

# **Heran Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of Heran Co., Ltd. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Heran Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

HERAN CO., LTD.

By

---

BO-YI TSAI  
Chairman

March 6, 2024

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Heran Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Heran Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The 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 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 consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Occurrence of Operating Income

For 2023, operating income of the Group is a key indicator used by management to evaluate business performance, the products for sale include air-conditioning system, LCD monitors and other electrical equipment. Among various products for sale, the sales of air-conditioning system occur frequently and the effect of the recognition of related revenues on the financial statements is material. Therefore, we have determined that there may be a risk of the authenticity of revenue from sales of air-conditioning system and considered the occurrence of operating income to be a key audit matter. The related accounting policies are described in Note 4(n) to the consolidated financial statements.

Our auditing procedures with respect to the above matter are as follows:

1. We understood and evaluated the procedure and the internal control system related to revenue from sales of air-conditioning system.
2. We tested the effectiveness of the internal control system related to the occurrence of revenue from sales of air-conditioning system.
3. In order to confirm no material difference, we obtained the sales revenue details of the air-conditioning system in 2023, sampled and verified original sales orders, shipping documents and invoices of the relevant transactions, and reconciled them with the recorded amounts in the accounting books.
4. We verified and confirmed the existence of material sales return and discount after the balance sheet date.

### **Other Matters**

We have also audited the separate financial statements of Heran Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 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 partner on the audits resulting in this independent auditors' report are Jui-Chuan Chih and Chien-Hsin Hsieh.

Chih Jui Chuan Chien-Hsin Hsieh

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 6, 2024

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# HERAN CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 580,195	9	\$ 1,292,253	22
Financial assets at fair value through profit or loss - current (Note 7)	32,020	-	-	-
Financial assets at fair value through other comprehensive income - current (Note 8)	44,045	1	-	-
Note receivable (Note 10)	308,839	5	266,142	4
Trade receivables (Note 10)	737,583	12	788,817	13
Trade receivables from related parties (Notes 10 and 32)	-	-	101	-
Other receivables (Note 10)	8,388	-	7,881	-
Other receivables from related parties (Notes 10 and 32)	48	-	43	-
Current tax assets (Note 27)	2,468	-	8,575	-
Inventories (Note 11)	1,420,363	22	1,541,260	26
Prepayments (Note 18)	127,992	2	90,747	2
Right to recover a product - current (Note 18)	65,347	1	68,693	1
Other current assets	909	-	830	-
<b>Total current assets</b>	<b>3,328,197</b>	<b>52</b>	<b>4,065,342</b>	<b>68</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	849,902	13	-	-
Investments accounted for using equity method (Note 13)	233,327	4	191,541	3
Property, plant and equipment (Note 14)	1,473,914	23	1,369,108	23
Right-of-use assets (Note 15)	240,525	4	12,931	-
Investment property (Note 16)	91,643	2	93,714	2
Intangible assets (Note 17)	9,925	-	15,480	-
Deferred tax assets (Note 27)	76,627	1	77,392	2
Prepayments for equipment	22,429	-	74,699	1
Refundable deposits	51,830	1	32,546	1
Net defined benefit asset, non-current (Note 23)	5,253	-	4,840	-
Other financial assets - non-current (Note 18)	20,000	-	-	-
<b>Total non-current assets</b>	<b>3,075,375</b>	<b>48</b>	<b>1,872,251</b>	<b>32</b>
<b>TOTAL</b>	<b>\$ 6,403,572</b>	<b>100</b>	<b>\$ 5,937,593</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 357,159	6	\$ -	-
Financial liabilities at fair value through profit or loss - current (Note 7)	624	-	9,090	-
Notes payable (Note 20)	36,565	1	91,400	2
Trade payables (Note 20)	468,221	7	447,017	8
Other payables (Note 21)	643,160	10	654,285	11
Other payables to related parties (Notes 21 and 32)	918	-	4,568	-
Current tax liabilities (Note 27)	52,796	1	76,334	1
Provisions - current (Note 22)	7,972	-	8,562	-
Lease liabilities - current (Notes 15 and 32)	121,722	2	7,170	-
Refund liabilities - current (Note 21)	325,456	5	351,176	6
Other current liabilities (Note 21)	3,859	-	5,018	-
<b>Total current liabilities</b>	<b>2,018,452</b>	<b>32</b>	<b>1,654,620</b>	<b>28</b>
<b>NON-CURRENT LIABILITIES</b>				
Provisions - non-current (Note 22)	38,448	1	35,591	1
Deferred tax liabilities (Note 27)	21,136	-	18,911	-
Lease liabilities - non-current (Notes 15 and 32)	122,277	2	5,839	-
Refund liabilities - non-current (Note 21)	2,171	-	2,611	-
Deposit received	8,844	-	13,957	-
<b>Total non-current liabilities</b>	<b>192,876</b>	<b>3</b>	<b>76,909</b>	<b>1</b>
<b>Total liabilities</b>	<b>2,211,328</b>	<b>35</b>	<b>1,731,529</b>	<b>29</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 24)</b>				
Share capital	730,004	11	730,004	12
Capital surplus	825,306	13	825,306	14
Retained earnings				
Legal reserve	733,788	11	669,657	11
Unappropriated earnings	1,901,018	30	1,981,097	34
Other equity	2,128	-	-	-
<b>Total equity</b>	<b>4,192,244</b>	<b>65</b>	<b>4,206,064</b>	<b>71</b>
<b>TOTAL</b>	<b>\$ 6,403,572</b>	<b>100</b>	<b>\$ 5,937,593</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.

## HERAN CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 32)				
Sales	\$ 7,591,544	123	\$ 8,134,358	119
Sales returns	(279,671)	(5)	(305,501)	(5)
Sales discounts and allowances	<u>(1,119,739)</u>	<u>(18)</u>	<u>(988,487)</u>	<u>(14)</u>
	6,192,134	100	6,840,370	100
OPERATING COSTS (Notes 11, 26 and 32)				
Cost of goods sold	<u>(4,116,360)</u>	<u>(66)</u>	<u>(4,668,480)</u>	<u>(68)</u>
GROSS PROFIT	2,075,774	34	2,171,890	32
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	-	-	(26)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>-</u>	<u>-</u>	<u>26</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,075,774</u>	<u>34</u>	<u>2,171,890</u>	<u>32</u>
OPERATING EXPENSES (Notes 26 and 32)				
Selling and marketing expenses	(1,281,370)	(21)	(1,248,804)	(18)
General and administrative expenses	(121,431)	(2)	(126,343)	(2)
Research and development expenses	(64,142)	(1)	(52,942)	(1)
Expected credit losses	<u>(340)</u>	<u>-</u>	<u>(6,554)</u>	<u>-</u>
Total operating expenses	<u>(1,467,283)</u>	<u>(24)</u>	<u>(1,434,643)</u>	<u>(21)</u>
PROFIT FROM OPERATIONS	<u>608,491</u>	<u>10</u>	<u>737,247</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Notes 26 and 32)				
Interest income	14,252	-	6,189	-
Other income	29,609	-	24,856	-
Other gains and losses	(12,422)	-	95,010	1
Finance costs	(11,094)	-	(1,668)	-
Share of profit or loss of associates/and joint ventures	<u>74,976</u>	<u>1</u>	<u>53,826</u>	<u>1</u>
Total non-operating income and expenses	<u>95,321</u>	<u>1</u>	<u>178,213</u>	<u>2</u>

(Continued)



## HERAN CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 703,812	11	\$ 915,460	13
INCOME TAX EXPENSE (Note 27)	<u>(135,757)</u>	<u>(2)</u>	<u>(170,223)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>568,055</u>	<u>9</u>	<u>745,237</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	-	-	664	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	2,226	-	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	(133)	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	<u>(98)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>2,128</u>	<u>-</u>	<u>531</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 570,183</u>	<u>9</u>	<u>\$ 745,768</u>	<u>11</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner(s) of the Company	\$ 568,055	9	\$ 745,237	11
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 568,055</u>	<u>9</u>	<u>\$ 745,237</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner(s) of the Company	\$ 570,183	9	\$ 745,768	11
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 570,183</u>	<u>9</u>	<u>\$ 745,768</u>	<u>11</u>

(Continued)

## HERAN CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

---

	2023		2022	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$7.78</u>		<u>\$10.21</u>	
Diluted	<u>\$7.75</u>		<u>\$10.16</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

**HERAN CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value at Fair Value Through Other Comprehensive Income	Total
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2022	73,000	\$ 730,004	\$ 825,306	\$ 593,092	\$ 1,895,898	\$ -	\$ 4,044,300
Appropriation of 2021 earnings	-	-	-	-	(76,565)	-	-
Legal reserve	-	-	-	76,565	(584,004)	-	(584,004)
Cash dividends distributed by the Company	-	-	-	-	745,237	-	745,237
Net profit for the year ended December 31, 2022	-	-	-	-	-	-	-
Other comprehensive income/(loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	531	-	531
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	745,768	-	745,768
BALANCE AT DECEMBER 31, 2022	73,000	730,004	825,306	669,657	1,981,097	-	4,206,064
Appropriation of 2022 earnings	-	-	-	-	(64,131)	-	-
Legal reserve	-	-	-	64,131	(584,003)	-	(584,003)
Cash dividends distributed by the Company	-	-	-	-	568,055	-	568,055
Net profit for the year ended December 31, 2023	-	-	-	-	-	-	-
Other comprehensive income/(loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	2,128	2,128
Total comprehensive income/(loss) for the year ended December 31, 2023	-	-	-	-	568,055	2,128	570,183
BALANCE AT DECEMBER 31, 2023	73,000	\$ 730,004	\$ 825,306	\$ 733,788	\$ 1,901,018	\$ 2,128	\$ 4,192,244

The accompanying notes are an integral part of the consolidated financial statements.

