Heran Co., Ltd.

Parent Company Only Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the company financial statements for the year ended December 31, 2023 is stated as follows:

Occurrence of Operating Income

For 2023, operating income of the Company 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 to specific clients 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 to specific clients 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 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 to specific clients.

2. We tested the effectiveness of the internal control system related to the occurrence of revenue from sales of air-conditioning system to specific clients.

3. In order to confirm no material difference, we obtained the sales revenue details of the air-conditioning system to specific clients 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.

Responsibilities of Management for the Parent Company Only Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures parent company only in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only 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 partners on the audits resulting in this independent auditors' report are Jui-Chuan Chih and Chien-Hsih Hsieh.

Chih Jui Chuan Chien-Hsin Hsieh

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2024

<u>Notice to Readers</u>

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

For the convenience of readers, the independent auditors' report and the accompanying 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.

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 341,991	6	$ 882,180	15
Financial assets at fair value through profit or loss - current (Note 7)	32,020	1	-	-
Financial assets at fair value through other comprehensive income - current (Note 8)	44,045	1	-	-
Note receivables from unrealized parties (Note 10)	304,046	5	264,679	5
Trade receivables from unrealized parties (Note 10)	707,962	11	776,191	14
Trade receivables from related parties (Notes 10 and 31)	23,024	-	25,214	-
Other receivables (Note 10)	8,022	-	2,870	-
Other receivables from related parties (Notes 10 and 31)	3,898	-	566	-
Current income tax assets (Note 26)	156	-	-	-
Inventories (Note 11)	1,205,823	19	1,359,997	24
Prepayments (Note 17)	74,472	1	66,714	1
Right to recover products - current (Note 17)	65,347	1	68,693	1
Other current assets	45	-	-	-
Total current assets	2,810,851	45	3,447,104	60
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	849,902	14	-	-
Investments accounted for using equity method (Note 12)	734,724	12	682,154	12
Property, plant and equipment (Note 13)	1,405,200	23	1,357,121	24
Right of use assets (Note 14)	184,573	3	12,931	-
Investment property (Note 15)	91,643	2	93,714	2
Intangible assets (Note 16)	9,913	-	14,857	-
Deferred tax assets (Note 26)	67,265	1	68,138	1
Prepayments for equipment	22,180	-	34,740	1
Refundable deposits	29,072	-	13,399	-
Net defined benefit asset, non-current (Note 22)	5,253	-	4,840	-
Other financial assets - non-current (Note 17)	5,000	-	-	-
Total non-current assets	3,404,725	55	2,281,894	40
TOTAL	$ 6,215,576	100	$ 5,728,998	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 281,883	5	$ -	-
Financial liabilities at fair value through profit or loss - current (Note 7)	624	-	6,462	-
Notes payable (Note 19)	36,367	1	91,400	2
Trade payables to unrelated parties (Note 19)	305,745	5	249,130	5
Trade payables to related parties (Notes 19 and 31)	195,582	3	89,016	2
Other payables to unrelated parties (Note 20)	571,481	9	581,663	10
Other payables to related parties (Notes 20 and 31)	10,440	-	11,017	-
Current tax liabilities (Note 26)	41,788	1	61,095	1
Provisions - current (Note 21)	7,972	-	8,562	-
Lease liabilities - current (Notes 14 and 31)	93,804	1	7,170	-
Refund liabilities - current (Note 21)	320,073	5	351,161	6
Other current liabilities (Note 21)	2,064	-	1,979	-
Total current liabilities	1,867,823	30	1,458,655	26
NON-CURRENT LIABILITIES				
Provisions - non-current (Note 21)	38,448	1	35,591	1
Deferred tax liabilities (Note 26)	19,252	-	18,191	-
Lease liabilities - non-current (Notes 14 and 31)	93,418	2	5,839	-
Guaranteed deposits received	4,391	-	4,658	-
Total non-current liabilities	155,509	3	64,279	1
Total liabilities	2,023,332	33	1,522,934	27
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)				
Share capital	730,004	12	730,004	13
Capital surplus	825,306	13	825,306	14
Retained earnings				
Legal reserve	733,788	12	669,657	12
Unappropriated earnings	1,901,018	30	1,981,097	34
Other equity	2,128	-	-	-
Total equity	4,192,244	67	4,206,064	73
TOTAL	$ 6,215,576	100	$ 5,728,998	100

The accompanying notes are an integral part of the parent company only financial statements.

HERAN CO., LTD.

