

Stock Code : 4513

FALCON MACHINE TOOLS COMPANY LIMITED & SUBSIDIARIES

Individual Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent
Auditors' Report

COMPANY ADDRESS : No. 12, Longshan 2nd St., Daya Dist., Taichung City 428 , Taiwan (R.O.C.)

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Individual Financial Statements
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Audit Report of Independent Accountants

Falcon Machine Tools Company Limited

Opinion

We have audited the accompanying individual balance sheets of Falcon Machine Tools Company Limited (the “Company”), which comprises the individual balance sheets as of December 31, 2022 and 2021, and the individual statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the individual financial statements (including a summary of significant accounting policies).

In our opinion, based on our audit evidence and the audits of component auditors. The accompanying individual financial statements present fairly, in all material respects, the individual financial position of the Company as of December 31, 2022 and 2021, and its individual financial performance and its individual cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the evidence of the audit of a component auditor is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Company’s individual financial statements for the year ended December 31, 2022 is stated as follows:

Receivable Impairment (including receivables of the subsidiaries invested by using Equity Method)

The account receivables of the Company and its subsidiaries invested by using Equity Method is significant to the financial statements. Given the recoverable of the receivables is a key factor to the company's working capital, the Company's judgements, analyses and estimations as well as the subsequent result could have impact on the account receivable. We therefore considered the receivable impairment a key audit matter.

Our audit procedure includes, but not limited to, assess the effectiveness of the Company's internal control on clients' credit risk management, its management on receivables by assessing the reasonability of the periods of the receivables' age on all groups, assess the accuracy of the original vouchers by random audit; assess the accuracy by recalculating the periods of the receivables' age according to the trading terms, judge the reasonability of allowing the individual clients to have large past due amount or long term past due, and assess the reasonability of non-individual clients' (group assess) allowance by recalculating it in accordance with allowance policy. Random audit the receivable confirmations and review the past due subsequent receivables to evaluate the possibility of recoverable.

We considered Note 5 and 6 to the individual financial statements regarding the related disclosure of the account receivables

Inventory Valuation (including inventory valuation of the subsidiaries invested by using Equity Method)

The net inventory of the Company and its subsidiaries invested by using Equity Method is significant to the financial statements. Given the Group is primarily engaged in manufacturing and processing of grinder and lathe products. And the products are tailor-made, high unit price and for long duration. The judgement on slow-moving or expired inventory valuation would be a significant factor. We therefore considered the inventory valuation a key audit matter.

Our audit procedure includes, but not limited to, understand and assess the effectiveness of the internal control on inventory, evaluate the appropriateness of the account policy on slow-moving and expired inventory, assess the accuracy of the periods of the inventories' age, evaluate and observe the age of inventory variables in order to judge the reasonability of the slow-moving and expired inventory's reserve.

We considered Note 5 and 6 to the individual financial statements regarding the related disclosure of the inventory.

Other Matter - Making Reference to the Audits of a Component Auditors

Part of the investees' financial statements in the Company's individual financial statements were audited by component auditors and have not been audited by us. Thus the amounts stated in the individual financial statements regarding the investees were according to the audits of the component auditors. As of December 31, 2022 and 2021, the investees' investment for using Equity Method were NT\$255,173 thousand and NT\$314,489 thousand respectively, which stand for 12% and 15% of the total assets. The comprehensive income shares of investees' investments in subsidiaries, associates and joint ventures for using Equity Method for the years then ended were NT\$29,012 thousand and NT\$26,577 thousand respectively, which stand for 1316% and 77%. The comprehensive income shares of the investments in associates and joint ventures for using Equity Method were NT\$36,341 thousand and NT\$(8559) thousand, which stand for 111% and 164% of other comprehensive income.

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

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Individual Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chen, Cheng-Chu and Hung, Kuo-Sen.

Ernst & Young
Taipei, Taiwan
Republic of China

March 21, 2023

No. Financial-Supervisory-Securities-Auditing-1100352201

No. Taiwan-Financial-Securities-VI-0970038990

Notice to Readers

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

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

Falcon Machine Tools Company Limited and Subsidiaries

Individual Balance Sheets

For the years then ended 2022 and 2021

Unit: NT\$ '000

Asset			December 31, 2022		December 31, 2021	
Code	Contents	Notes	Amount	%	Amount	%
	Current Asset					
1100	Cash and cash equivalents	4 & 6.1	\$138,796	7	\$170,637	8
1136	Financial assets carried at amortized cost - current	4, 6.2 & 8	-	-	6,931	-
1150	Notes receivable	4 & 6.3	17,658	1	45,091	2
1160	Notes receivable - related parties	4, 6.3 & 7	1,075	-	2,071	-
1170	Accounts receivable	4 & 6.4	217,838	10	145,236	7
1180	Accounts receivable - related parties	4, 6.4 & 7	56,012	3	16,316	1
1200	Other receivables	4 & 7	11,941	1	18,878	1
1220	Tax assets		21,916	1	-	-
130X	Inventories	4 & 6.5	549,356	26	591,328	28
1410	Prepayments		9,863	-	6,551	-
1460	Noncurrent assets held for sale	4, 6.6 & 8	78,898	4	-	-
1470	Other current assets		14,187	1	29,075	1
11XX	Total current assets		<u>1,117,540</u>	<u>54</u>	<u>1,032,114</u>	<u>48</u>
	Noncurrent assets					
1517	Financial assets at fair value through other consolidated profit or loss - noncurrent	4	22,630	1	3,760	-
1535	Financial assets carried at amortized cost - noncurrent	4, 6.2 & 8	38,413	1	34,640	2
1550	Investment accounted for using equity method	4 & 6.7	610,446	29	652,835	31
1600	Net property, plant and equipment	4, 6.8 & 8	190,914	9	302,057	14
1755	Right-of-use assets	3 & 6.16	11,148	1	20,724	1
1760	Investment property	4, 6.9 & 8	10,462	1	22,915	1
1780	Intangible assets	4	10,769	1	9,459	-
1840	Net deferred tax assets	4 & 6.20	64,930	3	58,090	3
1900	Other noncurrent assets	4	1,912	-	2,151	-
15XX	Total noncurrent assets		<u>961,624</u>	<u>46</u>	<u>1,106,631</u>	<u>52</u>
1XXX	Asset Grand Total		<u>\$2,079,164</u>	<u>100</u>	<u>\$2,138,745</u>	<u>100</u>

(Please refer to the Notes in Consolidated Financial Statements)

Chairman : LIN, TSUNG-LIN

General Manager : TUNG, SHANG-YU

Account Supervisor : PEI, YU-WEN

Falcon Machine Tools Company Limited and Subsidiaries

Individual Balance Sheets (con.)

For the years then ended 2022 and 2021

Unit: NT\$ '000

Code	Liabilities & Equities Content	Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	4 & 6.10	\$353,412	17	\$212,786	10
2110	Short-term notes payable		-	-	29,955	1
2130	Current contract liabilities	6.14	40,535	2	71,757	3
2150	Notes payable		10,130	-	9,826	1
2160	Notes payable - related parties	7	18	-	348	-
2170	Accounts payable		157,780	8	259,624	12
2180	Accounts payable - related parties	7	10,361	1	18,683	1
2200	Other payables		44,311	2	43,341	2
2230	Tax liabilities		362	-	-	-
2280	Lease liabilities - current	6.16	1,661	-	4,890	-
2320	Long-term liabilities due within one year or within one business cycle	6.11	236,727	11	126,257	6
2399	Other current liabilities - other		10,475	1	7,915	-
21XX	Total current liabilities		<u>865,772</u>	<u>42</u>	<u>785,382</u>	<u>36</u>
	Noncurrent liabilities					
2540	Long-term borrowings	4 & 6.11	313,623	15	465,771	22
2570	Net deferred tax liabilities	4 & 6.20	66,479	4	39,233	2
2580	Lease liabilities - noncurrent	6.16	7,848	-	14,135	1
2640	Accrued pension liabilities - noncurrent	4 & 6.12	4,289	-	22,914	1
2645	Guarantee deposit received		180	-	179	-
25XX	Total noncurrent liabilities		<u>392,419</u>	<u>19</u>	<u>542,232</u>	<u>26</u>
2XXX	Total liabilities		<u>1,258,191</u>	<u>61</u>	<u>1,327,614</u>	<u>62</u>
31XX	Interests attributable to parent company owner	4 & 6.13				
3100	Capital					
3110	Common stock capital		768,803	37	768,803	36
3200	Capital reserve		11,460	-	11,460	1
3300	Retained earnings					
3310	Legal reserve		22,474	1	21,054	1
3320	Special reserve		53,916	3	49,531	2
3350	Undistributed earnings (Deficit to be offset)		(11,829)	(1)	14,199	1
	Total retained earnings		<u>64,561</u>	<u>3</u>	<u>84,784</u>	<u>4</u>
3400	Other equity interests					
3410	Exchange differences resulting from translating the financial statements of foreign operations		(26,729)	(1)	(57,657)	(3)
3420	Financial assets at fair value through other consolidated profit or loss		2,878	-	3,741	-
	Unrealised gains/losses					
34XX	Total of other equity interests		<u>(23,851)</u>	<u>(1)</u>	<u>(53,916)</u>	<u>(3)</u>
3XXX	Grand total for equities		<u>820,973</u>	<u>39</u>	<u>811,131</u>	<u>38</u>
	Grand total for liabilities & equities		<u>\$2,079,164</u>	<u>100</u>	<u>\$2,138,745</u>	<u>100</u>

(Please refer to the Notes in Individual Financial Statements)

Chairman : LIN, TSUNG-LIN

General Manager : TUNG, SHANG-YU

Account Supervisor : PEI, YU-WEN

Falcon Machine Tools Company Limited and Subsidiaries

Individual Statements of Comprehensive Income

For the years then ended 2022 and 2021

Unit: NTS '000

Code	Content	Note	Year 2022		Year 2021	
			Amount	%	Amount	%
4000	Operating revenues	4, 6.14 & 7	\$1,191,535	100	\$1,055,120	100
5000	Operating costs	6.5, 6.17 & 7	(948,847)	(80)	(851,313)	(81)
5900	Operating margin		242,688	20	203,807	19
5910	Unrealized gain of sales		(43,689)	(3)	(29,593)	(3)
5920	Realized gain of sales		29,593	2	37,094	4
5950	Net operating margin		228,592	19	211,308	20
6000	Operating expenses	6.15 & 6.17				
6100	Sales and marketing expenses		(87,546)	(7)	(73,702)	(7)
6200	General and administrative expenses		(68,074)	(6)	(62,566)	(6)
6300	Research and development		(44,493)	(4)	(51,492)	(5)
6450	Expected credit impairment losses		(7,912)	-	(1,768)	-
	Total operating expenses		(208,025)	(17)	(189,528)	(18)
6900	Operating income		20,567	2	21,780	2
7000	Non-operating income and expenses	6.18 & 7				
7100	Interest income from bank deposits		745	-	177	-
7010	Other income		6,253	1	8,768	1
7020	Other gains and losses		12,062	1	(7,337)	(1)
7050	Finance costs		(22,003)	(2)	(19,397)	(2)
7070	Share of profit or loss of subsidiaries, associates & joint ventures accounted for using equity method	4 & 6.7	(19,828)	(2)	30,658	3
	Total non-operating income and expenses		(22,771)	(2)	12,869	1
7900	Net income (loss) before tax		(2,204)	-	34,649	3
7950	Income tax expenses	4 & 6.20	(20,791)	(2)	(749)	-
8200	Net income (loss)		(22,995)	(2)	33,900	3
8300	Other comprehensive net income	6.19				
8310	Not reclassified to profit or loss					
8311	Measure on defined benefit plans	6.12	3,465	-	713	-
8316	Equity instrument investment at fair value through other comprehensive					
	Unrealized profit or loss on valuation		(2,579)	-	-	-
8349	Income tax related to items that may not be reclassified subsequently to profit		(693)	-	(143)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences resulting from translating the financial statements of foreign operations		41,229	3	(11,040)	(1)
8370	Other comprehensive income of associates & joint ventures accounted for using equity method — items that may be reclassified subsequently to income tax		1,716	-	5,261	-
8399	Items that may be reclassified subsequently to income tax		(10,301)	-	-	-
	Other comprehensive income, net of tax		32,837	3	(5,209)	(1)
8500	Total comprehensive income		\$9,842	1	\$28,691	2
	Earnings per share	4 & 6.21				
9750	Basic earnings per share		\$(0.30)		\$0.44	
9850	Diluted earnings per share		\$(0.30)		\$0.44	