## HERAN CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 703,812	\$ 915,460
Adjustments for:		
Depreciation expense	187,782	71,910
Amortization expense	14,151	9,609
Expected credit loss recognized on trade receivables	340	6,554
Net loss/(gain) or fair value changes of financial assets and liabilities at fair value through profit or loss	3,170	(123,987)
Finance costs	11,094	1,668
Interest income	(14,252)	(6,189)
Share of profit of associates and subsidiaries accounted for using the equity method	(74,976)	(53,826)
(Gain)/loss on disposal of property, plant and equipment	(388)	8
Gain on lease modification	-	(26)
Write-down of inventories	40,653	28,724
Unrealized gain on transactions with associates	-	26
Realized gain on transactions with associates	-	(26)
Provisions	21,868	32,098
Changes in operating assets and liabilities		
Financial assets mandatorily as at fair value through profit or loss	-	133,630
Note receivables	(42,697)	102,149
Trade receivables	50,894	13,176
Trade receivables to related parties	101	(99)
Other receivables	(507)	(5,325)
Other receivables from related parties	(5)	(39)
Inventories	80,244	368,596
Prepayments	(37,245)	101,378
Other current assets	(79)	(144)
Right to recover a product	3,346	(10,890)
Net defined benefit asset	(413)	(400)
Financial liability held for trading	(13,656)	(988)
Contract liabilities	-	(15,292)
Notes payable	(54,835)	(5,911)
Account payables	21,204	(182,082)
Other payables	(7,702)	(2,840)
Other payables to related parties	(3,650)	2,696
Provisions	(19,601)	(18,953)
Other current liabilities	(1,159)	2,237
Refund liabilities	(26,160)	(70,569)
Cash generated from operations	841,334	1,292,333
Interest paid	(10,858)	(1,668)
Income tax paid	(150,198)	(172,301)
Net cash generated from operating activities	<u>680,278</u>	<u>1,118,364</u>

(Continued)

## HERAN CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (891,819)	\$ -
Purchase of financial assets at fair value through profit or loss	(30,000)	-
Increase in other financial assets	(20,000)	-
Proceeds from sale of financial assets at amortized cost	-	128
Payments for property, plant and equipment	(67,885)	(6,639)
Proceeds from disposal of property, plant and equipment	1,105	1
Increase in guarantee deposits received	(19,284)	-
Decrease in guarantee deposits received	-	8,475
Payments for disposal of intangible assets	(8,596)	(16,487)
Increase in prepayments for equipment	(46,320)	(57,519)
Increase in prepayments for land	-	(12,305)
Interest received	14,252	6,189
Dividends received from associates	<u>33,190</u>	<u>33,756</u>
Net cash used in investing activities	<u>(1,035,357)</u>	<u>(44,401)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	357,159	-
Increase in guarantee deposits received	-	10,114
Decrease in guarantee deposits received	(5,113)	-
Repayment of the principal portion of lease liabilities	(125,022)	(30,028)
Dividends paid to owners of the Company	<u>(584,003)</u>	<u>(584,004)</u>
Net cash used in financing activities	<u>(356,979)</u>	<u>(603,918)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(712,058)</b>	<b>470,045</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>1,292,253</u></b>	<b><u>822,208</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 580,195</u></b>	<b><u>\$ 1,292,253</u></b>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

# HERAN CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

---

### 1. GENERAL INFORMATION

Heran Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in May 2002 in accordance with the Company Law and other relevant regulations. The Company is The Company mainly engages in manufacturing LCD monitors, selling and wholesaling electrical appliance and electronic materials and repairing electrical products.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since May 2019.

The consolidated financial statements, which include the Company and its subsidiaries (collectively, the “Group”) are presented in the Group’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 6, 2024.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial Instruments measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.



Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

f. Inventories

Inventories consist of raw material, supplies, finished goods, work in progress and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Properties in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

#### i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial assets are mandatorily classified. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition mismatch that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other receivables and deposits with terms of over three months, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss, except for short-term receivables as the effect of discounting is immaterial. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits investments with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents and bonds under the repurchase agreement are held for the purpose of meeting short-term cash commitments.

### iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

### iv. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) as well as investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 181 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 31.

### b) Derecognition of financial liabilities

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

## 4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

#### m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

##### Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Group of the expenditures required to settle the Group's obligations.

#### n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

##### 1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of commodities to franchisees. Sales of commodities are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

##### 2) Revenue from the rendering of services

Revenue from the rendering of services comes from the procurement of equipment on behalf of customers, merchandises transportation services, installation services and repairment services.

#### o. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

##### 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.



## 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

### p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income, on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as other income.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act Law in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

### 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## **5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates, the estimates and underlying assumptions are reviewed on an ongoing basis.

### Key sources of estimation uncertainty

#### a. Estimated impairment of financial asset

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9 and 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand and working capital	\$ 1,007	\$ 1,035
Checking accounts and demand deposits	513,835	918,378
Cash equivalents (investments with the original maturity date within three months)		
Time deposit	-	230,710
Bonds under repurchase agreement	<u>65,353</u>	<u>142,130</u>
	<u>\$ 580,195</u>	<u>\$ 1,292,253</u>

The interest rate intervals of cash in the bank and cash equivalents as of the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Bank deposit	0.51%-1.45%	0.20%-1.05%
Time deposit	-	1.24%-4.22%
Bonds under repurchase agreement	1.12%-5.40%	0.88%-4.35%

**7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Fund beneficiary certificates	<u>\$ 32,020</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivatives financial liabilities (not under hedge account)		
Foreign exchange forward contracts	<u>\$ 624</u>	<u>\$ 9,090</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2023</u>			
Buy	NTD/USD	2024.1.9	NTD32,288/USD1,032
<u>December 31, 2022</u>			
Buy	NTD/USD	2023.1.5-2023.3.31	NTD341,117/USD10,850

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

#### 8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Investments in equity instruments (a)	\$ 44,045	\$ -
<u>Non-current</u>		
Investments in debt instruments (b)	\$ 849,902	\$ -

##### a. Investments in equity instruments

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Domestic investments		
Fund beneficiary certificates	\$ 44,045	\$ -

These investments in equity instruments are held for medium- to long-term strategic purposes and expected to profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

b. Investments in debt instruments

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Non-current</u>		
Domestic investments		
Corporate Bonds of Cathay Life Insurance Co., Ltd.	\$ 699,918	\$ -
Corporate Bonds of Nanshan Life	<u>149,984</u>	<u>-</u>
	<u>\$ 849,902</u>	<u>\$ -</u>

- 1) In October 2023, the Group bought 10-year corporate bonds issued by Cathay Life Insurance Co., Ltd. with a coupon rate of 3.7%
- 2) In October 2023, the Group bought 10-year corporate bonds issued by Nanshan Life Insurance Co., Ltd. with a coupon rate of 3.75%
- 3) Refer to Note 9 for information relating to the credit risk management and impairment of the investments in debt instruments at FVTOCI.

## 9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at fair value through other comprehensive income:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Gross carrying amount	\$ 850,000	\$ -
Fair value adjustments	<u>(98)</u>	<u>-</u>
Amortized cost	<u>\$ 849,902</u>	<u>\$ -</u>

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if such information is not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical probability of default and loss given rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries. The Group's current credit risk grading mechanism is as follows:

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses (ECLs)</b>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	The credit risk has increased significantly since initial recognition or overdue	Lifetime expected credit loss-not credit impaired

(Continued)

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
In default	Evidence of impairment at the reporting date	Lifetime expected credit loss-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

(Concluded)

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were shown below:

December 31, 2023

Category	Expected Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0%-0.01%	<u>\$ 849,902</u>

#### 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	2023	2022
<u>Notes receivable - operating</u>		
At amortized cost		
Gross carrying amount from unrelated parties	\$ 309,014	\$ 266,317
Less: Allowance for impairment loss	<u>(175)</u>	<u>(175)</u>
	<u>\$ 308,839</u>	<u>\$ 266,142</u>
<u>Trade receivable</u>		
At amortized cost		
Gross carrying amount from unrelated parties	\$ 744,582	\$ 799,166
Gross carrying amount from related parties	-	101
Less: Allowance for impairment loss	<u>(6,999)</u>	<u>(10,349)</u>
	<u>\$ 737,583</u>	<u>\$ 788,918</u>
<u>Other receivables</u>		
At amortized cost		
Gross carrying amount from unrelated parties	\$ 8,388	\$ 7,881
Gross carrying amount from related parties	<u>48</u>	<u>43</u>
	<u>\$ 8,436</u>	<u>\$ 7,924</u>

(Continued)

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Overdue receivables</u>		
Overdue receivables	\$ 4,065	\$ 3,603
Less: Allowance for impairment loss	<u>(4,065)</u>	<u>(3,603)</u>
	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

a. Trade receivables

The average credit period of sales of goods is 30-120 days. No interest is charged on account receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are over 365 days past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivables, trade receivables and overdue receivables based on the Group's provision matrix.

