japanese yen on December 31, 2022, and 2021, and all other factors remain unchanged, the net profit after tax in 2022 and 2021 will increase or decrease by 65,055 thousand yuan and 54,896 thousand yuan respectively.

(3) Exchange loss on monetary items

Due to the variety of functional currencies in the combined company, the information on exchange losses on monetary items is disclosed in a consolidated manner. The foreign exchange gains (losses) (including realized and unrealized) in 2022 and 2021 were 127,570 thousand yuan and (22,661) thousand yuan, respectively.

4. Interest Rate Risk

The entities within the combined company deposit funds at both fixed and floating interest rates and borrow funds at floating interest rates, resulting in interest rate exposure.

The interest rate exposure of the combined company's financial assets and financial liabilities is described in the liquidity risk management of this note.

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

If the interest rate increases or decreases by 1%, with all other variables remaining unchanged, the net profit of the combined company in 2022 and 2021 will decrease or increase by 4,523 thousand yuan and 2,639 thousand yuan, respectively, mainly due to the exposure of the combined company's variable rate borrowings and variable rate bank deposits.

5. Other Price Risks

The combined company is exposed to equity price risk due to investments in listed equity securities. Such equity investments are not held for trading but are strategic investments. The combined company has not actively traded these investments. The equity price risk of the combined company is mainly concentrated in the equity instruments of the same industry listed on the Japan Stock Exchange.

If the fair value of equity increases by 5% or decreases by 5%, the comprehensive income for the year 2022 and 2021 will increase/decrease by NT$1,207,000 and NT$1,717,000, respectively, due to the changes in the fair value of financial assets measured at fair value through other comprehensive income.

6.Fair Value Information

(1) Types and fair value of financial instruments

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

	Dec. 31, 2022				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income					
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 fair value through other comprehensive income					
Overseas Listed (Over-the-Counter) Stocks	$ 34,344	34,344	-	-	34,344

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

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

(23) Financial Risk Management

1. Summary

The consolidated 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 expresses the disclosure of the above-mentioned risks, the objectives, policies, and procedures for measuring and managing risks by the consolidated company. For further quantitative disclosure, please refer to the respective notes in the consolidated financial statements.

2. Risk management framework

The main financial instruments of the consolidated company include equity instrument investments, accounts receivable, accounts payable, lease liabilities, and borrowings. The financial management department of the consolidated company provides services to various business units, coordinating and supervising the operations related to financial risk by analyzing internal risk reports on the severity and breadth of risks. These risks include market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk. The financial management department reports to the Board of Directors quarterly.

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

The Audit Committee of the consolidated company oversees how management monitors compliance with the consolidated company's risk management policies and procedures and reviews the adequacy of the relevant risk management framework for the risks faced by the consolidated company. Internal auditors assist the Audit Committee in their supervisory role. These personnel conduct regular and ad hoc reviews of risk management controls and procedures and report the review results to the Audit Committee.

3. Credit risk

Credit risk is the risk of financial loss to the consolidated company due to the inability of customers or counterparties of financial instruments to fulfill their contractual obligations. It mainly arises from accounts receivable from customers and securities investments of the consolidated company.

(1) Accounts receivable and other receivables

The policy adopted by the consolidated company is to only transact with entities of excellent reputation and obtain collateral when necessary to mitigate the risk of financial loss due to default. The consolidated company only transacts with enterprises that have credit ratings equivalent to investment grade. This information is provided by independent rating agencies. If such information cannot be obtained, the consolidated company will use other publicly available financial information and transaction records to rate major customers. The consolidated company continuously monitors credit exposure and credit ratings of counterparties and diversifies the total transaction amount among customers qualified for different credit ratings. Credit exposure is controlled through annual review and approval of credit limits for counterparties by the Risk Management Committee.

The consolidated company does not hold any collateral or other credit enhancements to mitigate credit risk associated with financial assets.

(2) Investments

Credit risk associated with bank deposits and other financial instruments is measured and monitored by the financial department of the consolidated company. Since the counterparties and obligors of the consolidated company are reputable banks and financial institutions, corporate organizations, and government agencies with investment grade or higher credit ratings, there is no significant credit risk.