(Please refer to the Notes in Individual Financial Statements)

Chairman : LIN, TSUNG-LIN

General Manager : TUNG, SHANG-YU

Account Supervisor : PEI, YU-WEN

Falcon Machine Tools Company Limited and Subsidiaries

Individual Statements of Changes in Equity

For the years then ended 2022 and 2021

Unit: NT\$ '000

Content	Capital	Capital Reserve	Retained Earnings			Other Equity Interests		Total Equity
			Legal Reserve	Special Reserve	Undistributed Earnings (Deficit to be offset)	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Unrealised Gains/ Losses of Financial Assets at Fair Value through other Consolidated Profit or Loss	
Balance as of January 1, 2021	\$768,803	\$11,460	\$21,054	\$49,531	\$(20,271)	\$(46,617)	\$(1,520)	782,440
Appropriations of prior year's earnings 2020:								
Legal reserve								
Common stock cash dividend								
Profit 2021					33,900			33,900
Other comprehensive income 2021					570	(11,040)	5,261	(5,209)
Total comprehensive income					34,470	(11,040)	5,261	28,691
Balance as of December 31, 2021	\$768,803	\$11,460	\$21,054	\$49,531	\$14,199	\$(57,657)	\$3,741	\$811,131
Balance as of January 1, 2022	\$768,803	\$11,460	\$21,054	\$49,531	\$14,199	\$(57,657)	\$3,741	\$811,131
Appropriations of prior year's earnings 2021:								
Legal reserve			1,420		(1,420)			-
Special reserve				4,385	(4,385)			-
Loss 2022					(22,995)			(22,995)
Other comprehensive income 2022					2,772	30,928	(863)	32,837
Total comprehensive income					(20,223)	30,928	(863)	9,842
Balance as of December 31, 2022	\$768,803	\$11,460	\$22,474	\$53,916	\$(11,829)	\$(26,729)	\$2,878	\$820,973

(Please refer to the Notes in Individual Financial Statements)

Chairman : LIN, TSUNG-LIN

General Manager : TUNG, SHANG-YU

Account Supervisor : PEI, YU-WEN

Falcon Machine Tools Company Limited and Subsidiaries

Individual Statements of Cash Flows

For the years then ended 2022 and 2021

Unit: NT\$ '000

Content	Year 2022	Year 2021	Content	Year 2022	Year 2021
Cash flows from operating activities:			Cash flow of investment activities:		
Net income before tax	\$(2,204)	\$34,649	Financial assets measured at fair value through other comprehensive income	(25,020)	-
Adjustments to reconcile net income (loss) before tax to net cash:			Financial assets measured at amortized cost	-	(5,607)
Provided by (used in) operating activities:			Disposal of financial assets measured at amortized cost	6,931	130
Depreciation	31,519	34,131	Property, plant and equipment	(2,583)	(3,599)
Amortization	2,078	2,066	Disposal of property, plant and equipment	194	138
Expected credit loss (gain)	7,912	1,768	Prepayment for equipments	-	8,816
Interest expenses	22,003	19,397	Intangible assets	(362)	(8,965)
Interest income from bank deposits	(745)	(177)	Loss (gain) of other noncurrent assets	-	(1,170)
Dividend revenue	(10)	-	Dividend received (cash dividend of the year of investments accounted for using equity method)	2,501	-
Share of profit of subsidiaries, associates & joint ventures accounted for using equity method	19,828	(30,658)	Repayment of reduction of capital from investees for using equity method	23	-
Gain from disposal of property, plant and equipment	(194)	(138)	Acquisition of investment for using equity method	(50,000)	-
Non-financial asset impairment loss	785	-	Earnings from invested company for using equity method	109,060	-
Loss for market price decline and obsolete and slow-moving inventories	39,057	13,142	Investment activities - net cash outflow	40,744	(10,257)
Profit from lease modification	(103)	-	Cash flow of financing activities	963,617	982,099
Unrealized foreign currency exchange (gains) losses	(3,773)	871	Decrease in short-term borrowings	(822,991)	(1,092,546)
Changes in operating assets and liabilities:			Increase in short-term notes payable	120,430	120,360
Reduce in notes receivables (increase)	28,429	(475)	Decrease in short-term notes payable	(150,385)	(120,331)
Increase in account receivables	(80,514)	(54,597)	Long-term loans	496,677	145,315
Increase in account receivables - related parties	(39,696)	(5,264)	Long-term loans payments	(538,355)	(59,887)
Other receivables	6,937	(1,796)	Guarantee deposit received	1	(351)
Inventories	39,531	(124,899)	Lease liabilities payments	(6,935)	(6,338)
Prepayments	(3,312)	372	Net cash flow of financing activities	62,059	(31,679)
Other current assets	4,713	(2,957)	Increase in cash and cash equivalents	(31,841)	(5,639)
Contract liabilities - current	(31,222)	33,686	Beginning balance of cash and cash equivalents	170,637	176,276
Increase (reduce) in notes payable	(26)	159	Ending balance of cash and cash equivalents	\$138,796	\$170,637
Increase (reduce) in account receivables	(110,166)	134,282			
Other payable	(2,723)	12,626			
Other current liabilities	2,560	(2,232)			
Accrued pension liabilities - noncurrent	(15,160)	(9,283)			
Cash generated from operations	(84,496)	54,673			
Interest received	745	177			
Interest paid	(17,970)	(18,553)			
Dividend received	10	-			
Income tax paid	(32,933)	-			
Net cash provided by (used in) operating activities	(134,644)	36,297			

(Please refer to the Notes in Individual Financial Statements)

Chairman : LIN, TSUNG-LIN

General Manager : TUNG, SHANG-YU

Account Supervisor : PEI, YU-WEN

Falcon Machine Tools Company Limited

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. GENERAL

Falcon Machine Tools Company Limited (the Company) was incorporated in 1978 as Falcon Manufacturing Company Limited. The company's primary businesses are manufacturing and processing grinders, lathes, millers, planers, drill presses, saw machines etc., and their surrounding businesses, as well as manufacturing and trading computer accessories and electronic parts.

In response to the international business environment and our diversification development strategy, we renamed the Company to the current name. The Company listed on Taipei Exchange since March 25, 1998. Although our registered address is at Tai Chung City, our main operating business address is at No.34, Xingong Road, Shengang, Changhua County 509, Taiwan (R.O.C.).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying individual financial statements were approved and authorized for issue by the Board of Directors of Falcon Machine Tools Company Limited on March 21, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

1. Effect on the accounting policy due to the initial application of the International Financial Reporting Standards (IFRS).

The initial application of the amendments to the IFRS, International Accounting Standards (IAS), IFRIC, and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect since January 1, 2022 by Financial Supervisory Commission (FSC) did not have significant effect on the Company's accounting policies.

2. Up to the date of the Company's financial statements were approved and authorized for issue, the Company did not adopt the following IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC.

Item	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
1	Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
2	Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
3	Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

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(1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments improve the disclosures of accounting policies in order to provide more useful information to the users of the financial statements.

(2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments provide a clearer definition for accounting estimates, and amended IAS 8 regarding the “accounting policies, changes in accounting estimates and errors” in order to assist corporates to distinguish the differences between the changes in accounting policies and the changes in accounting estimates.

(3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxation and deductible temporary differences.

The Company judged that the abovementioned standards and interpretations issued by IASB and endorsed by FSC on January 1, 2023 and applicable to the financial years thereafter have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period when the Company’s financial statements were approved and authorized for issue are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	IFRS 10 “Consolidated Financial Statements “and IAS 28 Investments in Associates and Joint Ventures”— Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
2	IFRS 17 Insurance Contracts	January 1, 2023
3	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
4	IFRS 16 - Lease Liability Measurement in Sale and Leaseback	January 1, 2024
5	Noncurrent Liabilities with Covenants (Amendments to IFRS 1)	January 1, 2024

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- (1) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associates or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or losses resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (2) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfillment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and was amended in 2021, and 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); providing additional transition reliefs; simplifying some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

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(3) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(4) IFRS 16 - Lease Liability Measurement in Sale and Leaseback

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

(5) Noncurrent Liabilities with Covenants (Amendments to IAS 1)

The amendments with respect to classification (as current or non-current), presentation and disclosures of liabilities for which an entity's right to defer settlement for at least 12 months is subject to the entity complying with conditions after the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses all standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of Compliance

The Company's individual financial statements as of and for the years ended December 31, 2022 and 2021 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations).

2. Basis of Preparation

The Company prepared individual financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the individual financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the individual financial statements for the period, and the total equity presented in the individual financial statements shall be the same as the equity attributable to the parent company presented in the individual financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The individual financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The individual financial statements are expressed in thousand of New Taiwan Dollars ("NT\$") unless otherwise stated

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3. Foreign Currency Transactions

The Company's individual financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the individual financial statements are measured using that functional currency

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following.

- (1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (2) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.
- (3) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

4. Translation of Financial Statements in Foreign Currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

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On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

5. Current and non-current distinction

An asset is classified as current when:

- (1) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (2) The Company holds the asset primarily for the purpose of trading;
- (3) The Company expects to realize the asset within twelve months after the reporting period;
- (4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is classified as current when:

- (1) The Company expects to settle the liability in normal operating cycle;
- (2) The Company holds the liability primarily for the purpose of trading;
- (3) The liability is due to be settled within twelve months after the reporting period;
- (4) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current

6. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

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7. Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial assets: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. The Company's business model for managing the financial assets and
- B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

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Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

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(2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. The time value of money; and
- C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

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- A. The rights to receive cash flows from the asset have expired
- B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equities

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

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Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

8. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (1) In the principal market for the asset or liability, or
- (2) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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9. Inventory

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – By actual purchase cost with weighted average method.
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

10. Noncurrent assets held for sale

Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

11. Investments accounted for using equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the individual financial statements under IAS 10 “Consolidated and Separate Financial Statements” and the different IFRSs adopted from different reporting entity’s perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

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The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

12. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

<u>Item</u>	<u>Useful Life</u>
Buildings	5~55 years
Machinery and equipment	4~10 years
Office equipment	2~20 years
Transportation equipment	3~10 years
Other equipment	2~20 years
Lease improvement	According to lease term or useful economic life whichever is shorter
Mould equipment	3 years

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13. Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal company that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

<u>Item</u>	<u>Useful Life</u>
Buildings	37 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

14. Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (1) The right to obtain substantially all of the economic benefits from use of the identified asset; and
- (2) The right to direct the use of the identified asset.