December 31, 2023

	<b>Not Past Due</b>	<b>1 to 90 Days Past Due</b>	<b>91 to 180 Days Past Due</b>	<b>Over 181 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	0.01%-0.49%	0.01%-25.60%	0.01%-57.78%	100%	
Gross carrying amount	\$ 1,027,179	\$ 15,719	\$ 9,004	\$ 5,759	\$ 1,057,661
Loss allowance (Lifetime ECLs)	<u>(2,558)</u>	<u>(1,363)</u>	<u>(1,559)</u>	<u>(5,759)</u>	<u>(11,239)</u>
Amortized cost	<u>\$ 1,024,621</u>	<u>\$ 14,356</u>	<u>\$ 7,445</u>	<u>\$ -</u>	<u>\$ 1,046,422</u>



December 31, 2022

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	Over 181 Days Past Due	Total
Expected credit loss rate	0.01%-0.26%	0.01%-30%	0.01%-72.02%	100%	
Gross carrying amount	\$ 1,020,184	\$ 33,828	\$ 7,383	\$ 7,792	\$ 1,069,187
Loss allowance (Lifetime ECLs)	<u>(1,635)</u>	<u>(2,294)</u>	<u>(2,406)</u>	<u>(7,792)</u>	<u>(14,127)</u>
Amortized cost	<u>\$ 1,018,549</u>	<u>\$ 31,534</u>	<u>\$ 4,977</u>	<u>\$ -</u>	<u>\$ 1,055,060</u>

The movements of the loss allowance of notes receivable and overdue receivables were as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 14,127	\$ 7,573
Add: Net remeasurement of loss allowance	340	6,554
Less: Amounts written off	<u>(3,228)</u>	<u>-</u>
Balance at December 31	<u>\$ 11,239</u>	<u>\$ 14,127</u>

## 11. INVENTORIES

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Finished goods	\$ 605,669	\$ 673,929
Work in progress	3,468	5,123
Raw materials	17,625	52,678
Materials	111,666	127,879
Commodity	540,412	586,572
Inventory in transit	<u>141,523</u>	<u>95,079</u>
	<u>\$ 1,420,363</u>	<u>\$ 1,541,260</u>

The nature of the cost of goods sold is as follows:

	<u>For the Year Ended December 31</u>	
	<b>2023</b>	<b>2022</b>
Cost of inventories sold	\$ 3,985,126	\$ 4,570,666
Inventory write-downs	40,653	28,724
Abnormal production costs of inventories	15,356	8,157
Idle capacity	17,079	16,646
Right to recover products from customers adjustment	3,346	(10,890)
Recognition of provisions	21,868	32,098
Others	<u>32,932</u>	<u>23,079</u>
	<u>\$ 4,116,360</u>	<u>\$ 4,668,480</u>

## 12. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership and Voting Right	
			December 31	
			2023	2022
Heran Co., Ltd.	RANSO CO., LTD.	Manufacturing air conditioner and set-top box	100%	100%
Heran Co., Ltd.	HERTEC. Co., Ltd.	Selling and wholesaling electrical products	100%	100%
Heran Co., Ltd.	HER HSIUNG Co., Ltd.	Manufacturing refrigerator	100%	100%
Heran Co., Ltd.	SHAHER AIR TECH CORPORATION	Selling and wholesaling electrical products	100%	100%

\* On November 10, 2022, SHAHER AIR TECH CORPORATION which originally named DAIRAN Co., Ltd. applied for change its name as SHAHER AIR TECH CORPORATION and was approved.

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associate(s)

	December 31	
	2023	2022
Material associate(s)		
TAIWAN GREE CO., LTD.	<u>\$ 233,327</u>	<u>\$ 191,541</u>

### Material associate(s)

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31	
			2023	2022
TAIWAN GREE CO., LTD.	Selling and wholesaling electrical products	Taiwan	27.27%	27.27%

Refer to Table 6 "Information of Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The Group uses the equity method to account for its investment in subsidiaries and associates.

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRS Accounting Standards adjusted by the Group for equity accounting purposes.

TAIWAN GREE CO., LTD.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Current assets	\$ 1,178,130	\$ 839,309
Non-current assets	10,960	8,487
Current liabilities	(325,625)	(140,547)
Non-current liabilities	<u>(7,835)</u>	<u>(4,835)</u>
Equity	<u>\$ 855,630</u>	<u>\$ 702,414</u>
Proportion of the Group's ownership	27.27%	27.27%
Equity attributable to the Group	<u>\$ 233,353</u>	<u>\$ 191,567</u>
Carrying amount	<u>\$ 233,327</u>	<u>\$ 191,541</u>

The difference between carry amount and equity attributable to the Group is the unrealized gain on transactions with associates.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Operating income	<u>\$ 1,949,437</u>	<u>\$ 1,650,996</u>
Net profit for the year	<u>\$ 275,943</u>	<u>\$ 197,360</u>
Total comprehensive income for the year	<u>\$ 275,943</u>	<u>\$ 197,360</u>
Dividends received from TAIWAN GREE	<u>\$ 33,190</u>	<u>\$ 33,756</u>

## 14. PROPERTY, PLANT AND EQUIPMENT

### Assets Used by the Group

	Proprietary Land	Building	Machinery Equipment	Transportation Equipment	Office Equipment	Rental Equipment - Machinery Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>									
Balance at January 1, 2023	\$ 829,893	\$ 534,491	\$ 15,187	\$ 37,944	\$ 14,938	\$ 4,537	\$ 71,981	\$ 426	\$ 1,509,397
Additions	-	446	28,062	10,322	40,702	-	71,694	11,590	162,816
Disposals	-	-	(6,164)	(11,036)	(1,873)	(794)	(15,340)	-	(35,207)
Balance at December 31, 2023	<u>\$ 829,893</u>	<u>\$ 534,937</u>	<u>\$ 37,085</u>	<u>\$ 37,230</u>	<u>\$ 53,767</u>	<u>\$ 3,743</u>	<u>\$ 128,335</u>	<u>\$ 12,016</u>	<u>\$ 1,637,006</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2023	\$ -	\$ 68,511	\$ 11,114	\$ 18,225	\$ 6,411	\$ 878	\$ 35,150	\$ -	\$ 140,289
Depreciation expense	-	13,105	6,061	7,561	8,777	869	20,920	-	57,293
Disposals	-	-	(6,142)	(10,751)	(1,873)	(380)	(12,341)	-	(34,490)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 81,616</u>	<u>\$ 11,030</u>	<u>\$ 15,035</u>	<u>\$ 13,315</u>	<u>\$ 1,367</u>	<u>\$ 40,729</u>	<u>\$ -</u>	<u>\$ 163,092</u>
Carrying amount at December 31, 2023	<u>\$ 829,893</u>	<u>\$ 453,321</u>	<u>\$ 26,055</u>	<u>\$ 22,195</u>	<u>\$ 40,452</u>	<u>\$ 2,376</u>	<u>\$ 87,606</u>	<u>\$ 12,016</u>	<u>\$ 1,473,914</u>
<b>Cost</b>									
Balance at January 1, 2022	\$ 817,412	\$ 533,681	\$ 14,775	\$ 36,501	\$ 11,315	\$ 1,877	\$ 72,655	\$ -	\$ 1,488,216
Additions	176	810	412	4,317	3,932	-	1,127	426	11,200
Disposals	-	-	-	(11,255)	(464)	(13)	(3,875)	-	(15,607)
Reclassification	12,305	-	-	8,381	155	2,673	2,074	-	23,588
Balance at December 31, 2022	<u>\$ 829,893</u>	<u>\$ 534,491</u>	<u>\$ 15,187</u>	<u>\$ 37,944</u>	<u>\$ 14,938</u>	<u>\$ 4,537</u>	<u>\$ 71,981</u>	<u>\$ 426</u>	<u>\$ 1,509,397</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2022	\$ -	\$ 52,860	\$ 8,392	\$ 21,534	\$ 4,002	\$ 167	\$ 26,586	\$ -	\$ 113,541
Depreciation expense	-	15,651	2,722	7,946	2,873	715	12,439	-	42,346
Disposals	-	-	-	(11,255)	(464)	(4)	(3,875)	-	(15,598)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 68,511</u>	<u>\$ 11,114</u>	<u>\$ 18,225</u>	<u>\$ 6,411</u>	<u>\$ 878</u>	<u>\$ 35,150</u>	<u>\$ -</u>	<u>\$ 140,289</u>
Carrying amount at December 31, 2022	<u>\$ 829,893</u>	<u>\$ 465,980</u>	<u>\$ 4,073</u>	<u>\$ 19,719</u>	<u>\$ 8,527</u>	<u>\$ 3,659</u>	<u>\$ 36,831</u>	<u>\$ 426</u>	<u>\$ 1,369,108</u>

Operating leases relate to lease with rental equipment - machinery equipment between 1 and 1.5 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Year 1	\$ 19	\$ 798
Year 2	<u>-</u>	<u>19</u>
	<u>\$ 19</u>	<u>\$ 817</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	5-50 years
Main structure	50 years
Mechanical and electrical power equipment	15 years
Others	5 years
Machinery equipment	2-7 years
Transportation equipment	5 years
Office equipment	2-5 years
Rental equipment - machinery equipment	5 years
Other equipment	
Land improvements	20 years
Utilities equipment	10 years
Others	2-7 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 33.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Buildings	\$ 235,679	\$ 3,961
Transportation equipment	<u>4,846</u>	<u>8,970</u>
	<u>\$ 240,525</u>	<u>\$ 12,931</u>
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 356,012</u>	<u>\$ 10,338</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 123,760	\$ 22,723
Transportation equipment	<u>4,658</u>	<u>4,769</u>
	<u>\$ 128,418</u>	<u>\$ 27,492</u>

b. Lease liabilities

	<u>December 31</u>	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 121,722</u>	<u>\$ 7,170</u>
Non-current	<u>\$ 122,277</u>	<u>\$ 5,839</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2023	2022
Buildings	1.66%-3.00%	1.67%
Transportation equipment	1.67%-3.00%	1.67%-3.00%

c. Material lease-in activities and terms

The Group leases certain buildings and motor vehicles for the use of product manufacturing, office, water purification plant and transportation equipment with lease terms of 1 to 3 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings and lands at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2023	2022
Expenses relating to short-term leases	<u>\$ 4,858</u>	<u>\$ 24,410</u>
Expenses relating to low-value asset leases	<u>\$ 2,007</u>	<u>\$ 421</u>
Total cash outflow for leases	<u>\$ (131,887)</u>	<u>\$ (54,859)</u>