PARENT COMPANY ONLY 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 24 and 31)				
Sales	$ 7,457,884	122	$ 7,618,994	121
Sales returns	(266,653)	(4)	(303,803)	(5)
Sales discounts and allowances	(1,101,859)	(18)	(988,021)	(16)
Total operating revenue	6,089,372	100	6,327,170	100
OPERATING COSTS (Notes 11, 25 and 31)	(4,389,991)	(72)	(4,528,497)	(72)
GROSS PROFIT	1,699,381	28	1,798,673	28
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND SUBSIDIARIES	(844)	-	(412)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND SUBSIDIARIES	412	-	34,127	1
REALIZED GROSS PROFIT	1,698,949	28	1,832,388	29
OPERATING EXPENSES (Notes 25 and 31)				
Selling and marketing expenses	(1,008,648)	(17)	(938,855)	(15)
General and administrative expenses	(110,143)	(2)	(112,953)	(2)
Research and development expenses	(54,164)	(1)	(46,178)	(1)
Expected credit losses	(340)	-	(6,554)	-
Total operating expenses	(1,173,295)	(20)	(1,104,540)	(18)
PROFIT FROM OPERATIONS	525,654	8	727,848	11
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 31)				
Interest income	11,790	-	4,469	-
Other income	40,844	1	26,980	-
Other gains and losses	5,752	-	48,955	1
Finance costs	(8,304)	-	(1,333)	-
Share of profit or loss of associates and subsidiaries accounted for using the equity method	113,552	2	94,486	2
Total non-operating income and expenses	163,634	3	173,557	3

(Continued)

HERAN CO., LTD.

PARENT COMPANY ONLY 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	$ 689,288	11	$ 901,405	14
INCOME TAX EXPENSE (Note 26)	(121,233)	(2)	(156,168)	(2)
NET PROFIT FOR THE YEAR	568,055	9	745,237	12
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23 and 26)				
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 relating 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	(98)	-	-	-
Other comprehensive income for the year, net of income tax	2,128	-	531	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 570,183	9	$ 745,768	12
EARNINGS PER SHARE (Note 28)				
Basic	$ 7.78		$ 10.21	
Diluted	$ 7.75		$ 10.16	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

HERAN CO., LTD.

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

	Share Capital			Retained Earnings		Other Equity	
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Unappropriated Earnings	Unrealized Gains or Loss on Investment at Fair Value Through Other Comprehensive Income	Total
BALANCE AT JANUARY 1, 2022	73,000	$ 730,004	$ 825,306	$ 593,092	$ 1,895,898	$ -	$ 4,044,300
Appropriation of 2021 earnings							
Legal reserve	-	-	-	76,565	(76,565)	-	-
Cash dividends distributed by the Company	-	-	-	-	(584,004)	-	(584,004)
Net profit for the year ended December 31, 2022	-	-	-	-	745,237	-	745,237
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	531	-	531
Total comprehensive income 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							
Legal reserve	-	-	-	64,131	(64,131)	-	-
Cash dividends distributed by the Company	-	-	-	-	(584,003)	-	(584,003)
Net profit for the year ended December 31, 2023	-	-	-	-	568,055	-	568,055
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	-	2,128	2,128
Total comprehensive income 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 parent company only financial statements.

HERAN CO., LTD.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 689,288	$ 901,405
Adjustments for:		
Expected credit loss recognized on trade receivables	146,233	61,934
Depreciation expense	13,776	8,851
Amortization expense	340	6,554
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	1,938	(49,122)
Finance costs	8,304	1,333
Interest income	(11,790)	(4,469)
Share of profit of associates and subsidiaries accounted for using the equity method	(113,552)	(94,486)
Gain on disposal of property, plant and equipment	(26)	-
Loss on decline in value of inventories and slow moving	33,315	20,119
Unrealized gain on transactions with associates and subsidiaries	844	412
Realized gain on transactions with associates and subsidiaries	(412)	(34,127)
Net gain on lease modification	-	(26)
Recognition of provisions	21,868	32,098
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	56,189
Notes receivables	(39,367)	100,998
Trade receivables	67,889	9,456
Trade receivables from related parties	2,190	35,524
Other receivables	(5,152)	(474)
Other receivables from related parties	(3,332)	113
Inventories	120,859	162,915
Contract assets	-	284,599
Prepayments	(7,758)	13,256
Other current assets	(45)	51
Net defined benefit assets	(413)	(400)
Right to recover products	3,346	(10,890)
Financial liabilities held for trading	(9,796)	(986)
Contract liabilities	-	(15,292)
Notes payable	(55,033)	(5,911)
Trade payables	56,615	(133,243)
Trade payables to related parties	106,566	(152,395)
Other payables	(18,028)	28,784
Other payables to related parties	(577)	77
Provisions - current	(19,601)	(18,953)
Refund liabilities - current	(31,088)	(73,179)
Other current liabilities	85	83

(Continued)

HERAN CO., LTD.