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For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (1) Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (3) Amounts expected to be payable by the lessee under residual value guarantees;
- (4) The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (1) The amount of the initial measurement of the lease liability;
- (2) Any lease payments made at or before the commencement date, less any lease incentives received;
- (3) Any initial direct costs incurred by the lessee; and
- (4) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

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15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	<u>Computer Software</u>	<u>Golf License</u>
Useful economic life	Limited	Uncertain
Amortization method	Straight-line method during the estimated economic life	Not to amortize
Internally generated or acquired externally	Acquired externally	Acquired externally

16. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

17. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

18. Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

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Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is machine tools and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

Accounts receivable are generally on 30 to 360 day terms. Due to the natural of the industry, some customers' accounts receivable was longer than the abovementioned day terms. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to transfers the goods subsequently; accordingly, these amounts are recognized as contract liabilities.

Rendering of services

The Company provides maintenance for high unit price machine equipment. Such services are separately priced or negotiated, and provided based on particular point of time. As the customers receive the benefits at a particular point of time, the Company's performance obligations are satisfied simultaneously, and the related revenue are then recognized when the services completed.

19. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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20. Post-employment benefits

All regular employees of the Company are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's individual financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employee subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit and loss on the earlier of:

- (1) The date of the plan amendment or curtailment, and
- (2) The date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

21. Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (1) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (1) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized according.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

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5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUNPTIONS

The preparation of the Company's individual financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

1. Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1) Investment properties

The Company uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions cannot be sold separately, the property is classified as investment property and property, plant and equipment if the own-use portion is immaterial to the property. Please refer to Note 6 for details.

(2) Operating lease commitment - Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(3) No control with a majority of the voting rights in investees

The Company does not own more than 50% shares although it is the largest shareholder of the investees. After taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread is the remaining shareholding, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has no control over these investees. Please refer to Note 6 for further details.

2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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(1) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for more details.

(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(3) Accounts receivable – estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(4) Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

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6. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalent

	2022.12.31	2021.12.31
Savings	\$137,793	\$169,512
Cash and petty cash	1,003	1,125
Total	<u>\$138,796</u>	<u>\$170,637</u>

2. Financial assets measured at amortized cost

	2022.12.31	2021.12.31
Fixed-term deposits	<u>\$38,413</u>	<u>\$41,571</u>
Current	\$-	\$6,931
Noncurrent	38,413	34,640
Total	<u>\$38,413</u>	<u>\$41,571</u>

Part of the Company's financial assets were classified as financial assets measured at amortized cost pledged as collaterals. Please refer to Note 8 for further details and Note 12 for details regarding credit risk.

3. Notes receivables, net and notes receivables – related parties, net

	2022.12.31	2021.12.31
Notes receivable arising from operating activities	\$17,658	\$45,091
Notes receivables – related parties	1,075	2,071
Total	<u>\$18,733</u>	<u>\$47,162</u>

Notes receivables were not pledged.

The group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.15 for more details on loss allowance and Note 12 for details regarding credit risk.

4. Accounts receivable, net and Accounts receivable – related parties, net

	2022.12.31	2021.12.31
Accounts receivable	\$232,777	\$155,547
Less: loss allowance	(14,939)	(10,311)
Total	217,838	145,236
Accounts receivable – related parties	56,012	16,316
Total	<u>\$273,850</u>	<u>\$161,552</u>

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The general payment term are 30 to 360 days. Due to the natural of the industry, some customers' payment terms were longer than the abovementioned payment terms. The total carrying amount for the years ended December 31, 2022 and 2021, were NT\$288,789 thousand and NT\$171,863 thousand, respectively. Please refer to Note 6.15 for further details on loss allowance of accounts receivable for year ended December 31, 2022 and 2021, and Note 12 for details regarding credit risk.

Please refer to Notes 8 for further details regarding the pledge of accounts receivable as collateral.

5. Inventory

(1) Listed as follow:

	2022.12.31	2021.12.31
Raw Materials	\$270,153	\$332,291
Work in progress	104,242	128,362
Finished goods	88,365	97,019
Semi-finished goods	33,508	33,656
Merchandises	1,143	-
Total	497,411	591,328
Underconstruction (Note)	51,945	-
Total	<u>\$549,356</u>	<u>\$591,328</u>

Note: The Company made a successful bid in November 2022 for a land development joint project with Taiwan Sugar Corporation.

(2) Regconized sales cost for gains or losses:

For the year ended December 31, 2022 and 2021, the inventory costs of sales costs were NT\$948,847 thousand and NT\$851,313 thousand respectively, including recognized inventory depreciation and slow-moving losses, which were NT\$39,057 thousand and NT\$13,142 thousand respectively.

The cost of inventories for sale recognized in expenses amounts to NT\$948,847 thousand for the year ended December 31, 2022 while NT\$851,313 thousand for the year ended December 31, 2021, including the losses of NT\$39,057 thousand and NT\$13,142 thousand respectively for depreciation and slow-moving of inventories.

The inventories were not pledged.

6. Noncurrent assets held for sale

	2022.12.31	2021.12.31
Property and its accompanied equipment held for sale	<u>\$78,898</u>	<u>\$-</u>

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The Company entered into a contract with E-tech Machinery Inc. on December 29, 2022 to sell its property and the accompanied equipment located at Daya District, Tai Chung City, Taiwan (R.O.C.) following a resolution from the Company's board meeting held on December 22, 2022. Thus, NT\$67,146 thousand and NT\$11,752 thousand were transferred to noncurrent assets held for sale from Properties, plants and equipment, and investment properties respectively.

There was no impairment loss as the selling price of the property and its accompanied equipment held for sale was expected to be higher than the face amounts in properties, plants and equipment, and investment properties.

Please refer to Note 8 for further details regarding noncurrent assets held for sale – land under pledge.

7. Investments accounted for using equity method

Investee Companies	2022.12.31		2021.12.31	
	Amount	Ownership	Amount	Ownership
Subsidiaries				
Chevalier Machinery, Inc.	\$229,948	100.00%	\$290,056	100.00%
Lucky Investment Services Ltd.	168,387	100.00%	216,346	100.00%
Lin Yu International Industrial Co., Ltd.	49,395	100.00%	-	-%
Associates				
Focus CNC Co., Ltd.	137,491	39.18%	122,000	39.18%
Hwang Kang Machinery Co., Ltd.	25,225	40.18%	24,433	35.22%
Total	<u>\$610,446</u>		<u>\$652,835</u>	

Judgement on Significant influence:

Although the Company holds 39.18% of ownership and is the largest shareholder of Focus CNC Co., Ltd., the Company does not own the major voting rights as the other two shareholders hold 32.86% and 7.06% of ownership respectively and are able to align and prevent the Company from ruling the relevant operation. Therefore, the Company does not control but owns significant influence over the abovementioned associate.

Although the Company holds 40.18% of ownership and is the largest shareholder of Hwang Kang Machinery Co., Ltd., the Company does not own the major voting rights as the remaining voting rights holders are able to align and prevent the Company from ruling the relevant operation. Therefore, the Company does not control but owns significant influence over the abovementioned associate.

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(1) Subsidiary

The Company invested NT\$ 50,000 thousand in year 2022 to Lin Yu International Industrial Co., Ltd.

The Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary valuations and adjustments.

(2) Investments of associates

The abovementioned associates did not make public offering in the year ended December 31, 2022 and 2021.

The associates had no contingent liabilities or capital commitments and did not provide any guarantee.

The Company's investment in Focus CNC Co. Ltd. and Hwang Kang Machinery Co., Ltd. are immaterial. The aggregate amount of the Company's shares of the abovementioned associates are as follows:

Investee	2022.01.01~2022.12.31		
	Investment	Other	Current Period
	Income	Comprehensive Income	Comprehensive Income
Focus CNC Co., Ltd.	\$16,276	\$1,716	\$17,992
Hwang Kang Machinery Co., Ltd.	815	-	815
Total	<u>\$17,091</u>	<u>\$1,716</u>	<u>\$18,807</u>
Investee	2021.01.01~2021.12.31		
	Investment	Other	Current Period
	Income	Comprehensive Income	Comprehensive Income
Focus CNC Co., Ltd.	\$8,504	\$5,261	\$13,765
Hwang Kang Machinery Co., Ltd.	3,440	-	3,440
Total	<u>\$11,944</u>	<u>\$5,261</u>	<u>\$17,205</u>

(3) Other investments

The dividends received from the subsidiaries for year ended December 31, 2022 and 2021 were NT\$2,501 thousand and NT\$0 respectively.

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- (4) The gains and losses of the investments accounted for using equity method of investees were audited by component auditors and the details are as follow:

Investee	2022			
	Investment Gains and Losses	Translation Adjustment	Other Comprehensive Income	Unrealized Gross Margin
Chevalier Machinery, Inc.	\$28,197	\$36,341	\$-	\$(15,586)
Focus CNC Co., Ltd.	16,276		1,716	-
Hwang Kang Machinery Co. Ltd.	815	-	-	-
Lin Yu International Industrial Co., Ltd.	(605)	-	-	-
Lucky Investment Services Ltd.	(64,511)	4,888	-	1,490
Total	<u>\$(19,828)</u>	<u>\$41,229</u>	<u>\$1,716</u>	<u>\$(14,096)</u>

Investee	2021			
	Investment Gains and Losses	Translation Adjustment	Other Comprehensive Income	Unrealized Gross Margin
Chevalier Machinery, Inc.	\$23,137	\$(8,559)	\$-	\$7,599
Focus CNC Co., Ltd.	8,504	-	5,261	-
Hwang Kang Machinery Co. Ltd.	3,440	-	-	-
Lin Yu International Industrial Co., Ltd.	(4,423)	(2,481)	-	(98)
Total	<u>\$30,658</u>	<u>\$(11,040)</u>	<u>\$5,261</u>	<u>\$7,501</u>

The financial statements of Chevalier Machinery, Inc. and Hwang Kang Machinery Co., Ltd. for the year ended December 31, 2022 and 2021 were audited by component auditors. The amounts of investment accounted for using equity method were NT\$255,173 thousand and NT\$314,489 thousand respectively. The shares of the subsidiaries, associates and joint ventures accounted for using equity method were NT\$29,012 thousand and NT\$26,577 thousand respectively while the shares of the other comprehensive income of the subsidiaries, associates and joint ventures accounted for using equity methods were NT\$36,341 thousand and NT\$(8,559) thousand.

- (5) Please refer to Notes 13.2 and 13.3 for further details regarding the Company's investment in Mainland China.