The Group's leases of certain offices, sale venues and office equipment qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2023	\$ 103,355
Transfers (to) from property, plant and equipment	<u>          -</u>
Balance at December 31, 2023	<u>\$ 103,355</u>

(Continued)

	<b>Completed Investment Properties</b>
<u>Accumulated depreciation</u>	
Balance at January 1, 2023	\$ 9,641
Depreciation expenses	<u>2,071</u>
Balance at December 31, 2023	<u>\$ 11,712</u>
Carrying amount at December 31, 2023	<u>\$ 91,643</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 103,355
Transfers (to) from property, plant and equipment	<u>-</u>
Balance at December 31, 2022	<u>\$ 103,355</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 7,569
Depreciation expenses	<u>2,072</u>
Balance at December 31, 2022	<u>\$ 9,641</u>
Carrying amount at December 31, 2022	<u>\$ 93,714</u>
	(Concluded)

The investment properties are leased out since 2023 to 2025. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2023 and 2022 was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Year 1	\$ 19,230	\$ 10,230
Year 2	6,410	7,230
Year 3	-	2,410
Year 4	-	-
Year 5	<u>-</u>	<u>-</u>
	<u>\$ 25,640</u>	<u>\$ 19,870</u>

Investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Main buildings	50 years
----------------	----------

The management of the Group used the valuation model that market participants would use in determining the fair value, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised was as follow:

	<u>December 31</u>	
	2023	2022
Fair value	<u>\$ 1,834,055</u>	<u>\$ 935,898</u>

## 17. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2023	\$ 39,586
Additions	<u>8,596</u>
Balance at December 31, 2023	<u>\$ 48,182</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2023	\$ 24,106
Amortization expense	<u>14,151</u>
Balance at December 31, 2023	<u>\$ 38,257</u>
Carrying amount at December 31, 2023	<u>\$ 9,925</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 23,099
Additions	<u>16,487</u>
Balance at December 31, 2022	<u>\$ 39,586</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 14,497
Amortization expense	<u>9,609</u>
Balance at December 31, 2022	<u>\$ 24,106</u>
Carrying amount at December 31, 2022	<u>\$ 15,480</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful life as follows:

Computer software	1-3 years
-------------------	-----------

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating costs	\$ 1,072	\$ 888
Selling and marketing expenses	5,290	4,611
General and administrative expenses	1,086	1,482
Research and development expenses	<u>6,703</u>	<u>2,628</u>
	<u>\$ 14,151</u>	<u>\$ 9,609</u>

## 18. OTHER ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Prepayments	\$ 78,426	\$ 57,646
Prepay custom fee	8,186	1,854
Input and offset against business tax payable	3,998	1,057
Others	<u>37,382</u>	<u>30,190</u>
	<u>\$ 127,992</u>	<u>\$ 90,747</u>
Right to recover a product (Note 25)	<u>\$ 65,347</u>	<u>\$ 68,693</u>
<u>Non-current</u>		
Overdue receivables	\$ 4,065	\$ 3,603
Less: Allowance for impairment loss	<u>(4,065)</u>	<u>(3,603)</u>
	<u>\$ -</u>	<u>\$ -</u>
Other financial assets	<u>\$ 20,000</u>	<u>\$ -</u>

Refer to Note 33 for information of the amount provided as collateral for tariff pre-release of imported goods.

## 19. BORROWINGS

### Short-term borrowings

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Secured borrowings (Note 33)</u>		
Bank loans (a)	\$ 150,000	\$ -
<u>Unsecured borrowings</u>		
Line of credits and letter of credit borrowings (b)	<u>207,159</u>	<u>-</u>
	<u>\$ 357,159</u>	<u>\$ -</u>



- a. The bank loans were secured by the Group's freehold land and buildings (refer to Note 33) with a due date of March 13, 2024. As of December 31, 2023, the effective interest rate was 1.66% per annum.
- b. The interest rates of bank revolving borrowings were 1.65%-1.66% in 2023.

## 20. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes payable</u>		
Operating	\$ 36,565	\$ 91,400
<u>Trade payables</u>		
Operating	\$ 468,221	\$ 447,017

## 21. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 130,323	\$ 126,274
Payables for promotion and commercial	13,172	7,548
Payables for custom fee	19,003	17,801
Payables for compensation of employees and remuneration of directors and supervisors	34,906	43,355
Payables for shipping fee	20,244	23,677
Payables for annual leave	17,705	17,269
Payables for dividend	292,002	292,002
Payables for commodity tax	15,661	10,575
Payables for sale tax	3,434	10,330
Payables for recycle expenses	19,688	17,959
Others	77,022	87,495
Other payables - related parties	918	4,568
	<u>\$ 644,078</u>	<u>\$ 658,853</u>
<u>Current</u>		
Other liabilities		
Refund liabilities (Note 25)	\$ 325,456	\$ 351,176
Other current liabilities	3,859	5,018
	<u>\$ 329,315</u>	<u>\$ 356,194</u>

Other current liabilities were mainly temporary receipts and receipts under custody.

	<u>December 31</u>	
	2023	2022
<u>Non-current</u>		
Other liabilities		
Refund liabilities (Note 25)	<u>\$ 2,171</u>	<u>\$ 2,611</u>

## 22. PROVISIONS

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Warranties	<u>\$ 7,972</u>	<u>\$ 8,562</u>
<u>Non-current</u>		
Warranties	<u>\$ 38,448</u>	<u>\$ 35,591</u>
		<b>Warranties</b>
Balance at January 1, 2023		\$ 44,153
Additional provisions recognized		21,868
Amount used		<u>(19,601)</u>
Balance at December 31, 2023		<u>\$ 46,420</u>
Balance at January 1, 2022		\$ 31,008
Additional provisions recognized		32,098
Amount used		<u>(18,953)</u>
Balance at December 31, 2022		<u>\$ 44,153</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 23. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Group and HERTEC. Co., Ltd HER HSIUNG CO., LTD. RANSO CO., LTD. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 2,936	\$ 2,842
Fair value of plan assets	<u>(8,189)</u>	<u>(7,682)</u>
Deficit (surplus)	<u>(5,253)</u>	<u>(4,840)</u>
Net defined benefit assets	<u>\$ (5,253)</u>	<u>\$ (4,840)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2023	\$ 2,842	\$ (7,682)	\$ (4,840)
Net interest expense (income)	<u>39</u>	<u>(108)</u>	<u>(69)</u>
Recognized in profit or loss	<u>39</u>	<u>(108)</u>	<u>(69)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(55)	(55)
Actuarial (gain) loss			
Changes in financial assumptions	35	-	35
Experience adjustments	<u>20</u>	<u>-</u>	<u>20</u>
Recognized in other comprehensive income	<u>55</u>	<u>(55)</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(344)</u>	<u>(344)</u>
Balance at December 31, 2023	<u>\$ 2,936</u>	<u>\$ (8,189)</u>	<u>\$ (5,253)</u>
Balance at January 1, 2022	\$ 2,972	\$ (6,748)	\$ (3,776)
Net interest expense (income)	<u>19</u>	<u>(44)</u>	<u>(25)</u>
Recognized in profit or loss	<u>19</u>	<u>(44)</u>	<u>(25)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (515)	\$ (515)
Actuarial (gain) loss			
Changes in financial assumptions	(152)	-	(152)
Experience adjustments	<u>3</u>	<u>-</u>	<u>3</u>
Recognized in other comprehensive income	<u>(149)</u>	<u>(515)</u>	<u>(664)</u>
Contributions from the employer	<u>-</u>	<u>(375)</u>	<u>(375)</u>
Balance at December 31, 2022	<u>\$ 2,842</u>	<u>\$ 7,682</u>	<u>\$ (4,840)</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate(s)	1.250%	1.375%
Expected rate(s) of salary increase	2.500%	2.500%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate(s)		
0.25% increase	\$ <u>(69)</u>	\$ <u>(70)</u>
0.25% decrease	\$ <u>72</u>	\$ <u>73</u>
Expected rate(s) of salary increase		
0.25% increase	\$ <u>70</u>	\$ <u>71</u>
0.25% decrease	\$ <u>(67)</u>	\$ <u>(69)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Expected contributions to the plans for the next year	\$ -	\$ 384
Average duration of the defined benefit obligation	10 years	10 years

## 24. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>73,000</u>	<u>73,000</u>
Shares issued	<u>\$ 730,004</u>	<u>\$ 730,004</u>

### b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Stocks issued at premium	<u>\$ 825,306</u>	<u>\$ 825,306</u>

\* This type of capital reserve may be used for covering losses carried forward and for cash payment or capitalization into new shares if there is no loss carried forward. However, the appropriation for capitalization into new shares shall be limited to a certain ratio of the paid-in capital.

### c. Retained earnings and dividends policy

The shareholders of the Group held their regular meeting on June 6, 2019 and in that meeting resolved the amendments to the Group's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution or offsetting of losses should be made at the end of both the first and the second six months of the fiscal year. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be reported in the shareholders' meeting. If distributing dividends and bonuses by issuing new shares, such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the Articles, the proposal for profit distribution or offsetting of losses should be made at the end of both the first and the second six months of the fiscal year; the profit shall be first utilized for paying taxes, offsetting losses of previous years and setting aside as a legal reserve until the legal reserve equals the paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Group's board of directors as the basis for proposing a distribution plan. The distribution plan under a proposal prepared by the Board subject to the final approval of the Group's board after the audit of The Audit Committee. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash. If distributing dividends and bonuses by issuing new shares, the distribution should be submitted in the shareholders' meeting.