(3) Guarantees

The policy of the consolidated company stipulates that financial guarantees can only be provided to wholly-owned subsidiaries. As of December 31, 2022, and 2021, the consolidated company did not provide any endorsement guarantees.

4. Liquidity Risk

The consolidated company manages and maintains an adequate level of cash and cash equivalents to support the operation of the group and mitigate the impact of cash flow fluctuations. The management of the consolidated company supervises the credit status of bank financing facilities and ensures compliance with loan agreement terms.

5. Market Risk

(1) Foreign Exchange Risk

The consolidated company is exposed to foreign exchange risk arising from transactions denominated in currencies other than the functional currency and investments in foreign operating entities. The functional currency of the consolidated company is primarily New Taiwan Dollar. To manage the foreign exchange risk, the consolidated company adopts natural hedging operations. Therefore, changes in market exchange rates will cause the market prices of these financial instruments to fluctuate.

(2) Interest Rate Risk

The consolidated company is exposed to interest rate risk primarily related to cash flow fluctuations of floating-rate bank current deposits. Changes in market interest rates will result in changes in the effective interest rate of these financial instruments, causing volatility in future cash flows.

(24) Capital Management

The consolidated company engages in capital management to ensure that each enterprise within the group can continue its operations by optimizing the balance between debt and equity, maximizing shareholder returns. The overall strategy of the consolidated company has remained unchanged since its establishment.

The capital structure of the consolidated company consists of net debt (borrowings minus cash and cash equivalents) and equity attributable to the owners of the company (including share capital, capital surplus, retained earnings, and other equity items).

The consolidated company is not subject to any other external capital requirements.

(25) Non-cash Investing and Financing Activities

The non-cash investing and financing activities of the consolidated company for the years 2022 and 2021 are as follows:

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

			Change in non-cash		
	Jan. 1, 2022	Cash Flow	**Exchange rate changes**	**Changes in Lease Payments**	**Dec. 31, 2022**
Short-term loan	$ 238,401	-	15,148	-	253,549
Lease liabilities	2,946	(1,066)	13	-	1,893
Total liabilities from financing activities	**$ 241,347**	**(1,066)**	**15,161**	**-**	**255,442**

			Change in non-cash		
	Jan. 1, 2021	Cash Flow	**Exchange rate changes**	**Changes in Lease Payments**	**Dec. 31, 2021**
Long-term loan	$ 100,000	(100,000)	-	-	-
Short-term loan	-	238,401	-	-	238,401
Lease liabilities	2,881	(978)	(1)	1,044	2,946
Total liabilities from financing activities	**$ 102,881**	**137,423**	**(1)**	**1,044**	**241,347**

7. Transaction with related parties

(1) Parent company and ultimate controller

The Company is the ultimate controller of the Consolidated Company.

(2) Name of related party and its Relationships

The related parties with whom the Consolidated Company had transactions during the period covered by these consolidated financial statements are as follows:

Name of related party	Relationship with the consolidated company
KAULIN Foundation	Substantial Related Parties
GUANLIN Investment Co.	Substantial Related Parties
LIN, PEI-JIA	Substantial Related Parties

(3) Significant transactions with related parties

1. Operating revenue

Significant sales by the Consolidated Company to related parties were as follows:

Accounting item	Type of related party/Name	2022	2021
Revenue from sales	Substantial Related Parties	$ 16	161

The transaction prices and payment terms for sales to related parties by the Consolidated Company are not significantly different from those for sales to non-related parties.

2. Lease

	Lease liabilities		Interest expense	
Type of related party/Name	Dec. 31, 2022	Dec. 31, 2021	2022	2021
Substantial Related Parties—LIN, PEI-JIA	$ 1,463	2,178	30	41

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

3. Disposal of Property, plant and equipment

	2022		2021	
Type of related party	Disposal price	Gain/Loss	Disposal price	Gain/Loss
Substantial Related Parties－GUANLIN Investment Co.	$ -	-	1,143	689

4.Other

Accounting item	Type of related party	2022	2021
Donation	Substantial Related Parties－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. Subsequent Events

In order to align with the long-term development plan of the group and continuously integrate resources, the consolidated company has made a decision on March 23, 2023, approved by the board of directors of the parent company, to dissolve and liquidate its subsidiary, Xilu Latin America Company, and its subsidiary, Yongda Company. The relevant liquidation procedures are expected to commence on June 30, 2023.