8. Property, plant and equipment

	2022.12.31	2021.12.31
Owner occupied property, plant and equipment	<u>\$190,914</u>	<u>\$302,057</u>

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(1) Owner occupied property, plant and equipment

2022.01.01-2022.12.31									
	Land	Buildings	Machinery & equipment	Office equipment	Transportation equipment	Other equipment	Lease improvement	Mould equipment	Total
<u>Cost :</u>									
2022.01.01	\$151,428	\$352,582	\$209,007	\$36,283	\$45,667	\$99,486	\$462	\$2,465	\$897,380
Additions	-	211	-	663	-	429	-	1,280	2,583
Disposals	-	-	(2,698)	(209)	-	(123)	-	-	(3,030)
Transfer	(46,103)	(77,553)	(31,225)	-	(3,891)	(5,962)	-	-	(164,734)
2022.12.31	\$105,325	\$275,240	\$175,084	\$36,737	\$41,776	\$93,830	\$462	\$3,745	\$732,199
<u>Depreciation and impairment :</u>									
2022.01.01	\$-	\$274,951	\$158,458	\$30,590	\$43,289	\$86,967	\$450	\$618	\$595,323
Depreciation	-	7,748	7,117	3,537	633	3,927	12	1,086	24,060
Disposals	-	-	(2,698)	(209)	-	(123)	-	-	(3,030)
Transfer	-	(56,881)	(8,705)	-	(3,891)	(5,591)	-	-	(75,068)
2022.12.31	\$-	\$225,818	\$154,172	\$33,918	\$40,031	\$85,180	\$462	\$1,704	\$541,285
2021.01.01-2021.12.31									
	Land	Buildings	Machinery & equipment	Office equipment	Transportation equipment	Other equipment	Lease improvement	Mould equipment	Total
<u>Cost :</u>									
2021.01.01	\$145,388	\$347,952	\$199,235	\$35,190	\$50,747	\$99,622	\$462	\$795	\$879,391
Additions	-	155	522	990	-	262	-	1,670	3,599
Disposals	-	-	(769)	(774)	(5,080)	(398)	-	-	(7,021)
Transfer	6,040	4,475	10,019	877	-	-	-	-	21,411
110.12.31	\$151,428	\$352,582	\$209,007	\$36,283	\$45,667	\$99,486	\$462	\$2,465	\$897,380
<u>Depreciation and impairment</u>									
2021.01.01	\$-	\$263,154	\$151,198	\$27,609	\$47,649	\$81,635	\$398	\$99	\$571,742
Depreciation	-	7,905	8,307	3,755	720	5,730	52	519	26,988
Disposals	-	-	(769)	(774)	(5,080)	(398)	-	-	(7,021)
Transfer	-	3,892	(278)	-	-	-	-	-	3,614
2021.12.31	\$-	\$274,951	\$158,458	\$30,590	\$43,289	\$86,967	\$450	\$618	\$595,323
<u>Net carrying amount as of :</u>									
2022.12.31	\$105,325	\$49,422	\$20,912	\$2,819	\$1,745	\$8,650	\$-	\$2,041	\$190,914
2021.12.31	\$151,428	\$77,631	\$50,549	\$5,693	\$2,378	\$12,519	\$12	\$1,847	\$302,057

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- (2) Significant components of the building include the main building structure and air-conditions, which are depreciated over useful lives of 50 and 5 years respectively.
- (3) Please refer to Note 8 for further details regarding property, plant and equipment under pledge
- (4) There was no interest capitalized due to purchasing of property, plant and equipment in years 2022 and 2021.

9. Investment properties

	Land	Buildings	Total
Cost :			
2022.01.01	\$13,240	\$ 23,095	\$36,335
Reclassification	(8,027)	(13,705)	(21,732)
2022.12.31	<u>\$5,213</u>	<u>\$9,390</u>	<u>\$14,603</u>
2021.01.01	\$19,280	\$27,570	\$46,850
Reclassification	(6,040)	(4,475)	(10,515)
2021.12.31	<u>\$13,240</u>	<u>\$ 23,095</u>	<u>\$36,335</u>
Depreciation and impairment:			
2022.01.01	\$-	\$13,420	\$13,420
Depreciation	-	701	701
Reclassification	-	(9,980)	(9,980)
2022.12.31	<u>\$-</u>	<u>\$4,141</u>	<u>\$4,141</u>
2021.01.01	\$-	\$16,423	\$16,423
Depreciation	-	889	889
Reclassification	-	(3,892)	(3,892)
2021.12.31	<u>\$-</u>	<u>\$13,420</u>	<u>\$13,420</u>
Net carrying amount:			
2022.12.31	<u>\$5,213</u>	<u>\$5,249</u>	<u>\$10,462</u>
2021.12.31	<u>\$13,240</u>	<u>\$9,675</u>	<u>\$22,915</u>
		2022	2021
Income from investment properties rental		<u>\$1,927</u>	<u>\$1,900</u>

Please refer to Note 8 for further details regarding the investment properties under pledge.

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Investment property held by the Company are not measured at the fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair values of investment properties were NT\$24,743 thousand and NT\$269,251 thousand as of December 31, 2022 and December 31, 2021, respectively. The fair values had been determined based on the evaluation by an independent appraiser and the recent transaction prices of similar objects recorded on Actual Price Registration of Real Estate Transactions of Ministry of Interior

10. Short-term loans

	2022.12.31	2021.12.31
Secured bank loans	\$240,000	\$180,000
Unsecured bank loans	113,412	32,786
Total	<u>\$353,412</u>	<u>\$212,786</u>
Interest Rate (%)	2.24%~2.80%	1.19%~2.14%

The Company's unused short-term lines of credits amounts to NT\$356,588 thousand and NT\$524,197 thousand as of December 31, 2022 and 2021, respectively.

The accompanied secured bank loans were pledged with part of the lands and buildings. Please refer to Note 8 for further details.

11. Long-term loans

(1) As of December 31, 2022:

Lender	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Taiwan Cooperative Bank – Hemei Branch (Note 1)	Pledge loan	\$337,500	2.6625%	From February 17, 2020 to February 17, 2025. The loan shall be repaid starting 24 months from the first usage date. The un-repaid loan shall be fully repaid in 13 quarter installments. Interest is calculated once a month.
Bank of Panhsin – Taichung Branch	Pledge loan	60,000	2.2300%	From February 22, 2022 to February 22, 2023. Interest calculated once every three months. The loan is due to be settled.
Export-Import Bank of the Republic of China	LC Financing Loan	7,524	6.7865%	From May 24, 2022 to January 16, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,002	6.7865%	From May 24, 2022 to January 31, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	5,282	5.8140%	From June 7, 2022 to February 27, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,008	4.7569%	From September 5, 2022 to August 6, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,278	5.2854%	From September 19, 2022 to August 15, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	9,213	5.8879%	From October 17, 2022 to July 22, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.

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Lender	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	4,146	5.8985%	From October 18, 2022 to September 24, 2024. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,440	6.5903%	From February 22, 2021 to January 3, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	1,075	5.7162%	From March 10, 2021 to February 3, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,422	6.5903%	From April 15, 2021 to March 6, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,493	5.1291%	From May 10, 2021 to March 29, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	6,956	5.7162%	From June 15, 2021 to May 8, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,992	6.5903%	From July 13, 2021 to June 12, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,457	6.5903%	From July 13, 2021 to June 1, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,040	6.5903%	From July 26, 2021 to June 27, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,155	5.8140%	From September 6, 2021 to July 28, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	11,332	6.6160%	From November 8, 2021 to September 5, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	17,167	6.6160%	From December 3, 2021 to October 16, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,822	6.6160%	From December 10, 2021 to October 26, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,917	6.6160%	From December 15, 2021 to November 9, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	1,689	1.5539%	From December 22, 2021 to November 9, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,440	1.4165%	From January 7, 2021 to November 29, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	12,960	1.8076%	From March 7, 2021 to December 7, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	7,370	5.7082%	From March 23, 2021 to December 20, 2023. Interest calculated once every quarter. The loan is due to be settled of capital and interest.
Total		551,680		
Less: Current portion of long-term loans		(236,727)		
Less: Admin fee		(1,330)		
Total		\$313,623		

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(2) As of December 31, 2021

Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Taiwan Cooperative Bank – Hemei Branch (Note 1)	Pledge Loan	\$450,000	2.0848%	From February 17, 2020 to February 17, 2025. The loan shall be repaid starting 24 months from the first usage date. The un-repaid loan shall be fully repaid in 13 quarter installments. Interest is calculated once a month.
Bank of Panhsin – Taichung Branch	Pledge Loan	45,500	1.6100%	From February 22, 2021 to February 20, 2023. Interest calculated on the day of usage. Interest to be settled once a month.
Export-Import Bank of the Republic of China	LC Financing Loan	15,473	1.4477%	From December 3, 2021 to October 16, 2023. The loan is due to be settled.
Bank of Panhsin – Taichung Branch	Pledge Loan	14,500	1.6500%	From August 20, 2021 to February 22, 2023. Interest calculated on the day of usage. Interest to be paid once a month.
Export-Import Bank of the Republic of China	LC Financing Loan	10,214	1.3882%	From November 8, 2021 to September 5, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	6,754	1.4674%	From May 10, 2021 to March 29, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	6,450	1.3188%	From September 6, 2021 to July 28, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	6,270	1.3276%	From June 15, 2021 to May 8, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,346	1.4674%	From December 10, 2021 to October 26, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	4,069	1.3276%	From June 24, 2020 to May 30, 2022. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,986	1.3943%	From April 15, 2021 to March 6, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,598	1.3943%	From July 13, 2021 to June 12, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	3,100	1.3943%	From February 22, 2021 to January 3, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,768	1.3276%	From December 7, 2020 to November 7, 2022. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,740	1.3943%	From July 26, 2021 to June 27, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,630	1.4748%	From December 15, 2021 to November 9, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,381	1.3276%	From December 29, 2020 to November 28, 2022. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,325	1.3743%	From July 23, 2020 to June 23, 2022. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,214	1.4674%	From November 9, 2020 to October 10, 2022. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	2,214	1.3943%	From May 10, 2021 to March 29, 2023. The loan is due to be settled of capital and interest.

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Lenders	Type	Amount	Interest Rate	Maturity and Terms of Repayment
Export-Import Bank of the Republic of China	LC Financing Loan	1,522	1.5539%	From December 22, 2021 to November 9, 2023. The loan is due to be settled of capital and interest.
Export-Import Bank of the Republic of China	LC Financing Loan	969	1.3276%	From March 10, 2021 to February 3, 2023. The loan is due to be settled of capital and interest.
Total		<u>594,023</u>		
Less: Current portion of long term loans		(126,257)		
Less: Admin fee		(1,995)		
Total		<u><u>\$465,771</u></u>		

Note 1: The Company obtained a bank loan with seven financial institutes including Taiwan Cooperative Bank, the bank loan agreement stipulated that the ratio of current assets to current liabilities shall not be lower than 100%, the ratio of liabilities to net tangible assets shall not be higher than 180%, the net value of tangible assets shall not be lower than NT\$800,000,000, and the interest coverage shall be above 300%. Administration fee is 0.35% of the total line of credit, the fee shall be paid within 5 working days to Taiwan Cooperative Bank after the approval of the line of credit.

- (3) The accompanied secured bank loans were pledged with part of the lands and buildings. Please refer to Note 8 for further details.
- (4) The Company did not fulfill the abovementioned stipulations in year 2022 and 2021 thus is required to pay additional 0.25% of the unpaid balance to the credit banks monthly until it could fulfill the stipulations. In return, the credit banks shall not claim the Company violated the agreed stipulations.

12. Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 amounted to NT\$5,413 thousand and NT\$4,563 thousand, respectively.

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Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units.

Under the Labor Standards Act, the Company contributes an amount equivalent to 6% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$8,108 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

As of December 31, 2022 and 2021, the weighted-average life of the Company's defined benefit plan were 6 and 10 years respectively.

Pension costs recognized in profit or loss is as follows:

	2022	2021
Current period service costs	\$538	\$545
Net interest expense (income)	107	105
Total	<u>\$645</u>	<u>\$650</u>

Reconciliation in the defined benefit obligation and fair value of plan assets are as follows:

	2022.12.31	2021.12.31
Defined benefit obligation	\$61,286	\$65,927
Plan assets at fair value	<u>(56,997)</u>	<u>(43,013)</u>
Other non-current liabilities – net defined benefit liability	<u>\$4,289</u>	<u>\$22,914</u>

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Reconciliation of liability of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2021	\$66,759	\$(33,849)	\$32,910
Current period service costs	545	-	545
Net interest expense (income)	254	(149)	105
Subtotal	<u>67,558</u>	<u>(33,998)</u>	<u>33,560</u>
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in financial assumptions	(2,073)	-	(2,073)
Experience adjustments	1,817	-	1,817
Re-measurement on defined benefit assets	-	(457)	(457)
Subtotal	<u>(256)</u>	<u>(457)</u>	<u>(713)</u>
Benefits paid	(1,375)	1,375	-
Contributions by employer	-	(9,933)	(9,933)
As of December 31, 2021	65,927	(43,013)	22,914
Current period service costs	538	-	538
Net interest expense (income)	424	(317)	107
Subtotal	<u>66,889</u>	<u>(43,330)</u>	<u>23,559</u>
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	20,429	-	20,429
Actuarial gains and losses arising from changes in financial assumptions	40,857	-	40,857
Experience adjustments	(61,571)	-	(61,571)
Experience adjustments	-	(3,180)	(3,180)
Re-measurement on defined benefit assets	(285)	(3,180)	(3,465)
Subtotal	<u>(5,318)</u>	<u>(2,379)</u>	<u>(7,697)</u>
Benefits paid	-	(8,108)	(8,108)
Contributions by employer	<u>\$61,286</u>	<u>\$(56,997)</u>	<u>\$4,289</u>

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2022.12.31	2021.12.31
Discount rate	1.20%	0.70%
Expected rate of salary increases	1.20%	1.00%

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Sensitivity analysis:

	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased 0.5%	\$-	\$1,227	\$-	\$1,445
Discount rate decreased 0.5%	2,316	-	4,339	-
Expected salary increased 0.5%	2,295	-	4,303	-
Expected salary decreased 0.5%	-	1,232	-	1,447

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time.