Where the Group made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit until the legal reserve equals the paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Group's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The board of directors is authorized to adopt the resolution to distribute dividends, bonuses, legal reserve and special reserve in cash with a majority of the directors at a meeting attended by a majority of the directors. Such resolution should be reported in the shareholders' meeting.

Since the Group is currently in the stage of growth, it needs to reserve funds to meet the needs for operation, growth and investment. In principle, the Group's dividend policy is to pay dividends in both stock and cash. Cash dividends are no less than 15% of the total dividends distributed. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 26(g).

The legal reserve may be used to offset deficit. If the Group has no deficit and the legal reserve has exceeded 25% of the Group's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for the second six months of 2021 and the first and second six months of 2022, which were resolved by the Group's board of directors, were as follows:

	<b>Appropriation of Earnings</b>		
	<b>July 1 to December 31, 2022</b>	<b>January 1 to June 30, 2022</b>	<b>July 1 to December 31, 2021</b>
Date of board resolution	March 14, 2023	December 20, 2023	March 10, 2022
Legal reserve	<u>\$ 32,573</u>	<u>\$ 42,004</u>	<u>\$ 34,561</u>
Cash dividends	<u>\$ 292,001</u>	<u>\$ 292,002</u>	<u>\$ 292,002</u>
Cash dividends per share (NT\$)	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 4</u>

The above appropriations of the earnings for 2021 and 2022 were reported to the shareholders in their meeting on June 8, 2022 and June 2, 2023, respectively.

The appropriation of earnings for the first and second six months of 2023, which were resolved by the Group's board of directors were as follows:

<b>Date of Board Resolution</b>	<b>July 1 to December 31, 2023</b>	<b>January 1 to June 30, 2023</b>
	<b>March 6, 2024</b>	<b>December 13, 2023</b>
Legal reserve	<u>\$ 25,247</u>	<u>\$ 31,558</u>
Cash dividends	<u>\$ 219,001</u>	<u>\$ 292,002</u>
Cash dividends per share (NT\$)	<u>\$ 3</u>	<u>\$ 4</u>

On March 6, 2024, the Group's board of directors resolved to issue cash dividends of \$73,000 thousand from the capital surplus.

The appropriation of earnings for 2023 will be reported by the shareholders in their meeting to be held on June 24, 2024.

d. Unrealized valuation gain (loss) on financial assets at FVTOCI

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ -	\$ -
Recognized for the year		
Unrealized gain (loss) - debt instruments	(98)	-
Unrealized gain (loss) - equity instruments	<u>2,226</u>	<u>-</u>
Other comprehensive income for the year	<u>2,128</u>	<u>-</u>
Balance at December 31	<u>\$ 2,128</u>	<u>\$ -</u>

## 25. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 6,061,193	\$ 6,687,868
Revenue from the rendering of services	<u>130,941</u>	<u>152,502</u>
	<u>\$ 6,192,134</u>	<u>\$ 6,840,370</u>

a. Contract information

1) Revenue from the sale of goods

Home appliances and electronic products are sold to TV Home Shopping merchants, 3C retailers, distributors and other customers. The Group gives price discounts to distributors and retailers when they meet the contractual requirements. The amount of revenue is based on the most probable amount of the discount considering the distributor and the retailer's past orders. The rest of the products are sold at a fixed price as agreed in the contract.

In accordance with commercial practice, the Group accepts returns of home appliances and electronic products for full refund. Considering the experience accumulated in the past, the Group estimated the return rate based on the most probable amount and recognized the refund liability and related right of recover product. Please refer to Note 22 for the description of defective warranty obligations for home appliances and electronic products.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the delivery services before clients receive the goods, and the maintenance and installation services as agreed in the contract.

b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Note and trade receivables (Note 10)	<u>\$ 1,046,422</u>	<u>\$ 1,055,060</u>	<u>\$ 1,176,840</u>
Contract liabilities - current			
Revenue from sale of goods	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,292</u>

c. Details for contract revenue

Refer to Note 37 for the information of the details for revenue.

**26. NET PROFIT FROM OPERATIONS**

a. Interest income

	<u>For the Year Ended December 31</u>	
	2023	2022
Bank deposits and short-term bills	<u>\$ 14,252</u>	<u>\$ 6,189</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2023	2022
Rental income	\$ 22,843	\$ 21,367
Others	<u>6,766</u>	<u>3,489</u>
	<u>\$ 29,609</u>	<u>\$ 24,856</u>



c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net foreign exchange losses	\$ (9,095)	\$ (28,726)
Financial asset or financial liability at fair value through profit or loss	(3,170)	123,987
Gain/(loss) on disposal of property, plant and equipment	388	(8)
Others	<u>(545)</u>	<u>(243)</u>
	<u>\$ (12,422)</u>	<u>\$ 95,010</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on bank loans	\$ 2,013	\$ 1,418
Interest on lease liabilities	9,015	249
Others	<u>66</u>	<u>1</u>
	<u>\$ 11,094</u>	<u>\$ 1,668</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating costs	\$ 52,453	\$ 17,099
Operating expenses	<u>135,329</u>	<u>54,811</u>
	<u>\$ 187,782</u>	<u>\$ 71,910</u>
An analysis of amortization by function		
Operating costs	\$ 1,072	\$ 888
Operating expenses	<u>13,079</u>	<u>8,721</u>
	<u>\$ 14,151</u>	<u>\$ 9,609</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term benefits	\$ 702,550	\$ 698,476
Post-employment benefits (Note 22)		
Defined contribution plans	29,460	29,432
Defined benefit plans	<u>(69)</u>	<u>(25)</u>
	<u>29,391</u>	<u>29,407</u>
Other employee benefits	<u>25,002</u>	<u>24,753</u>
Total employee benefits expense	<u>\$ 756,943</u>	<u>\$ 752,636</u>

(Continued)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
An analysis of employee benefits expense by function		
Operating costs	\$ 183,063	\$ 127,514
Operating expenses	<u>573,880</u>	<u>625,122</u>
	<u>\$ 756,943</u>	<u>\$ 752,636</u>
		(Concluded)

g. Compensation of employees and remuneration of directors and supervisors

According to the Articles of Incorporation of the Group, the Group accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2023 and 2022, which were approved by the Group's board of directors on March 6, 2024 and March 14, 2023 were as follows:

No accruals were made in 2018 due to deficit.

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Compensation of employees	3.3%	3.3%
Remuneration of directors and supervisors	1.2%	1.2%

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	<u>\$ 23,818</u>	<u>\$ 31,148</u>
Remuneration of directors and supervisors	<u>\$ 8,661</u>	<u>\$ 11,327</u>

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There's no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Group's board of directors for 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 24,252	\$ 39,848
Foreign exchange losses	<u>(33,347)</u>	<u>(68,574)</u>
	<u>\$ (9,095)</u>	<u>\$ (28,726)</u>

**27. INCOME TAXES RELATING TO CONTINUING OPERATIONS**

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 129,887	\$ 168,038
Income tax on unappropriated earnings	4,383	11
Adjustments for prior years	<u>(1,503)</u>	<u>(5,349)</u>
	<u>132,767</u>	<u>162,700</u>
Deferred tax		
In respect of the current year	<u>2,990</u>	<u>7,523</u>
Income tax expense recognized in profit or loss	<u>\$ 135,757</u>	<u>\$ 170,223</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax from continuing operations	<u>\$ 703,812</u>	<u>\$ 915,460</u>
Income tax expense calculated at the statutory rate	\$ 148,848	\$ 192,766
Nondeductible expenses in determining taxable income	15	-
Tax-exempt income	(22,347)	(18,785)
Unrecognized deductible temporary differences	4,143	-
Income tax on unappropriated earnings	4,383	11
Unrecognized loss carryforwards	2,218	1,580
Adjustments for prior years	<u>(1,503)</u>	<u>(5,349)</u>
Income tax expense recognized in profit or loss	<u>\$ 135,757</u>	<u>\$ 170,223</u>

b. Income tax recognized in other comprehensive income

**For the Year Ended December 31**  
**2023**                      **2022**

Deferred tax

In respect of the current year

Remeasurement of defined benefit plans	\$ -	\$ (133)
Total income tax recognized in other comprehensive income	<u>\$ -</u>	<u>\$ (133)</u>

c. Current tax assets and liabilities

**December 31**  
**2023**                      **2022**

Current tax assets

Tax refund receivable	\$ 2,468	\$ 8,575
-----------------------	----------	----------

Current tax liabilities

Income tax payable	\$ 52,796	\$ 76,334
--------------------	-----------	-----------

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventory devaluation loss	\$ 32,812	\$ 8,130	\$ -	\$ 40,942
Unrealized gross profits	82	86	-	168
Unrealized allowance for sales discount	11,043	(6,231)	-	4,812
Unrealized financial products profit or loss	1,292	(1,167)	-	125
Unrealized allowance for sales return	17,535	101	-	17,636
Unrealized payable for annual leave	3,454	87	-	3,541
Idle capacity	114	(25)	-	89
Unrealized warranty expense	8,831	454	-	9,285
Exchange differences	<u>2,229</u>	<u>(2,200)</u>	<u>-</u>	<u>29</u>
	<u>\$ 77,392</u>	<u>\$ (765)</u>	<u>\$ -</u>	<u>\$ 76,627</u>

(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized asset				
recognized to acquired	\$ (13,737)	\$ 669	\$ -	\$ (13,068)
Exchange difference	(3,619)	(3,337)	-	(6,956)
Unrealized profits or loss				
of financial commodity	(526)	526	-	-
Unrealized pension				
expense	(806)	(83)	-	(889)
Remeasurement of defined				
benefit plans	(223)	-	-	(223)
	<u>\$ (18,911)</u>	<u>\$ (2,225)</u>	<u>\$ -</u>	<u>\$ (21,136)</u>
				(Concluded)