On March 23, 2023, the consolidated company proposed the 2022 profit distribution plan, please refer to Note 6 (17) for details.

12. Others

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

Function / Nature	2022			2021		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Staff Welfare Costs						
Salary Costs	230,458	144,579	375,037	263,705	136,233	399,938
Health Insurance Costs	4,333	11,203	15,536	4,352	10,255	14,607
Pension costs	9,244	5,675	14,919	9,586	4,793	14,379
Other staff benefit costs	16,901	6,819	23,720	27,554	6,388	33,942
Depreciation expense (Note)	42,906	22,851	65,757	45,979	18,502	64,481
Amortisation charge	412	5,999	6,411	505	6,893	7,398

Note: Depreciation expenses for investment properties are reported as a deduction from other income. The amounts reported as deductions from other income for the periods from January 1 to December 31, 2022, and 2021, are NT$2,418,000 and NT$2,368,000, respectively.

13. Disclosures

(1) Information on major transactions

Information about significant transactions that the Consolidated Company should disclose again in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers for 2022 is as follows:

1. Lending to others: None.
2. Endorsement and guarantee for others:

Unit: NT$ thousands

No.	Endorser Company Name	Endorsed by		For a single company Endorsement Guarantee Limit	The highest endorsement in this issue Guaranteed Balance (Note 2)	End-of-Term Memorization Guaranteed Balance (Note 2)	Actual spending Amount (Note 2)	Guaranteed by property Endorsement Guarantee Amount	Ratio of accumulated endorsement guarantee amount to net worth of the most recent financial statements (%)	Endorsement Guarantee Maximum limit	Parent company For subsidiaries Endorsement Guarantee	Subsidiaries For the parent company Endorsement Guarantee	Endorsement guarantee for mainland China
		Company Name	Relationships										
0	KAULIN MFG.	Ningbo KAUYIN Company	3	1,871,141 (Note 1)	153,549	153,549	153,549	-	4.10%	3,742,282 (Note 3)	Y	N	Y

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

Note 2: The amounts in New Taiwan Dollar are based on the exchange rate as of December 31, 2022.

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

3. Marketable securities held at the end of the period (Excluding investment in subsidiaries, associated undertakings and joint venture interests):

Unit: NT$ thousands/股

Holding Company	Type and Name of Marketable Securities	**Relationship with issuers of marketable securities**	Financial statement account	End of term				**Maximum shareholding ratio in the period**	Remark
				Number of shares	Carrying amount	Shareholding ratio	Fair value		
KAULIN Co.	JUKI Co. Ltd.	None	Financial assets measured 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 at 31 December 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$ thousands

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 Co.	SIRUBA Latin America	Subsidiary	Sales	(331,183)	(16) %	Subject to availability of funds	Price by appointment	Subject to availability of funds	5	6%	
KAULIN Co.	Ningbo KAUYIN Co.	Sub-Subsidiary	Import	1,665,202	84 %	Subject to availability of funds	Price by appointment	Subject to availability of funds	(35	(96)%	
KAULIN Co.	SIRUBA Vietnam	Subsidiary	Sales	(161,101)	(8) %	Subject to availability of funds	Price by appointment	Subject to availability of funds	17	20%	
SIRUBA Latin America	KAULIN Co.	Parent company	Import	331,183	100 %	Subject to availability of funds	Price by appointment	Subject to availability of funds	(5	100%	
Ningbo KAUYIN Co.	KAULIN Co.	The ultimate parent company	Sales	(1,665,202)	(72) %	Subject to availability of funds	Price by appointment	Subject to availability of funds	35	75%	
SIRUBA Vietnam	KAULIN Co.	Parent company	Import	161,101	98 %	Subject to availability of funds	Price by appointment	Subject to availability of funds	(17	(99)%	

Note 1: The above transaction amounts have been eliminated on consolidation in the preparation of the consolidated financial statements.