The method used in the analysis is consistent for both current and prior years

13. Equity

(1) Common stock

As of December 31, 2022 and 2021, the Company's authorized capital was NT\$1,350,000 thousand, the Company's paid-in capital was NT\$768,803 thousand, each share at par value of NT\$10, divided into 76,880 thousand shares. Each share contains a right of vote and a right of dividend.

(2) Capital surplus

	2022.12.31	2021.12.31
Additional paid-in capital	\$6,000	\$6,000
Others	5,460	5,460
Total	<u>\$11,460</u>	<u>\$11,460</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of share dividend to its shareholders in proportion to the number of shares being held by each of them.

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(3) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Payment of all taxes and dues;
- (b) Offset prior years' operation losses;
- (c) Set aside 10% of the remaining amount as legal reserve.
- (d) Set aside or reverse special reserve in accordance with law and regulations; and
- (e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting

The distribution of dividends to shareholders of the company can be paid in cash or shares. The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition, capital budgets as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The dividends in cash shouldn't less than 10% of the shareholder dividends. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

According to Taiwan's Company Act, the Company needs to set aside an amount as legal reserve unless where such legal reserve amounts to the amount of total paid-in capital. The legal reserve can be used to make good the deficit. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate 1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion and transfer to retained earnings.

As of December 31, 2022 and 2021, special reserve set aside for the first-time adoption of T-IFRS amounted to NT\$49,531 thousand. The Company did not incur any special reserve to retained earnings during the year ended December 31, 2022 and 2021.

The appropriations of earnings for the years 2022 and 2021 were approved through the Board meeting and stockholders' meeting held on March 21, 2023 and June 22, 2022, respectively. The details of the distributions are as follows.

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	Appropriation of earnings		Dividend per share (in NT\$)	
	2022	2021	2022	2021
Legal reserve	\$-	\$1,420	\$-	\$-
Special reserve	-	4,385	-	-

Please refer to Note 6.17 for details on employees' compensation and remuneration to directors and supervisors.

14. Operating revenues

	2022	2021
Revenue from contracts with customers		
Sale of goods	\$1,172,864	\$1,034,601
Labor services	15,270	14,887
Other revenue	3,401	5,632
Total	<u>\$1,191,535</u>	<u>\$1,055,120</u>

Analysis of revenue from contracts with customers during the years ended December 31, 2022 and 2021 are as follows:

(1) Disaggregation of revenue

	2022	2021
Sale of goods	\$1,172,864	\$1,034,601
Labor services	15,270	14,887
Other income	3,401	5,632
Total	<u>\$1,191,535</u>	<u>\$1,055,120</u>

The timing for revenue recognition of the Company and the Customers:
at a same point in time

(2) Contract balances

Contract liabilities - current

	2022.12.31	2021.12.31	2021.01.01
Sale of goods	<u>\$40,535</u>	<u>\$71,757</u>	<u>\$38,071</u>

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The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
The opening balance transferred to revenue	\$(71,627)	\$(36,153)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	40,405	69,839
Total	<u>\$(31,222)</u>	<u>\$33,686</u>

15. Expected credit losses (gain)

	2022	2021
Operating expenses – expected credit losses (gains)		
Account receivables	<u>\$7,912</u>	<u>\$1,768</u>

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including notes receivable, notes receivable – related parties, accounts receivable and accounts receivable – related parties) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2022 and 2021 are as follows:

As of December 31, 2022

	Not yet due		Past due			Total
	(Note)	1-90 days	91-180 days	181-365 days	366 days or above	
Gross carrying amount	\$271,929	\$18,565	\$2,065	\$145	\$14,818	\$307,522
Loss ratio	-%	0.5%	1%	5%	100%	
Lifetime expected credit losses	-	(93)	(21)	(7)	(14,818)	(14,939)
Carrying amount of trade receivables	<u>\$271,929</u>	<u>\$18,472</u>	<u>\$2,044</u>	<u>\$138</u>	<u>\$-</u>	<u>\$292,583</u>

December 31, 2021

	Not yet due		Past due			Total
	(Note)	1-90 days	91-180 days	181-365 days	366 days or above	
Gross carrying amount	\$201,123	\$4,010	\$1,660	\$2,060	\$10,172	\$219,025
Loss ratio	-%	0.5%	1%	5%	100%	
Lifetime expected credit losses	-	(20)	(16)	(103)	(10,172)	(10,311)
Carrying amount of trade receivables	<u>\$201,123</u>	<u>\$3,990</u>	<u>\$1,644</u>	<u>\$1,957</u>	<u>\$-</u>	<u>\$208,714</u>

Note: All the Company's notes receivables were not past due

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The movement in the provision for impairment of account receivable (including notes receivable, notes receivable – related parties, accounts receivable and account receivable – related parties) for the years ended December 31, 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
2022.01.01	\$-	\$10,311
Addition for the current period	-	7,912
Write off	-	(3,284)
2022.12.31	<u>\$-</u>	<u>\$14,939</u>
2021.01.01	\$-	\$8,543
Addition for the current period	-	1,768
2021.12.31	<u>\$-</u>	<u>\$10,311</u>

16. Leases

(1) The Company as a lessee

The group leases properties, including lands, buildings and constructions. The lease terms range from 3 to 43 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Carrying amount

	2022.12.31	2021.12.31
Buildings and constructions	\$9,274	\$17,726
Transportation equipment	1,874	2,998
Total	<u>\$11,148</u>	<u>\$20,724</u>

Some of the leases were terminated, the right-of-use assets and lease liabilities were reduced NT\$2,818 thousand and NT\$2,921 thousand respectively, and generated NT\$103 thousand for lease modification gain.

Right-of-use assets increased NT\$0 thousand and NT\$3,373 thousand for the years ended in December 31, 2022 and 2021 respectively.

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(b) Lease liabilities

	2022.12.31	2021.12.31
Lease liabilities		
Current	\$1,661	\$4,890
Noncurrent	7,848	14,135
Total	<u>\$9,509</u>	<u>\$19,025</u>

Please refer to Note 6.18(4) for the interest on lease liabilities recognized during the year ended December 31, 2022 and 2021 refer to Note 12.5 Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2021 and 2020.

B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	2022	2021
Buildings and constructions	\$5,634	\$5,879
Transportation equipment	1,124	375
Total	<u>\$6,758</u>	<u>\$6,254</u>

C. Cash outflow relating to leasing activities

Cash outflow for leasing were NT\$7,275 thousand and NT\$6,788 thousand for the year ended on December 31, 2022 and 2021 respectively.

17. Summary of employee benefits, depreciation and amortization expenses by function is as follows:

Nature \ Function	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$49,217	\$79,190	\$128,407	\$48,168	\$71,943	\$120,111
Labor and health insurance	5,085	7,163	12,248	4,750	6,520	11,270
Pension	2,007	4,051	6,058	1,990	3,223	5,213
Other employee benefits	-	2,525	2,525	-	2,310	2,310
Depreciation	985	2,599	3,584	1,287	1,601	2,888
Amortization	10,583	20,936	31,519	11,436	22,695	34,131
Employee benefits expense	-	2,078	2,078	-	2,066	2,066

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There were 193 and 184 employees in the years ended December 31, 2022 and 2021 respectively and 5 non-executive directors.

Employee benefit expenses in the years ended December 31, 2022 and 2021 were NT\$799 thousand and NT\$779 thousand respectively.

Salaries for the years ended December 31, 2022 and 2021 were NT\$683 thousand and NT\$671 thousand respectively.

The average salary increment was 2%.

There was no supervisor compensation for year 2022 as the Company established Audit Committee to replace supervisors in July 2021. The supervisor compensation for year 2021 was NT\$270 thousand.

Salary and compensation policies for directors, managers and ordinary employees:

The salary and compensation policies for directors and management personnel are regulated by the Company's articles of incorporation as well as supervised by the Salary and Compensation Committee. The salaries and compensations are decided according to staff performance appraisals, the Company's operation performance, future risk, development strategies, the industry's development trends and employee's individual contribution.

Employee's compensation includes salary, bonus according to their personal performance and compensation according to the Company's performance and the regulation stated in the articles of incorporation. The annual employee appraisal also provides basis for promotion, employee training and bonus.

According to the Company's articles of incorporation, not less than 2% of profit of the current year is distributable as bonus to employees and not higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company did not estimate the amounts of the bonus to employees and the remuneration to directors and supervisors for the year ended December 31, 2022 due to loss in operation.

The actual amounts distributed to bonus to employee and remuneration to directors and supervisors for the year ended December 31, 2021 were NT\$303 thousand and NT\$0 thousand respectively. The differences in the amount of the expenses for 2021 is recorded in next year's profit and loss account.

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18. Non-operating income and expenses

(1) Interest income

	<u>2022</u>	<u>2021</u>
Financial assets measured at amortized cost	<u>\$745</u>	<u>\$177</u>

(2) Other income

	<u>2022</u>	<u>2021</u>
Rents	\$3,973	\$4,657
Other income - other	<u>2,280</u>	<u>4,111</u>
Total	<u>\$6,253</u>	<u>\$8,768</u>

(3) Other gains and losses

	<u>2022</u>	<u>2021</u>
Foreign exchange gains (losses), net	\$12,554	\$(4,380)
Gain (loss) on disposal of property, plant and equipment	194	138
Gains on lease modification	103	-
Losses on intangible asset impairments	(785)	-
Miscellaneous	<u>(4)</u>	<u>(3,095)</u>
Total	<u>\$12,062</u>	<u>\$(7,337)</u>

(4) Finance costs

	<u>2022</u>	<u>2021</u>
Interest on borrowings from bank	\$21,663	\$18,947
Interest on lease liabilities	<u>340</u>	<u>450</u>
Total	<u>\$22,003</u>	<u>\$19,397</u>

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19. Componentenets of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Other comprehensive income	Income tax expense	Net after tax
Not reclassified to profit and loss:				
Re-measurement on defined benefit plan	\$3,465	\$3,465	\$(693)	\$2,772
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(2,579)	(2,579)	-	(2,579)
Items that may subsequently be reclassified to profit or loss:				
Exchange differences resulting from translating the financial statements of foreign operations	41,229	41,229	(10,301)	30,928
Share of other comprehensive income (loss) of associates and joint ventures	1,716	1,716	-	1,716
Total	<u>\$43,831</u>	<u>\$43,831</u>	<u>\$(10,994)</u>	<u>\$32,837</u>