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Inventory devaluation loss	\$ 27,067	\$ 5,745	\$ -	\$ 32,812
Unrealized gross profits	6,825	(6,743)	-	82
Unrealized allowance for				
sales discount	20,457	(9,414)	-	11,043
Unrealized financial				
products profit or loss	76	1,216	-	1,292
Unrealized allowance for				
sales return	15,106	2,429	-	17,535
Unrealized payable for				
annual leave	3,048	406	-	3,454
Idle capacity	85	29	-	114
Difference between tax				
and account	12	(12)	-	-
Unrealized warranty				
expense	6,201	2,630	-	8,831
Exchange differences	180	2,049	-	2,229
	<u>\$ 79,057</u>	<u>\$ (1,665)</u>	<u>\$ -</u>	<u>\$ 77,392</u>
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized asset				
recognized to acquired	\$ (11,560)	\$ (2,177)	\$ -	\$ (13,737)
Exchange difference	(533)	(3,086)	-	(3,619)
Unrealized profits or loss of financial commodity	(11)	(515)	-	(526)
Unrealized pension expense	(726)	(80)	-	(806)
Remeasurement of defined benefit plans	(90)	-	(133)	(223)
	<u>\$ (12,920)</u>	<u>\$ (5,858)</u>	<u>\$ (133)</u>	<u>\$ (18,911)</u>
				(Concluded)

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2023	2022
Loss carryforwards		
Expiry in 2032	\$ 7,903	\$ 7,903
Expiry in 2033	<u>11,106</u>	<u>-</u>
	<u>\$ 19,009</u>	<u>\$ 7,903</u>

- f. Income tax assessments

The income tax returns for the Group and HERTEC. Co., Ltd., HER HSIUNG CO., LTD., RANSO CO., LTD., and SHAHER AIR TECH CORPORATION. have been assessed by the tax authorities through 2021.

## 28. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	<u>For the Year Ended December 31</u>	
	2023	2022
Basic earning per share		
From continuing operations	<u>\$ 7.78</u>	<u>\$ 10.21</u>
Diluted earning per share		
From continuing operations	<u>\$ 7.75</u>	<u>\$ 10.16</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2023	2022
Profit for the year attributable to owners of the Group		
Earnings used in the computation of basic earnings per share	<u>\$ 568,055</u>	<u>\$ 745,237</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 568,055</u>	<u>\$ 745,237</u>

For the years ended December 31, 2023 and 2022, the net profit of the Group for the calculation of the basic earnings per share is the same as the net profit for the calculation of diluted earnings per share.

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

### Shares

	<u>For the Year Ended December 31</u>	
	2023	2022
		<b>Unit: NT\$ Per Share</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	73,000	73,000
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>269</u>	<u>332</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>73,269</u>	<u>73,332</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 29. CASH FLOW INFORMATION

### a. Non-cash transaction

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities which were not reflected in the statements of cash flows for the years ended December 31, 2023 and 2022:

The cash dividends approved in the Group's board of directors which were \$292,002 thousand and \$292,002 thousand were not yet distributed as of December 31, 2023 and 2022.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2023

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Lease Termination	Interest Expense	
Lease liabilities	\$ <u>13,009</u>	\$ <u>(134,037)</u>	\$ <u>356,012</u>	\$ <u>-</u>	\$ <u>9,015</u>	\$ <u>243,999</u>

For the year ended December 31, 2022

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Lease Termination	Interest Expense	
Lease liabilities	\$ <u>34,065</u>	\$ <u>(30,277)</u>	\$ <u>10,338</u>	\$ <u>(1,366)</u>	\$ <u>249</u>	\$ <u>13,009</u>

### 30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity of net debt (borrowings offset by cash and cash equivalents) the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

### 31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

As the years ended on December 31, 2023 and 2022, the carrying amounts of financial instruments not measured at fair value are approximately equal to their fair values.



b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 32,020	\$ -	\$ -	\$ 32,020
<u>Financial liabilities at fair value through other comprehensive income</u>				
Investments in equity instruments at FVTOCI				
Mutual funds	\$ 44,045	\$ -	\$ -	\$ 44,045
Debt instruments investment				
Domestic bonds	-	849,902	-	849,902
	\$ 44,045	\$ 849,902	\$ -	\$ 893,947
<u>Financial liabilities at fair value through profit and loss</u>				
Derivative financial instruments	\$ -	\$ 624	\$ -	\$ 624

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at fair value through profit and loss</u>				
Derivative financial instruments	\$ -	\$ 9,090	\$ -	\$ 9,090

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Technique and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted debt securities - ROC	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuer at the end of the reporting period.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
<u>FVTPL</u>		
Mandatorily classified as at FVTPL	\$ 32,020	\$ -
Financial assets at amortized cost (1)	1,706,883	2,387,783
<u>Financial assets at FVTOCI</u>		
Equity instruments	44,045	-
Debt instruments	849,902	-
<u>Financial liabilities</u>		
Fair value through profit and loss		
Held for trading	624	9,090
Financial liabilities at amortized cost (2)	1,514,867	1,211,227

- 1) The balances include other financial assets, which comprise cash and cash equivalents, trade receivables, other receivables, debt investments measured of amortized cost, and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term loans, notes payable, trade payables, other payables, and deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables and borrowings. The financial risks relating to the operations of the Group include market risk (including foreign currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The subsidiaries of the Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the period are set out in Note 35.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan Dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollars weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit or (loss)	<u>\$ (3,094)</u>	<u>\$ 327 *</u>

\* The result was mainly attributable to the exposure on deposits, financial assets at amortized cost and outstanding receivables in USD that were not hedged at the end of the year.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 85,353	\$ 372,840
Financial liabilities	-	-
Cash flow interest rate risk		
Financial assets	478,680	826,309
Financial liabilities	357,159	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point (0.5%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$608 thousand and \$4,132 thousand, respectively.

2) Credit risk

The credit risk refers to the risk in the financial loss of the Group because the counterparty delays in the fulfillment of the contractual obligations. Up to the balance sheet date, the Group's potential highest credit risk exposure due to failure of the counterparty to fulfill its obligations was mainly derived from the book value of the financial assets recognized in the separate balance sheet.

It is the policy of the Group to trade only with reputable parties and to obtain adequate guarantee where necessary to mitigate the risk of financial loss due to default. The Group continuously monitors the credit risk and the credit status of the counterparty and controls the credit risk through the counterparty credit limit, which is reviewed and approved annually by a specialist appointed by management. In addition, the recoverable amount of receivables of the Group is assessed for each receivable at the balance sheet date to ensure that appropriate impairment losses have been provided for the unrecoverable receivables. As such, the management of the Group holds that the credit risk of the Group has reduced significantly.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Group had available unutilized short-term bank loan facilities set out in (c) below.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

#### December 31, 2023

	<b>On Demand or Less than 1 Year</b>	<b>More than 1 Year</b>
<u>Non-derivative financial liabilities</u>		
Notes payable	\$ 36,565	\$ -
Trade payables	468,221	-
Other payables	644,078	-
Short-term borrowings	358,290	-
Lease liabilities	<u>127,285</u>	<u>124,253</u>
	<u>\$ 1,634,439</u>	<u>\$ 124,253</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>More than 20 Year</b>
Lease liabilities	<u>\$ 127,285</u>	<u>\$124,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	<b>On Demand or Less than 1 Year</b>	<b>More than 1 Year</b>
<u>Non-derivative financial liabilities</u>		
Notes payable	\$ 91,400	\$ -
Trade payables	447,017	-
Other payables	658,853	-
Lease liabilities	<u>7,170</u>	<u>5,839</u>
	<u>\$ 1,204,440</u>	<u>\$ 5,839</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>More than 20 Years</b>
Lease liabilities	<u>\$ 7,339</u>	<u>\$ 5,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

After considering the financial situation, the Group believed that the Group may not be requested to repay immediately by the bank loan the Group.

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments.

The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 20 Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 31,664	\$ -	\$ -	\$ -	\$ -
Outflows	<u>(32,288)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (624)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 20 Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 116,853	\$ 215,175	\$ -	\$ -	\$ -
Outflows	<u>(120,552)</u>	<u>(220,566)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (3,699)</u>	<u>\$ (5,391)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

	<u>December 31</u>	
	2023	2022
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,045,963	\$ 1,068,719
Amount unused	<u>3,468,757</u>	<u>4,329,369</u>
	<u>\$ 4,514,720</u>	<u>\$ 5,398,088</u>
Secured bank overdraft facilities, reviewed annually		
Amount used	\$ 150,000	\$ -
Amount unused	<u>450,000</u>	<u>-</u>
	<u>\$ 600,000</u>	<u>\$ -</u>

### 32. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and relation

<u>Related Party Name</u>	<u>Relation with the Company</u>
Heran Tech Co., Ltd. (Heran Tech)	Related party in substance - the chairman is same as the Company
TAIWAN GREE CO., LTD. (TAIWAN GREE)	Associate
HERHUA CONSTRUCTION CO., LTD. (HERHUA CONSTRUCTION)	Related party in substance - a influential shareholder is a close relative of the Company's chairman
JOWIN Co., Ltd. (JOWIN) (have changed the Chinese name of company)	Related party in substance - relative within second degree of relationship between the chairman of both Company
HERFA ENTERPRISE CORPORATION LTD. (HERFA ENTERPRISE)	Related party in substance - the chairman is same as the Company
CHANGGU INVESTMENT CO., LTD.	Related party in substance - relative within second degree of relationship between the chairman of both Company

b. Sales of goods

Line Item	Related Party Name	December 31	
		2023	2022
Sales	Associate	\$ -	\$ 18
	Related party in substance	<u>813</u>	<u>319</u>
		<u>\$ 813</u>	<u>\$ 337</u>