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

Unit: NT$ thousands

Companies with accounts receivable	Transaction counterparty	Relationships	Balance of amounts due from related parties	Turnover rate	Overdue amounts due from related parties		Amounts due from related parties recovered in the period (Note 2)	Allowance for losses
					Amount	Method		
KAULIN Co.	SIRUBA Vietnam	Subsidiary	176,467	1.21%	-		19,940	-
Ningbo KAUYIN Co.	KAULIN Co.	The ultimate parent company	356,940	3.68%	-		356,940	-

Note 1: The above transaction amounts have been offset in the preparation of the consolidated financial statements.

Note 2: As of March 23, 2023.

9. Engaged in derivatives trading: None.

10. Business Relationships, Significant Transactions, and Amount Between the Parent Company and Its Subsidiaries:

Unit: NT$ thousands

No. (Note 1)	Name of the Trader	Name of the transaction counterparty	Relationship with the Trader (Note 2)	Conditions of Transactions			
				Subjects	Amount	Terms of Transaction	As a percentage of consolidated total revenue or Total Assets (Note 3)
0	KAULIN Co.	SIRUBA Latin America	1	Accounts receivable - related parties	50,015	In accordance with the terms of the contract	1.00%
0	KAULIN Co.	SIRUBA Latin America	1	Sales revenue	331,183	In accordance with the terms of the contract	13.00%
0	KAULIN Co.	SIRUBA Vietnam	1	Accounts receivable - related parties	176,467	In accordance with the terms of the contract	4.00%
0	KAULIN Co.	SIRUBA Vietnam	1	Sales revenue	161,101	In accordance with the terms of the contract	7.00%
0	KAULIN Co.	Ningbo KAUYIN Co.	1	Accounts receivable - related parties	356,940	In accordance with the terms of the contract	8.00%
0	KAULIN Co.	Ningbo KAUYIN Co.	1	Accounts receivable - related parties	18,452	In accordance with the terms of the contract	-%
0	KAULIN Co.	Ningbo KAUYIN Co.	1	Inventory	15,377	In accordance with the terms of the contract	-%
0	KAULIN Co.	Ningbo KAUYIN Co.	1	Sales revenue	57,434	In accordance with the terms of the contract	2.00%
0	KAULIN Co.	Ningbo KAUYIN Co.	1	Cost of goods sold	1,649,825	In accordance with the terms of the contract	67.00%

Note 1: 0 represents the parent company, and the subsidiaries are numbered sequentially starting from 1.

Note 2: 1 represents transactions between the parent company and subsidiaries.

2 represents transactions between subsidiaries.

Note 3: The calculation of the ratio of transaction amounts to total consolidated revenue or total assets is based on the end-of-period balance as a percentage of total consolidated assets for asset and liability items, and based on the cumulative amount for the mid-year as a percentage of total consolidated revenue for income and expense items.

Note 4: The above transaction amounts have been offset in the preparation of the consolidated financial statements.

(2) Information about the investment business:

Information on the Consolidated Company's reinvested businesses in 2022 is as follows (excluding Mainland China investees):

Unit: NT$ thousands

Name of the Investment Company	Name of the Investee Company	Location	Main businesses	Original investment amount		Shares held as of the end of the period			**Maximum shareholding ratio in the period**	Investee company Profit or loss for the period	The investment income or loss recognized during the period was Investment income or loss	Remark
				End of the period	Late last year	Number of shares	Ratio %	Carrying amount				
KAULIN Co.	SIRUBA Singapore	Singapore	Investments, Holdings	1,089,612	1,089,612	2,000,000	100.00%	1,696,123	100.00%	86,463	77,074 Note 3	Subsidiary
〃	SIRUBA Latin America	United States	Sales of industrial sewing machines	50,468	50,468	300	100.00%	146,502	100.00%	63	63	Subsidiary
〃	SIRUBA Vietnam	Vietnam	Sale of industrial sewing machines	9,381	9,381	-	100.00%	(15,010)	100.00%	(11,219)	(11,219)	Subsidiary
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	100.00%	1,180	-	Subsidiary

Note 1: Converted based on the exchange rate of USD 1: NTD 30.71 at the end of the period.

Note 2: The above amounts have been offset in the preparation of the consolidated financial statements.