For the year ended December 31, 2021

	Arising during the period	Other comprehensive income	Income tax expense	Net after tax
Not reclassified to profit and loss:				
Re-measurement on defined benefit plan	\$713	\$713	\$(143)	\$570
Items that may subsequently be reclassified to profit or loss:				
Exchange differences resulting from translating the financial statements of foreign operations	(11,040)	(11,040)	-	(11,040)
Share of other comprehensive income (loss) of associates and joint ventures	5,261	5,261	-	5,261
Total	<u>\$(5,066)</u>	<u>\$(5,066)</u>	<u>\$(143)</u>	<u>\$(5,209)</u>

20. Income tax

The major components for income tax expense for the years ended December 31, 2022 and 2021 are as follows

A. Income tax expense (benefit) recognized in profit and loss

	2022	2021
Current income tax expense:		
Current income tax charge	\$11,379	\$-
Deferred income tax expense:		
Deferred tax expense (income) relating to origination and reversal of temporary differences	9,412	749
Total income tax expense	<u>\$20,791</u>	<u>\$749</u>

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B. Income tax relating to components of other comprehensive income

	2022	2021
Deferred income tax expense (benefit):		
Exchange differences resulting from translating the financial statements of foreign operations	\$10,301	\$-
Actuarial gains or losses on defined benefit plans	693	143
Income tax relating to components of other comprehensive income	<u>\$10,994</u>	<u>\$143</u>

C. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2022	2021
Accounting profit before tax from continuing operations	<u>\$(2,204)</u>	<u>\$34,649</u>
Tax at the domestic rates applicable to profits in the country concerned	\$-	\$6,930
Tax effect of deferred tax assets/liabilities	19,431	4,048
Tax effect of expenses not deductible for tax purposes	212	619
Tax on undistributed earnings	420	-
Tax effect of tax allowance	(2)	(3,216)
Others	730	(7,632)
Total income tax expense recognized in profit or loss	<u>\$20,791</u>	<u>\$749</u>

D. Deferred tax assets (liabilities) relate to the following:

(1) For the year ended December 31, 2022

Item	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized exchange loss (gain)	\$1,269	\$(1,803)	\$-	\$(534)
Unrealized loss on financial asset impairment	240	-	-	240
Expected loss	4,995	775	-	5,770
Expected loss on inventory valuation	16,736	7,811	-	24,547
Expected loss on long-term investment valuation	186	-	-	186
Unrealized after-sale service	1,221	318	-	1,539
Unused tax losses	21,249	-	-	21,249
Gain of investment for using equity method	(31,074)	(15,189)	-	(46,263)
Defined benefit liability - noncurrent	(1,254)	(1,324)	-	(2,578)
Exchange differences resulting from translating the financial statements of foreign operations	8,532	-	(10,301)	(1,769)
Changes on actuarial loss or gain	12,092	-	(693)	11,399
Land value increment tax	(15,335)	-	-	(15,335)
Deferred income tax expenses		<u>\$(9,412)</u>	<u>\$(10,994)</u>	
Net deferred tax assets	<u>\$18,857</u>			<u>\$(1,549)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$58,090</u>			<u>\$64,930</u>
Deferred tax liabilities	<u>\$(39,233)</u>			<u>\$(66,479)</u>

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(2) For the year ended December 31, 2021

Item	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences:				
Unrealized exchange loss (gain)	\$697	\$572	\$-	\$1,269
Unrealized loss on financial asset impairment	240	-	-	240
Expected loss	4,766	229	-	4,995
Expected loss on inventory valuation	14,107	2,629	-	16,736
Expected loss on long-term investment valuation	186	-	-	186
Unrealized after-sale service	886	335	-	1,221
Unused tax losses	31,640	(10,391)	-	21,249
Gain of investment for using equity method	(31,074)	-	-	(31,074)
Unrealized losses for long-term investment.	102	(102)	-	-
Defined benefit liability - noncurrent	(7,233)	5,979	-	(1,254)
Exchange differences resulting from translating the financial statements of foreign operations	8,532	-	-	8,532
Changes on actuarial loss or gain	12,235	-	(143)	12,092
Land value increment tax	(15,335)	-	-	(15,335)
Deferred income tax expenses		\$(749)	\$(143)	
Net deferred income tax assets	\$19,749			\$18,857
Reflected in balance sheet as follows:				
Deferred income tax assets	\$73,391			\$58,090
Deferred income tax liabilities	\$(53,642)			\$(39,233)

(3) Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized amounts to NT\$30,389 thousand and NT\$17,484 thousand respectively.

(4) Unrecognized deferred tax liabilities relating to subsidiaries

Before the year ended December 31, 2021, the Company did not recognize the deferred tax liabilities for the income tax that might arise when transferring back the undistributed profit from overseas subsidiaries. As of December 31, 2022 and 2021, the temporary differences of tax for unrecognized deferred tax liabilities were NT\$0 thousand and NT\$32,603 thousand respectively.

E. The assessment of income tax returns

As of December 31, 2022, the income tax return has been assessed and approved up to 2020.

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F. Unused tax losses are as follows:

Year	Loss	Unused tax losses as of		Expiration year
		2022.12.31	2021.12.31	
2013	\$79,627	\$-	\$55,435	2023
2014	4,046	-	4,046	2024
2015	32,752	10,115	32,752	2025
2016	57,058	57,058	57,058	2026
2017	20,249	20,249	20,249	2027
2019	7,418	7,418	7,418	2029
2020	56,946	56,946	56,946	2030
		<u>\$151,786</u>	<u>\$233,904</u>	

21. Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common stocks outstanding during the year. Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of common stocks outstanding during the year plus the weighted average number of common stocks that would be issued on conversion of all the dilutive potential common stocks into common stocks.

	2022	2021
(1) Basic earnings per share		
Net income	<u>\$(22,995)</u>	<u>\$33,900</u>
Weighted average number of common stocks outstanding (in thousand shares)	<u>76,880</u>	<u>76,880</u>
Basic earnings per share (in NT\$)	<u>\$(0.30)</u>	<u>\$0.44</u>
(2) Diluted earnings per share		
Net Income	<u>\$(22,995)</u>	<u>\$33,900</u>
Net income after dilution	<u>\$(22,995)</u>	<u>\$33,900</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	76,880	76,880
Effect of dilution:		
Employee bonus stock (in thousand shares)	-	36
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	<u>76,880</u>	<u>76,916</u>
Diluted earnings per share (in NT\$)	<u>\$(0.30)</u>	<u>\$0.44</u>

There have been no other transactions involving common shares or potential common shares between the reporting date and the date the financial statements were authorized for issue.

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7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Related parties</u>	<u>Relationship</u>
Chevalier Machinery, Inc.	Subsidiary
Lucky Investment Services Ltd.	Subsidiary
Chevalier Machinery Co., Ltd. (Suzhou)	Subsidiary
Focus CNC Co., Ltd.	Associate
Hwang Kang Machinery Co., Ltd.	Associate
Fulson Industrial Co., Ltd.	Substantive related party
Lin, Tsung-Lin and other 13 persons	Key management personnel (Note)

Note: Mr. Chang, Pao-Ming resigned as Chairman and General Manager on October 21, 2022. The Board of Directors appointed Mr. Lin Tsung-Lin to succeed as Chairman and Mr. Tung Shang-Yu to take the positions of Vice-Chairman and General Manager.

Significant transactions with related parties

1. Sale

	<u>2022</u>	<u>2021</u>
Chevalier Machinery, Inc.	\$264,286	\$213,491
Chevalier Machinery Co., Ltd. (Suzhou)	34,535	32,325
Others	7,239	12,877
Total	<u>\$306,060</u>	<u>\$258,693</u>

The sales price to the related parties was determined through mutual agreement in reference to market conditions. The collection periods to related parties were month-end 90~180 days. The outstanding payment at the end of the year were not pledged, interest-free and subject to pay in cash.

2. Purchase

	<u>2022</u>	<u>2021</u>
Fulson Industrial Co., Ltd.	\$100,111	\$89,910
Hwang Kang Machinery Co., Ltd	5,949	5,777
Others	386	4,438
Total	<u>\$106,446</u>	<u>\$100,125</u>

The purchase prices from the related parties were determined through mutual agreement in reference to market conditions. The payment periods to related parties were the same with other company, and were month end 60 days in cheque.

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3. Lease – related parties

Rental income

	2022	2021
Fulson Industrial Co., Ltd.	\$885	\$885
Focus CNC Co., Ltd.	144	144
Total	<u>\$1,029</u>	<u>\$1,029</u>

The Company leases machines, lands, buildings and constructions to associates. The rental price was determined through mutual agreements in reference to market conditions. Rents charged monthly and the related incomes are listed in non-operating income and expenses – rent.

4. Notes receivable – related parties

	2022.12.31	2021.12.31
Fulson Industrial Co., Ltd.	\$979	\$2,071
Focus CNC Co., Ltd.	96	-
Total	<u>\$1,075</u>	<u>\$2,071</u>

5. Accounts receivable – related parties

	2022.12.31	2021.12.31
Chevalier Machinery, Inc.	\$31,483	\$124
Chevalier Machinery Co., Ltd. (Suzhou)	24,905	14,923
Fulson Industrial Co., Ltd.	145	39
Hwang Kang Machinery Co., Ltd.	-	1,105
Total	<u>56,533</u>	<u>16,191</u>
(Less) Add: Allowance to Exchange (Losses) gains	(521)	125
Total	<u>\$56,012</u>	<u>\$16,316</u>

6. Other accounts receivable

	2022.12.31	2021.12.31
Lucky Investment Services Ltd.	\$691	\$415
Fulson Industrial Co., Ltd.	53	45
Total	<u>\$744</u>	<u>\$460</u>

7. Payment on behalf of others

	2022.12.31	2021.12.31
Lucky Investment Services Ltd.	\$3,529	\$10,233
Fulson Industrial Co., Ltd.	200	-
Total	<u>\$3,729</u>	<u>\$10,233</u>

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8. Notes payable – related parties		
	<u>2022.12.31</u>	<u>2021.12.31</u>
Fulson Industrial Co., Ltd.	\$18	\$-
Chang, Pao-Yuan	-	348
Total	<u>\$18</u>	<u>\$348</u>
9. Accounts payable – related parties		
	<u>2022.12.31</u>	<u>2021.12.31</u>
Fulson Industrial Co., Ltd.	\$8,712	\$15,739
Hwang Kang Machinery Co., Ltd.	1,462	2,562
Chevalier Machinery Co., Ltd. (Suzhou)	187	382
Total	<u>\$10,361</u>	<u>\$18,683</u>
10. Key management personnel bonus and compensations		
	<u>2022.12.31</u>	<u>2021.12.31</u>
Short-term employee benefits	\$10,809	\$13,565
Post-employment	1,183	347
Total	<u>\$11,992</u>	<u>\$13,912</u>

8. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral are as follows:

Item	Carrying Amount		Content of pledge
	<u>2022.12.31</u>	<u>2021.12.31</u>	
Accounts receivable	\$157,423	\$96,627	Long and short term loan
Properties, plants and equipment -lands	105,325	151,428	Long and short term loan
Noncurrent assets held for sale - lands	54,130	-	Long and short term loan
Financial assets at amortized cost - noncurrent	38,413	34,640	Deposit
Properties, plants and equipment – buildings and constructions	37,638	65,747	Long-term loan
Noncurrent assets held for sale – buildings and constructions	24,397	-	Long and short term loan
Investment properties	10,462	22,915	Long-term loan
Financial assets at amortized cost - current	-	1,727	Deposit
Total	<u>\$427,788</u>	<u>\$373,084</u>	

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9. COMMITMENTS AND CONTINGENCIES

1. As of December 31, 2022, there was a deposit of NT\$1,000 thousand for loan has yet to recollect.
2. Please refer to Note 13.1(2) for further details regarding the Company's endorsements and guarantees as of December 31, 2022.
3. As of December 31, 2022, King's Town Bank has issued a letter of credit for NT\$103,890 thousand as guarantee to Taiwan Sugar Corp. for the project of joint development of land.