The sale of goods to related parties were made at the Group usual list prices.

c. Purchases of goods

	Related Party Name	December 31	
		2023	2022
	Associate	<u>\$ -</u>	<u>\$ 42</u>

Purchases were made at the same condition with normal supplier.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31	
		2023	2022
Trade receivables	Associate	\$ -	\$ 9
	Related party in substance	<u>-</u>	<u>92</u>
		<u>\$ -</u>	<u>\$ 101</u>
Other receivables	Related party in substance	<u>\$ 48</u>	<u>\$ 43</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for trade receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31	
		2023	2022
Other payables	Related party in substance	<u>\$ 918</u>	<u>\$ 4,568</u>

The outstanding trade payables to related parties are unsecured.

f. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price	
	2023	2022
Related party in substance/Heran Tech	<u>\$ 275</u>	<u>\$ -</u>

The transaction price for related parties is based on market conditions, and the trading conditions are not materially different from those of general objects.

g. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Related party in substance/ Heran Tech	\$ 310	\$ -	\$ 26	\$ -

The transaction price for related parties is based on market conditions, and the trading conditions are not materially different from those of general objects.

h. Lease arrangements - the Group is lessee

Line Item	Related Party Category/Name	December 31	
		2023	2022
Lease liabilities	Related party in substance/Heran Tech	\$ 236,312	\$ -
		<b>For the Year Ended December 31</b>	
	<b>Related Party Category/Name</b>	<b>2023</b>	<b>2022</b>
<u>Interest expense</u>			
	Related party in substance/Heran Tech	\$ 8,822	\$ 67

**For the Year Ended December 31, 2023**

Lessor	Subject Matter of Lease	Lease Term	Method of Rent Calculation/Collection
Related party in substance/ Heran Tech	290 units of the parking lot in B1 to B3 and 1F to 9F, No. 289, Wenhe Rd., Guishan Dist., Taoyuan City	January 1, 2023 to December 31, 2025	The rental of \$9,856 thousand was collected monthly.
Related party in substance/ Heran Tech	312 Units of the Heran Parking Lot (2) at No. 69, Lejie Section, Kueishan District, Taoyuan City,	January 1, 2023 to December 31, 2023	The rental of \$624 thousand was collected monthly.
Related party in substance/ Heran Tech	13F., No. 289, Wenhe Rd., Guishan Dist., Taoyuan City	December 1, 2023 to December 31, 2025	The rental of \$146 thousand was collected monthly.
Related party in substance/ Heran Tech	No. 289, Leshan Vil. 9 Neighborhood, Wenxin Rd., Guishan Dist., Taoyuan City	October 1, 2023 to March 31, 2026	The rental of \$137 thousand was collected monthly.

**For the Years Ended December 31, 2022**

Lessor	Subject Matter of Lease	Lease Term	Method of Rent Calculation/Collection
Related party in substance/ Heran Tech	B1 to 1, 3 to 9F., No. 88, Keji 3rd Rd., Guishan Dist., Taoyuan City	January 1, 2022 to June 30, 2022	The rental of \$3,245 thousand was collected monthly.



i. Other transactions with related parties

Line Item	Related Party Category/Name	December 31	
		2023	2022
Other revenues	Related party in substance	\$ 602	\$ 356
General and administrative expenses	Related party in substance	\$ 45	\$ 350
Research and development expenses	Related party in substance	\$ 4	\$ -
Rental expense	Related party in substance/Heran Tech	\$ 1,382	\$ 21,104

**For the Year Ended December 31, 2023**

Lessor	Subject Matter of Lease	Lease Term	Method of Rent Calculation/Collection
Related party in substance/ Heran Tech	290 units of the parking lot in B1 to B3 and 1F to 9F, No. 289, Wenhe Rd., Guishan Dist., Taoyuan City	January 1, 2023 to December 31, 2025	The rental of \$7,450 thousand was collected monthly.
Related party in substance/ Heran Tech	312 Units of the Heran Parking Lot (2) at No. 69, Lejie Section, Kueishan District, Taoyuan City	January 1, 2023 to December 31, 2023	The rental of \$624 thousand was collected monthly.
Related party in substance/ Heran Tech	13F., No. 289, Wenhe Rd., Guishan Dist., Taoyuan City	December 1, 2023 to December 31, 2025	The rental of \$146 thousand was collected monthly.
Related party in substance/ Heran Tech	No. 289, Leshan Vil. 9 Neighborhood, Wenxin Rd., Guishan Dist., Taoyuan City	October 1, 2023 to March 31, 2026	The rental of \$106 thousand was collected monthly.

**For the Year Ended December 31, 2022**

Lessor	Subject Matter of Lease	Lease Term	Method of Rent Calculation/Collection
Related party in substance/ Heran Tech	B1 to 1, 3 to 9F., No. 88, Keji 3rd Rd., Guishan Dist., Taoyuan City	July 1, 2022 to December 31, 2022	The rental of \$3,245 thousand was collected monthly.

j. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 31,512	\$ 33,948
Post-employment benefits	646	596
	<u>\$ 32,158</u>	<u>\$ 34,544</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been provided as collateral for financing loans possibly happened in following period and the performance bonds for warranty contract:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 565,762	\$ 323,889
Building	341,427	-
Investment property	<u>91,644</u>	<u>-</u>
	<u>\$ 998,833</u>	<u>\$ 323,889</u>

The following assets were provided as collateral for tariff pre-release of imported goods.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Pledged deposits (classified as other financial assets - non-current)	<u>\$ 20,000</u>	<u>\$ -</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2023 and 2022 were as follows:

#### Significant Commitments

- a. As of December 31, 2023, the Group has undertaken surety for loans, and has issued promissory notes to respective lending banks amounted \$2,075,000 thousand.
- b. As of December 31, 2023, unused letters of credit amounted to US\$20,599 thousand.
- c. As of December 31, 2023, used letters of credit of US\$7,440 thousand for the import of goods.
- d. As of December 31, 2023, the Group has unrealized contractual commitments as follows:

	<b>December 31, 2023</b>
Acquisition of property, plant and equipment	<u>\$ 4,509</u>

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	Foreign Currency	Exchange Rate	Carrying Amount
<u>December 31, 2023</u>			
<u>Financial assets</u>			
Monetary items USD	\$ 2,254	30.705 (USD:NTD)	<u>\$ 69,224</u>
<u>Financial liabilities</u>			
Monetary items USD	12,331	30.705 (USD:NTD)	<u>\$ 378,619</u>
<u>December 31, 2022</u>			
<u>Financial assets</u>			
Monetary items USD	10,584	30.71 (USD:NTD)	<u>\$ 333,352</u>
<u>Financial liabilities</u>			
Monetary items USD	9,791	30.71 (USD:NTD)	<u>\$ 300,696</u>

For the years ended December 31, 2023 and 2022, realized net foreign exchange losses were \$16,080 thousand and \$54,624 thousand, respectively; unrealized net foreign exchange gains were \$6,985 thousand and \$25,898 thousand, respectively.

### 36. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. transfer investment information:

- 1) Loans to others: None
- 2) Endorsements/guarantees for others: None
- 3) Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures): Table 1
- 4) The cumulative purchase or sale of the same security for an amount exceeding NT\$300 million or 20% of paid-in capital: Table 2.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
  - 9) Trading in derivative instruments: Notes 7 and 31
  - 10) Business relationships and significant intercompany transactions between parent and subsidiary and between subsidiaries: Table 5
  - 11) Information on investees: Table 6
- c. Information on investments in mainland China
- 1) The name of the investees in Mainland China, principal business, paid-in capital, investment methods, capital outward and inward remittances, shareholding, investment gains and losses, investment carrying amount at the end of the period, repatriated investment gains and losses, and investment quota for Mainland China: None
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
    - c) The amount of property transactions and the amount of the resultant gains or losses
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
    - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders: Name, number and percentage of shares held by shareholders with 5% of shares: Table 7

### 37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Home Appliances business - mainly selling and manufacturing LCD monitors, air conditioners and home appliances.

Other business - others

a. Segment revenues and operating results

The revenues and operating results of the Group are analyzed by reportable segment as follows:

	<b>Electronic Equipment - Direct Sales</b>	<b>Electronic Equipment - Wholesale</b>	<b>Total</b>
<u>For the year ended December 31, 2023</u>			
Revenue from external customers	\$ 6,034,270	\$ 157,864	\$ 6,192,134
Inter-segment revenue	<u>2,699,656</u>	<u>135,962</u>	<u>2,835,618</u>
Segment revenue	<u>\$ 8,733,926</u>	<u>\$ 293,826</u>	9,027,752
Eliminations			<u>(2,835,618)</u>
Consolidated revenue			<u>\$ 6,192,134</u>
Segment income	<u>\$ 529,514</u>	<u>\$ 78,977</u>	\$ 608,491
Interest revenue			14,252
Other revenue			29,609
Other income and loss			(12,422)
Financial cost			(11,094)
Share of profit of associates and joint ventures accounted for using the equity method			<u>74,976</u>
Profit before tax (continuing operations)			<u>\$ 703,812</u>
<u>For the year ended December 31, 2022</u>			
Revenue from external customers	\$ 6,658,180	\$ 182,190	\$ 6,840,370
Inter-segment revenue	<u>2,552,234</u>	<u>134,743</u>	<u>2,686,977</u>
Segment revenue	<u>\$ 9,210,414</u>	<u>\$ 316,933</u>	9,527,347
Eliminations			<u>(2,686,977)</u>
Consolidated revenue			<u>\$ 6,840,370</u>
Segment income	<u>\$ 674,377</u>	<u>\$ 62,870</u>	\$ 737,247
Interest revenue			6,189
Other revenue			24,856
Other income and loss			95,010
Financial cost			(1,668)
Share of profit of associates and joint ventures accounted for using the equity method			<u>53,826</u>
Profit before tax (continuing operations)			<u>\$ 915,460</u>

Revenues reported above are generated from transactions with external customers. The inter-segment sales are all eliminated in 2023 and 2022.