Note 3: Adjustments for unrealized gains between transactions within the parent-subsidiary relationship.

(3) Information of Investment from Mainland China:

Notes to Consolidated Financial Statement

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

Unit: NT$ thousands

Mainland China Investee Company Name	Main businesses	Paid-in capital (Note 3,5)	Investment Method	The beginning of the current period is from Accumulated remittances from Taiwan Investment Amount (Note 3)	Remittance or Investment recoveries Amount		The cumulative investment from Cumulative investment remitted from Taiwan Amounts (Note 3)	Investee company Profit or loss for the period	Shareholding percentage of the Company's direct or indirect investments	Maximum shareholding in the period	Recognized during the period Investment income or loss (Note 2)	Investments at end of period Carrying Value	As of the end of this period Repatriated to Taiwan Investment income (Note 2,3)
					Export	Take back							
Ningbo KAUYIN Co.	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%	100.00%	77,140	1,685,635	894,648 (USD29,132)

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

Note 2: Calculated based on the financial statements audited by the parent company's certified accountants.

Note 3: The above amounts of paid-in capital, outbound investment amount, and repatriated investment income are converted based on the exchange rate of USD 1: NTD 30.71.

Note 4: The above amounts have been offset in the preparation of the consolidated financial statements.

Note 5: The paid-in capital of Ningbo Gaoyin Company includes the earnings reinvestment and merger amount of the original Gaolin Electromechanical Industry (Shenzhen) Co., Ltd., totaling USD 25,550,000.

2. Investment quota to Mainland China:

Cumulative amount of investment from Taiwan to China at the end of the period	Investment Audit Committee of Ministry of Economic Affairs approves investment in Amount (Note)	Investment quota in Mainland China according to the Investment Commission of the Ministry of Economic Affairs
336,275 (USD10,950)	1,120,915 (USD36,500)	2,245,369

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

3. Significant transactions with Mainland China investee companies:

For the period from January 1 to December 31, 2022, the consolidated company had significant direct or indirect transactions with Mainland China investee companies. Please refer to Note 13(1) for details.

(4) Major shareholder information:

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

14. Segment Information

(1) General Information

The operating decision-makers of the consolidated company allocate resources and evaluate segment performance primarily based on financial information at the plant level. Each plant has similar economic characteristics, uses similar processes to produce similar products, and sells them through a centralized sales approach. Therefore, the consolidated company reports as a single operating segment. In addition, the segment information provided to the operating decision-makers for review is based on the same measurement basis as the financial statements. Therefore, the segment revenue and operating results for 2022 and 2021 can be referenced from the consolidated statement of comprehensive income for 2022 and 2021.

(2) Information by Product and Service

The consolidated company's revenue from external customers is as follows:

Name of product and service	2022	2021
Sewing machine for thin material	$ 1,771,110	2,206,833
Sewing machine for thick material	699,946	740,165
Total	$ 2,471,056	2,946,998

(3) Information by Geographic Area

The main customers of the consolidated company are located in China, Asia, Japan, Latin America, and India. The revenue from continuing operating units from external customers is presented based on the operating locations, and the non-current assets are presented based on the locations of the assets, as shown below:

Region	**2022**	**2021**
Revenue from external customers:		
China	$ 450,820	707,350
India	239,110	315,616
Japan	419,204	460,196
Asia	382,893	427,841
Latin America	500,814	581,522
Other countries	478,215	454,473
Total	**$ 2,471,056**	**2,946,998**

Region	**Dec. 31, 2022**	**Dec. 31, 2021**
Non-current assets:		
China	$ 333,407	355,913
Asia	864,992	878,904
Latin America	50,026	48,370
Total	**$ 1,248,425**	**1,283,187**

Non-current assets include properties, plants and equipment, investment properties, intangible assets, and other assets, but do not include financial instruments and deferred tax assets.

(4) Major Customer Information

The following are the customers from whom the consolidated company derives more than 10% of its total revenue:

	2022		**2021**	
	Amount	**Estimated percentage of net sales revenue**	**Amount**	**Estimated percentage of net sales revenue**
Cline A	**$ 503,234**	**20%**	**569,873**	**19%**
Client B	**$ 322,471**	**13%**	**526,554**	**18%**