10. LOSSES DUE TO MAJOR DISASTERS

None

11. SIGNIFICANT SUBSEQUENT EVENTS

None

12. OTHERS

1. Categories of financial instruments

<u>Financial assets</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial assets at fair value through other comprehensive income	\$22,630	\$-
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	137,793	169,512
Financial assets measured at amortized cost - current	-	6,931
Notes receivable (including related parties)	18,733	47,162
Accounts receivable (including related parties)	273,850	161,552
Other receivables	11,941	18,878
Financial assets measured at amortized cost - noncurrent	38,413	34,640
 <u>Financial liabilities</u>	 <u>2022.12.31</u>	 <u>2021.12.31</u>
Financial liabilities measured at amortized cost:		
Short-term loan	\$353,412	\$212,786
Short-term notes payable	-	29,955
Other payables	44,311	43,341
Notes and accounts payable (including related parties)	178,289	288,481
Long-term loan (including due within a year)	550,350	592,028
Lease liabilities (including current and noncurrent)	9,509	19,025

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2. Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before the Company enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analyses is as follows:

Falcon Machine Tools Co., Ltd.

Notes to Individual Financial Statements (Con.)

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

- (1) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2022 and 2021 is decreased/increased by NT\$550 thousand and NT\$1,178 thousand respectively.
- (2) When NTD strengthens/weakens against Euro by 1%, the profit or loss for the years ended December 31, 2022 and 2021 is decreased/increased by NT\$142 thousand and NT\$86 thousand respectively.
- (3) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2022 and 2021 is decreased/increased by NT\$293 thousand and NT\$196 thousand respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans at variable and fixed interest rates.

The interest rate sensitivity analysis is performed on items exposed to loans at variable interest rate as at the end of the reporting period. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2022 and 2021 to decrease/increase by NT\$904 thousand and NT\$805 thousand respectively.

4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2022 and 2021, accounts receivable from top ten customers represent 96% and 61% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

Falcon Machine Tools Co., Ltd.

Notes to Individual Financial Statements (Con.)

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

5. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and short-term notes payables. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

<u>Non-derivative financial instruments</u>	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2022.12.31					
Short-term loan	\$353,684	\$-	\$-	\$-	\$353,684
Notes and accounts payables	178,289	-	-	-	178,289
Other payables	44,311	-	-	-	44,311
Lease liabilities	1,848	4,073	3,100	1,012	10,033
Long-term loan (including due within a year)	263,512	422,557	-	-	686,069
2021.12.31					
Short-term loan	\$212,987	\$-	\$-	\$-	\$212,987
Short-term notes payables	29,955	-	-	-	29,955
Notes and accounts payables	288,481	-	-	-	288,481
Other payables	43,341	-	-	-	43,341
Lease liabilities	5,249	7,806	4,488	2,462	20,005
Long-term loan (including due within a year)	137,463	144,338	338,695	-	620,496

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term loans	Short-term note payables	Long-term loans (including due within a year)	Lease liabilities	Total liabilities from financing activities
2022.01.01	\$212,786	\$29,955	\$592,028	\$19,025	\$853,794
Cash Flows	140,626	(29,955)	(41,678)	(6,935)	62,058
Non-cash changes	-	-	-	(2,581)	(2,581)
2022.12.31	\$353,412	\$-	\$550,350	\$9,509	\$913,271

Reconciliation of liabilities for the year ended December 31, 2021:

	Short-term loans	Short-term note payables	Long-term loans (including due within a year)	Lease liabilities	Total liabilities from financing activities
2022.01.01	\$323,233	\$29,926	\$506,600	\$22,036	\$881,795
Cash Flows	(110,447)	29	85,428	(6,388)	(31,378)
Non-cash changes	-	-	-	3,377	3,377
2021.12.31	\$212,786	\$29,955	\$592,028	\$19,025	\$853,794

Falcon Machine Tools Co., Ltd.

Notes to Individual Financial Statements (Con.)

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

7. Fair values of financial instruments

- (1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, bonds etc.) at the reporting date.

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

D. Bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

- (2) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

- (3) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

Falcon Machine Tools Co., Ltd.

Notes to Individual Financial Statements (Con.)

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

8. Derivative financial instruments

As of December 31, 2022 and 2021, there was no derivative financial instruments for the Company.

9. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on non-recurring basis as well as assets and liabilities that are measured at fair value on a recurring basis.

(3) Fair value measurement hierarchy of assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Investment properties	\$-	\$-	\$24,743	\$24,743
Financial assets at fair value through other comprehensive income – noncurrent	-	-	22,630	22,630

Falcon Machine Tools Co., Ltd.

Notes to Individual Financial Statements (Con.)

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

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Investment properties	\$-	\$-	\$269,251	\$269,251
Financial assets at fair value through other comprehensive income – noncurrent	-	-	3,760	3,760

10. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	2022.12.31			2021.12.31			Unit: thousand
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD	
Financial assets							
Monetary items							
USD	\$6,813	30.710	\$209,227	\$7,305	27.680	\$202,202	
Euro	434	32.720	14,200	287	31.320	8,989	
RMB	6,698	4.408	29,525	4,672	4.344	20,295	
Financial liabilities							
Monetary items:							
USD	\$5,021	30.710	\$154,195	\$3,051	27.680	\$84,452	
Euro	-	32.720	-	13	31.320	407	
RMB	42	4.408	185	15	4.344	65	

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were varieties of foreign currency transactions of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Company recognized exchange gain (loss) amounted to NT\$12,554 thousand and NT\$(4,380) thousand for the years ended December 31, 2022 and 2021 respectively.

11. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

Falcon Machine Tools Co., Ltd.

Notes to Individual Financial Statements (Con.)

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

12. Financial asset transferal information

The group entered into assignment agreements with recourse with financial institutions regarding some of its accounts receivable. Although the group transfers the contract rights of the cash flow from such accounts receivable, the group still has to bear the credit risk in accordance with the agreement in the event the accounts receivable is not recoverable. The transaction information is as follows:

2022.12.31		
Lender	Amount assigned	Prepaid amount (note)
Export Import Bank of the Republic of China	\$157,423	\$154,180

2021.12.31		
Lender	Amount assigned	Prepaid amount (note)
Export Import Bank of the Republic of China	\$96,627	\$84,023

Note: Reported on short-term loans, due within a year or an operating cycle, and long-term loan.

13. OTHER DISCLOSURES

1. Information about significant transitions

- (1) Financing provided to others: None
- (2) Endorsement/Guarantee provided to others

Ref No.	Endorsement /Guarantee Provider (Name)	Guaranteed Party		Limits on Endorsement /Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement /Guarantee to Net Worth per Latest Financial Statements	Ratio of Accumulated Endorsement /Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement /Guarantee Amount Allowed (Note 2)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
		Name	Relationship										
0	Falcon Machine Tools Co., Ltd.	Lucky Investment Services Ltd.	Subsidiary	\$574,681	\$92,130	\$92,130	\$92,130	\$-	11.22%	\$656,778	Y	N	N

Note 1: Limits on endorsement/guarantee amount provided to each guaranteed party is 70% of net worth for December 31, 2022

Note 2: Total amount of endorsement/guarantee provided limited to 80% of net worth for December 31, 2022.

Falcon Machine Tools Co., Ltd.

Notes to Individual Financial Statements (Con.)

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

(3) Securities held (excluding subsidiaries, associates and joint ventures):

Company Held	Security Type and Name	Relationship with Issuer	Financial Statement Account	As of December 31, 2022			
				Share (Unit)	Carrying Amount	Shareholding %	Fair Value
Falcon Machine Tools Co., Ltd.	Zheng Cheng He Corporate Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	120,000	\$-	15.00%	\$-
Falcon Machine Tools Co., Ltd.	Taichung International Entertainment Corporation	Investee company	Financial assets at fair value through profit or loss - noncurrent	2	189	0.06%	189
Falcon Machine Tools Co., Ltd.	Qing Jing Xiang Asset Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	1,500,000	12,629	10.00%	12,629
Falcon Machine Tools Co., Ltd.	Qing Jing Ning Construction Co., Ltd.	Investee company	Financial assets at fair value through profit or loss - noncurrent	1,002,000	9,812	5.00%	9,812

- (4) Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: None
- (5) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: none
- (6) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more:

Disposed Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Disposal	Other Terms
							Owner	Relationship with Issuer	Transfer Date	Amount			
Falcon Machine Tools Co., Ltd.	Properties and equipment	2022/12/29	\$298,260	According to contract terms	E-tech Machinery	-	N/A	N/A	N/A	N/A	Reference to market conditions and appraisal report	Cost saving, revival assets and strengthen operational capital	None

- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2021

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note Amount
			Purchase/Sale	Amount	% to Total	Payment/Collection Term	Unit price	Credit period	Balance	Purchase/Sale	
Falcon Machine Tools Co., Ltd.	CHEVALIER MACHINERY, LTD.	Subsidiary	Sale	\$264,286	22.18%	Same as other customers	Falcon Machine Tools Co., Ltd.	CHEVALIER MACHINERY, LTD.	Subsidiary	Sale	\$264,286

- (8) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2021: None

Falcon Machine Tools Co., Ltd.

Notes to Individual Financial Statements (Con.)

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

(9) Financial instruments and derivative transactions: None

2. Information on investees:

Information on investees are as follows (excluding investment in Mainland China)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2022	As of December 31, 2021	Shares (in thousand)	%	Carrying Amount (Note 4)			
Falcon Machine Tools Co., Ltd.	Chevalier Machinery, Inc.	9925 TABOR PLACE, SANTA FE SPRINGS, CA90670, USA	Machine imports and distributions	\$103,047	\$103,047	2,120	100.00%	\$229,948	\$24,925	\$28,198	Note 2, 3
Falcon Machine Tools Co., Ltd.	Lucky Investment Services Ltd.	P.O. BOX 3321 ROAD TOWN, TORTOLA (B.V.I)	General investment	279,900	269,725	8,795	100.00%	168,387	(64,139)	(64,511)	Note 1, 2, 3
Falcon Machine Tools Co., Ltd.	Hwang Kang Machinery Co., Ltd.	No. 262, Xinggong Rd., Hemei Township, Changhua County 508003, Taiwan (R.O.C.)	Sheet-metal and parts manufacturing and processing	17,897	17,920	2,287	40.18%	25,225	2,162	815	Note 2
Falcon Machine Tools Co., Ltd.	Focus CNC Co., Ltd.	No. 16, Longshan 2nd St., Daya Dist., Taichung City 428006, Taiwan (R.O.C.)	Machine manufacturing and processing	16,910	16,910	8,337	39.18%	137,491	40,934	16,276	Note 2
Falcon Machine Tools Co., Ltd.	Lin Yu International Industrial Co., Ltd.	8F, No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City 813357, Taiwan (R.O.C.)	Real Estate Agent	50,000	-	5,000	100.00%	49,395	(605)	(605)	

Note 1: The investment income of the investees including the recognized gains and losses of their further investments in their investees.

Note 2: The investment income of the investees including the investment gains or losses generated from downstream, upstream or sidestream deals.

Note 3: Carrying amounts including unrealized downstream gains or losses of related parties.

Falcon Machine Tools Co., Ltd.

Notes to Individual Financial Statements (Con.)