Segment profit represents the profit earned by each segment, excluding interest income, other income, other gains and losses, share of affiliated companies using the equity method, finance costs and income tax expense. The measured figures are provided for main decision makers to allocate resources to segments and evaluate the performance of each segment.

b. Total segment assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Segment assets</u>		
Home appliances	\$ 5,537,152	\$ 4,997,232
Other	<u>553,998</u>	<u>662,853</u>
Total segment assets	<u>\$ 6,091,150</u>	<u>\$ 5,660,085</u>

For the purpose of monitoring segment performance and allocating resources between segments:

All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Goodwill was allocated to the reportable segments. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments.

c. Revenue from major products and services

The Group's revenue from continuing operations from its major products and services are classified based on operating segments. For more information, please refer to the disclosure of segment revenue.

d. Information on major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Customer A	\$ 611,966	\$ 608,740
Customer B	<u>621,933</u>	<u>681,432</u>
	<u>\$ 1,233,899</u>	<u>\$ 1,290,172</u>

Note 1: Revenue from sales revenue.

Note 2: Revenue from other customers less than 10% of the Group's revenue.

## HERAN CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	Ending Balance			Note (Note 4)
				Units (In Thousands)	Carrying Amount (Note 3)	Percentage of Ownership (%)	
HERAN CO., LTD.	Cathay Life subordinate corporate bonds	-	Financial assets at FVTOCI - non-current	7,000,000	\$ 699,918	-	\$ 699,918
	Nanshan Life subordinate corporate bonds	-	Financial assets at FVTOCI - non-current	1,500,000	149,984	-	149,984
	CAPITAL ICE ESG 20+ Year BBB Corporate ETF	-	Financial assets at FVTPL - current	2,000,000	32,020	-	32,020
	Fuh Hwa Taiwan Technology Dividend Highlight ETF	-	Financial assets at FVTOCI - current	2,300,000	44,045	-	44,045

Note 1: The term "marketable securities" referred to in this table includes stocks, bonds, beneficiary certificate and securities derived from these items as defined in International Financial Reporting Standards No. 9.

Note 2: If the issuer of the marketable securities is not a related party, this column may be left blank.

Note 3: For those accounted for at fair value, fill in the carrying amount adjusted at fair value and deducted for impairment loss in the column "Carrying amount". For those not accounted for at fair value, fill in the carrying amount of amortized cost (after deducting impairment loss) in the column "Carrying amount".

Note 4: If any of the listed marketable securities are subject to restrictions on use due to being pledged as collateral for loans or other agreements, the pledged shares, the pledged amount, and the nature of the usage restrictions should be noted in the notes column.

Note 5: Refer to TABLE 6 for equities for investment in subsidiaries, associates and joint ventures.

## HERAN CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL (INVESTEES COMPANY)  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)			Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares (In Thousands of Shares)
HERAN CO., LTD.	Cathay Life subordinate corporate bonds Nanshan Life subordinate corporate bonds	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	-	-	-	\$ -	7,000,000	\$ 700,000	-	\$ -	-	7,000,000	\$ 700,000
			-	-	-	\$ -	1,500,000	150,000	-	\$ -	-	1,500,000	150,000

Note 1: The marketable securities stated here include shares, bonds and beneficiary certificates and the derivative products caused by those.

Note 2: Investors whose marketable securities accounted for using the equity method are required to be disclosed.

Note 3: The marketable securities acquired and disposed of shall be calculated separately at market value in order to determine whether the amount reaches \$300 million or 20% of the paid-in capital.

Note 4: The paid-in capital refers to the paid-in capital of the parent company. For issuers whose shares have no face value or whose per share par value is not NT\$10, the transaction amount requirement related to 20% of paid-in capital shall be calculated as 10% of the interests attributable to the parent company owner on the balance sheet.



## HERAN CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details			Trading Terms Different from General Trade and Reasons			Notes/Accounts Receivable (Payable)		Note 2
			Purchase/Sale	Amount	Percentage of Total Purchase (Sale)	The Credit Period	Unit Price	Payment Terms	Ending Balance	% of Total	
Heran Co., Ltd.	RANSO CO., LTD.	Parent and subsidiary	Purchase	\$ 2,553,614	65.91	Same as general suppliers	No significant difference from regular transactions.	-	Trade payable \$ (193,190)	35.8	-

Note 1: If terms of related party transactions are different from third-party transactions, explanations of the differences and reasons are in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explanations are of in the footnote of the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party sections.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

## HERAN CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Companies Book in the "Accounts Receivable"	Counterparties	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
RANSO CO., LTD.	HERAN CO., LTD.	Parent company	\$ 193,190	18.12	\$ -	-	\$ 81,871	\$ -

Note 1: Fill in separately the balances of accounts receivable - related parties, notes receivable - related parties, other receivables - related parties, etc.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

## HERAN CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONS AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

No.	Trader's Name	Counterparty	Relationship with Trader (Note 2)	Transaction Details			% of Total Sales or Assets (Note 3)
				Financial Statement Accounts	Amount	Payment Terms	
0	HERAN CO., LTD.	RANSO CO., LTD. //	a a	Trade payables Purchase	\$ 193,190 2,553,614	No significant difference from regular transactions. At the price agreed by both.	3.02 41.24
1	RANSO CO., LTD.	HERTEC. Co., Ltd.	c	Purchase	95,652	At the price agreed by both.	1.54

Note 1: The information of business operation between the parent company and its subsidiaries should be documented in the respectively numbered column as follows:

- a. Fill in "0" for parent company.
- b. The subsidiaries are sequentially numbered from 1 and so forth.

Note 2: The relationship with the traders is classified into three categories as follows:

- a. Parent to Subsidiary.
- b. Subsidiary to Parent
- c. The Subsidiary to the Subsidiary.

Note 3: Calculate the ratio of the transaction amount to consolidate the total income or total assets. For the assets and liabilities account, calculate the ratio of the ending balance to the consolidated total assets. For the profits and losses account, calculate the ratio of the interim cumulated amount to the consolidated total income.

Note 4: Disclosure of the important intercompany transactions above is decided by the Company based on the materiality principle.

## HERAN CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products (Notes 1 and 2)	Original Investment Amount December 31, 2023	December 31, 2022	As of December 31, 2023			Net Income (Loss) of the Investee Note 2 (2)	Share of Profit (Loss) Note 2 (3)	Remarks
						Number of Shares	%	Carrying Amount			
HERAN CO., LTD.	RANSO CO., LTD.	Taiwan	Manufacturing air conditioners and set-top boxes	\$ 255,000	\$ 255,000	32,159,400	100.00	\$ 352,199	\$ 49,122	\$ 47,360 (Note 4)	Subsidiaries
	HERTEC. Co., Ltd.	Taiwan	Wholesale trading of electrical and electronic products	58,990	58,990	8,000,000	100.00	92,482	6,438	6,438	Subsidiaries
	HER HSIUNG Co., Ltd.	Taiwan	Manufacturing refrigerators	50,000	50,000	5,000,000	100.00	40,516	(1,228)	(1,309)	Subsidiaries
	SHAHER AIR TECH CORPORATION	Taiwan	Wholesale trading of electrical and electronic products	30,000	30,000	3,000,000	100.00	16,174	(13,904)	(Note 5)	Subsidiaries
	TAIWAN GREE CO., LTD.	Taiwan	Wholesale trading of electrical and electronic products	30,000	30,000	13,500,000	27.27	233,327	275,943	(Note 6)	Associate

Note 1: If a public offering company has a foreign holding company and uses consolidated statements as the main financial statements in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only disclose relevant information to the holding company.

Note 2: For those who are not in the circumstances described in (Note 1), they are filled-in in according to the following regulations:

- All columns above should be filled, and the nature of relationships should be stated in the Note column.
- Net income (loss) should be stated in the Investee Company column.
- It is only necessary to fill in the profit and loss amount of each subsidiary recognized by the (public offering) company for direct reinvestment and each invested company evaluated by the equity method, and the rest is not required.

Note 3: The share of profit (loss) has material non-controlling interests. (If the country information on the principal place of business and the registration of the company in the note to "subsidiary" is indexed to this schedule, please add this note)

Note 4: The difference between net income (loss) of the investee and share of profit (loss) is since the unrealized inventory gross profit amounted of \$1,762 thousand, which is included in share of profit (loss).

Note 5: The difference between net income (loss) of the investee and share of profit (loss) is since the unrealized inventory gross profit amounted of \$81 thousand, which is included in share of profit (loss).

Note 6: The difference between net income (loss) of the investee and share of profit (loss) is since the unrealized inventory gross profit amounted of \$9 thousand, which is included in share of profit (loss).

**HERAN CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
HERFA ENTERPRISE CORPORATION LTD.	9,500,000	13.01
HERAN TECH CO., LTD.	6,529,446	8.94
Bao Hong Xin CO., LTD	4,619,097	6.32
EverStar ENTERPRISE CO., LTD.	4,614,097	6.32
YOCHENG ENTERPRISE CORPORATION LTD.	4,398,471	6.02
LIFU ENTERPRISE CORPORATION LTD.	4,398,471	6.02

Note: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's consolidated financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.