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

3. Information on investments in Mainland China:

- (1) The Company invests in Mainland China through Lucky Investment Services Inc. and Chevalier Machinery Co., Ltd. (Shanghai). The related information is as follow:

Company	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow					
Chevalier Machinery Co., Ltd. (Shanghai)	Machine Tools Manufacture and Distribution	\$104,107 (USD3,390 thousand)	Indirectly invested by establishing a company in a third country	\$232,413 (USD7,568 thousand)	\$-	\$-	\$232,413 (USD7,568 thousand)	100.00%	\$(15,409) (Note 1)	\$98,407	\$-
Chevalier Machinery Co., Ltd. (Suzhou)	Machine Tools Manufacture and Distribution	\$409,610 (USD13,338 thousand)	Indirectly invested by establishing a company in a third country	\$-	\$-	\$-	\$-	100.00%	\$(50,709) (Note 1)	\$177,152	\$-

Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$232,413 (USD7,568 thousand)	\$365,787 (USD11,911 thousand)	N/A (Note 2)

Note 1: According to audited financial statements

Note 2: According to Ministry of Economic Affairs Decree Jing-Gong No.11120415670 issued by Industrial Development Bureau on May 18, 2022, The Company's investment in Mainland China is not restricted by 60% of net worth or consolidated net worth set by Investment Review Committee.

Note 3: In according with Second Amendment of No.11100096200 issued by Ministry of Economic Affairs on July 11, 2022, the Company is permitted to invest USD342,622 to Lucky Investment Services.

- (2) For the year ended December 31, 2022, the Company's significant transactions with investees in Mainland China that have taken place in a third country:

a. Sale

Company	Amount
Chevalier Machinery Co., Ltd. (Suzhou)	\$ 34,535

b. Accounts receivable

Company	Amount
Chevalier Machinery Co., Ltd. (Suzhou)	\$ 24,970

Falcon Machine Tools Co., Ltd.
Notes to Individual Financial Statements (Con.)
(Amount in Thousands of Taiwan New Dollars, Unless Specified Otherwise)

c. Endorsement/Guarantee

Please refer to consolidated note 13.1(2) for further details.

4. Information on major shareholders:

As of December 31, 2022

Shareholder	Share Unit	%
Lin Ju Investment Co., Ltd.	9,980,000	12.98%
Better Life Group Co., Ltd.	3,850,000	5.00%
Liu, Fang-Chun	3,850,000	5.00%

Falcon Machine Tools Co., Ltd.

Significant Account Content

2022

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Falcon Machine Tools Co., Ltd.

1. Cash and Cash Equivalents Table

As of December 31, 2022

Unity: NT\$ thousand

Item	Amount		Note
	Subtotal	Total	
Cash		\$1,003	Foreign Currencies: RMB 201 thousand USD 15,991 thousand EUR 6,867 thousand JPY 8 thousand
Bank deposit			
Savings	\$111,646		
Checkings	3,092		
Foreign Currencies	23,067	137,805	
Total			
Deduction:			
Allowance for foreign exchange losses		(12)	
Total		<u>\$138,796</u>	

Falcon Machinery Tools Co., Ltd.

2. Net Accounts Receivable Table

As of December 31, 2022

Unity: NT\$ thousand

Customer	Amount	Note
<u>Related Party</u>		
Chevalier Machinery, Inc.	\$31,483	
Chevalier Machinery Co., Ltd. (Suzhou)	24,905	
Others	145	
Subtotal	56,533	
Addition: Allowance for foreign exchange liability losses	(521)	
Total	56,012	
<u>Non-related Party</u>		
Customer A	\$161,491	
Customer B	17,229	
Others	42,428	Note
Subtotal	221,148	
Deduction: Allowance for losses	(14,939)	
Deduction: Allowance for foreign exchange liability gains	11,629	
Total	217,838	
Net	<u>\$273,850</u>	

Note: Summarized for item balance less than 5%

Falcon Machine Tools Co., Ltd.

3. Net Inventory Table

As of December 31, 2022

Unity: NT\$ thousand

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$350,102	\$350,102	Please refer to Note 4.9 for further details regarding the net realizable value
Work in progress	117,180	116,703	
Semi-finished goods	42,426	42,426	
Finished goods	109,295	102,697	
Merchandises	1,143	1,143	
Total	620,146	\$613,071	
Deduction: Allowance for losses on inventory valuation	(122,735)		
Net	497,411		
Under-constructions	51,945		
Total	\$549,356		

Falcon Machine Tools Co., Ltd.

4. Changes of Investment Accounted for Using Equity Method Table

For the year ended December 31, 2022

Unit: NT\$ thousand

Company	Beginning Balance		Recognized in profit		Recognized in loss		Recognized investment (loss) or gain	Unrealized gross margin adjustment	Other recognized comprehensive income	Ending Balance			Market price or equity net value		Secured or pledge
	No. of share (thousand)	Amount	No. of share (thousand)	Amount	No. of share (thousand)	Amount				No. of share (thousand)	Shareholding	Amount	Unit price (NT\$)	Total	
Lucky Investment Services Ltd.	8,452	\$216,346	307	\$10,174	-	\$-	\$(64,511)	\$1,490	\$4,888	8,759	100%	\$168,387	\$-	\$169,676	Y
Chevalier Machinery, Inc.	2,120	290,056	-	-	-	(109,060)	28,197	(15,586)	36,341	2,120	100%	229,948	-	263,106	N
Lin Yu International Industrial Co., Ltd.	-	-	5,000	50,000	-	-	(605)	-	-	5,000	100%	49,395	-	49,395	N
Focus CNC Co., Ltd.	8,337	122,000	-	-	-	(2,501)	16,276	-	1,716	8,337	39%	137,491	-	353,957	N
Hwang Kang Machinery Co., Ltd.	2,290	24,433	-	-	(3)	(23)	815	-	-	2,287	40%	25,225	-	60,972	N
Total		<u>\$652,835</u>		<u>\$60,174</u>		<u>\$(111,584)</u>	<u>\$(19,828)</u>	<u>\$(14,096)</u>	<u>\$42,945</u>			<u>\$610,446</u>		<u>\$897,106</u>	

Note: Please refer not Note 13 for further details regarding items under pledge

Falcon Machine Tools Co., Ltd.

5. Short-term Loan Table

As of December 31, 2022

Unit: NT\$ thousand

Type	Detail	Ending Balance	Contract Period	Interest Rate	Credit Limit	Pledge or Collateral
Pledge Loan	Taiwan Cooperative Bank	\$180,000	2022.10.19-2023.04.17	2.5339	500,000	Y
Pledge Loan	Taiwan Cooperative Bank	60,000	2022.12.29-2023.06.17	2.7987		
Credit Loan	Bangkok Bank	20,000	2022.08.19-2023.02.15	2.6300	60,000	N
		30,000	2022.09.29-2023.03.28	2.6300		
Loan for procurement	Bangkok Bank	980	2022.10.17-2023.04.14	2.6300	60,000	N
		962	2022.09.21-2023.03.20	2.6300		
Loan for procurement	Mega International Commercial Bank	1,190	2022.08.22-2023.01.19	2.3400	30,000	N
		280	2022.09.21-2023.02.18	2.3400		
Credit Loan	Mega International Commercial Bank	15,000	2022.12.22-2023.06.20	2.3400	15,000	N
		20,000	2022.08.19~2023.01.25	2.2400	20,000	N
Credit Loan	Bank of Panhsin	25,000	2022.12.21-2023.02.22	2.3300	25,000	N
Total		<u>\$353,412</u>				

Falcon Machine Co., Ltd.

6. Accounts Receivable Table

As of December 31, 2022

Unit: NT\$ thousand

Customer	Amount	Note
<u>Related party</u>		
Fulson Industrial Co., Ltd.	\$8,712	
Hwang Kang Machinery Co., Ltd.	1,462	
Chevalier Machinery Co., Ltd.(Suzhou)	187	
Total	10,361	
<u>Non-related Party</u>		
Others	157,780	Note
Total	\$168,141	

Note: Summarized for item balance less than 5%

Falcon Machine Tools Co., Ltd.

7. Net Operating Revenue Table

For the year ended December 31, 2022

Unit: NT\$ thousand

Item	Quantity (pcs)	Amount	Note
Merchandise and parts	-	\$219,726	
Grinder	268	361,379	
CNC comprehensive processor	133	214,961	
CNC Grinder	92	250,994	
Others	-	144,475	Note
Total		<u>\$1,191,535</u>	

Note: Summarized for item balance less than 5%

Falcon Machine Tools Co., Ltd.

8. Operating Costs Table

For the year ended December 31, 2022

Unit: NT\$ thousand

Item	Amount
A. Cost for the sale of own products	
Direct raw materials:	
Beginning supplies	\$394,715
Add: Current period material purchased	512,464
Work in progress moved in	210,772
Less: Sale of parts	(65,175)
Raw materials losses	(480)
Ending supplies	(350,102)
Direct raw material consumption	702,194
Direct salary	11,069
Manufacturing expenses (Table 9)	74,828
Manufacturing costs	788,091
Add: Beginning semi-finished goods	41,606
Current period merchandise purchased	25,427
Less: Semi-finished goods losses	(79)
Semi-finished goods converted into Machine tools	(534)
Sale of semi-finished goods	(21,083)
Ending semi-finished goods	(42,426)
Add: Beginning working in progress	128,362
Merchandise moved in	2,638
Finished goods moved in	201,074
Contract out processing	26,588
Less: Work in progress converted into raw materials	(210,772)
Work in progress converted into finished goods	(820,353)
Ending work in progress	(117,180)
Finished goods costs	1,359
Add: Beginning finished goods	110,323
Current period purchased	65,434
Machine tools moved in	24,130
Work in progress moved in	820,353
Less: Finished goods converted into work in progress	(201,074)
Write off	(4,943)
Converted into expenses	(1,032)
Ending finished goods	(109,295)
Cost for the sale of own products	705,255
B. Cost for sale of purchased merchandises	
Beginning inventory	-
Add: Current period purchased	110,436
Less: merchandise converted into work in progress	(2,638)
Ending inventory	(1,143)
Cost for sale of purchased merchandises	106,655
C. Non-operating costs	
Cost for sale of parts	65,175
Sale of semi-finished goods	21,083
Revenue from sale of scrap	(154)
Write off	4,943
Inventory losses	559
Loss on inventory valuation	39,057
Others	6,274
Non-operating cost total	136,937
Operating cost total	\$948,847

Falcon Machine Tools Co., Ltd.

9. Manufacturing Expenses Table

For the year ended December 31, 2022

Unit: NT\$ thousand

Item	Amount	Note
Indirect salary	\$38,755	
Utilities	6,652	
Insurance	5,130	
Depreciation	10,583	
Consumption goods	5,767	
Other expenses	7,941	Note
Total	<u>\$74,828</u>	

Note: Summarized for item balance less than 5%

Falcon Machine Tools Co., Ltd.

10. Operating Expenses Table

For the year ended December 31, 2022

Unit: NT\$ thousand

Item	Marketing Expense	Management Expense	Research & Development Expense	Expected Credit Loss or Gain	Total	Note
Salary	\$21,683	\$31,232	\$27,374	\$-	\$80,289	
Depreciation	727	12,381	7,828	-	20,936	
Commission	26,357	-	-	-	26,357	
Package	9,786	-	-	-	9,786	
Services	8,566	-	-	-	8,566	
Insurance	2,945	2,260	2,982	-	8,187	
Import and Export	5,744	-	-	-	5,744	
Labor	163	4,839	105	-	5,107	
Logistic	5,081	-	18	-	5,099	
Amortized expense	-	1,838	240	-	2,078	
Other expenses	6,494	15,524	5,946	-	27,964	Note
Expected credit losses or gains	-	-	-	7,912	7,912	
Total	\$87,546	\$68,074	\$44,493	\$7,912	\$208,025	

Note: Summarized for item balance less than 5%