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

	2023	2022
Cash generated from operations	$ 957,486	$ 1,130,798
Interest paid	(8,134)	(1,333)
Income tax paid	(138,762)	(166,274)
Net cash generated from operating activities	810,590	963,191
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(891,819)	-
Purchases of financial assets at fair value through profit or loss	(30,000)	-
Increase in other financial assets	(5,000)	-
Proceeds from sale of financial assets at amortized cost	-	128
Proceeds from capital reduction of subsidiaries	-	120,000
Payments for property, plant and equipment	(36,769)	(5,782)
Proceeds from disposal of property, plant and equipment	310	-
Increase in refundable deposits	(15,673)	(1,091)
Payments for intangible assets	(8,832)	(17,135)
Increase in prepayments for equipment	(34,762)	(41,827)
Increase in prepayments for land	-	(12,305)
Interest received	11,790	4,469
Dividends received from associates and subsidiaries	60,550	59,308
Net cash used in investing activities	(950,205)	105,765
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	281,883	-
Increase in guarantee deposits received	-	815
Decrease in guarantee deposits received	(267)	-
Repayment of the principal portion of lease liabilities	(98,187)	(24,665)
Allocation of cash dividends	(584,003)	(584,004)
Net cash used in financing activities	(400,574)	(607,854)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(540,189)	461,102
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	882,180	421,078
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 341,991	$ 882,180

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

(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 mainly manufactures LCD monitors, sells electrical appliance and electronic materials and fixes electrical products.

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

The financial statements of the Company are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The 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 Company's accounting policies.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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 parent company only 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 parent company only financial statements have been prepared on the historical cost basis except for the financial instruments which are 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profits for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parents Company only basis and the consolidated basis were made to investment accounted for using the equity method, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statement.

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 12 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 Company 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. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company'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 denominated in foreign currencies that are measured at fair value 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 cases the exchange differences are also recognized directly in other comprehensive income.

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

e. Inventories

Inventories consist of 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.

f. Investments in subsidiaries

The Company uses the equity method to account for its investment in subsidiaries.

A subsidiary is an equity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognize the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, from part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is include within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by company the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statement as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognized a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized had no impairment loss been recognized in prior year. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

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

The Company 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 Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company's and its subsidiaries' 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 Company's and its subsidiaries' 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 Company's and its subsidiaries' proportionate interest in the associate. The Company and its subsidiaries record 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 accounted for using the equity method. If the Company's and its subsidiaries' 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 Company's and its subsidiaries' share of losses of an associated equal or exceed their 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, from part of the Company's and its subsidiaries' net investment in the associate), the Company and its subsidiaries discontinue recognizing their share of further losses, if any. Additional losses and liabilities are recognized only to the extent that the Company and its subsidiaries have 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 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 Company and its subsidiaries discontinue the use of the equity method from the date on which their investment ceases to be associates. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to retained interest and its fair value its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company and its subsidiaries transact with their associate, profits and losses resulting from the transactions with the associate are recognized in the parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

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 Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties 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 Company 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 Company 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 Company 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 category

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 FVPL when such a financial asset is 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, interest earned and 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 30.

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 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 Company may make on 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.

Investment 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 Company'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 Company 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 Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company 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 Company 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 Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

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 Company 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 Company 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 Company 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 Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company'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 Company'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 30.

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 Company 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, swap contracts and foreign exchange option contracts.

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 of 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 that is with 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 measure 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 Company of the expenditures required to settle the Company's obligation.

n. Revenue recognition

The Company 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 operating services under franchise agreement.

o. Leases

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

1) The Company 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 Company as lessee

The Company 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 parent company only 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 Company 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 Company 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 Company 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 cost 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 interest 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 state 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 are recognized in other income on a systematic basis over the periods in which the Company recognized as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the parent company only financial statements and recognized in profit of loss on a systematic and rational basis over the useful lives of the related assets.

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

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 remeasurement) 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, the effect of the changes to the asset ceiling 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 Company'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 Law Act in the ROC, an additional tax of 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, unused loss carryforwards 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 Company 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 Company 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 Company's accounting policies, management is required to make judgments, estimations, and assumptions on 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 assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company'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 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 similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	$ 921	$ 946
Checking accounts and demand deposits	325,717	508,394
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	-	230,710
Repurchase agreements collateralized by bonds	15,353	142,130
	$ 341,991	$ 882,180

The interest rate intervals of cash in the bank and cash equivalents at the end of the year were as follows:

	December 31	
	2023	2022
Bank balance	0.51%-1.45%	0.39%-1.05%
Time deposits	-	1.24%-4.22%
Repurchase agreements collateralized by bonds	5.40%	0.88%-4.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Fund beneficiary certificates	$ 32,020	$ -
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge account)		
Foreign exchange forward contracts	$ 624	$ 6,462

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)
December 31, 2023			
Buy	NTD/USD	2024.1.9	USD1,032/NTD32,288
December 31, 2022			
Buy	NTD/USD	2023.1.15-2023.3.31	USD7,586/NTD238,575

The Company 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

	December 31	
	2023	2022
Current		
Investments in equity instruments	$ 44,045	$ -
Non-current		
Investments in debt instruments	$ 849,902	$ -

a. Investments in equity instruments

	December 31	
	2023	2022
Current		
Domestic investments		
Fund beneficiary certificates	$ 44,045	$ -

These investments in equity instruments are held for medium- to long-term strategic purposes and expecting 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 Company's strategy of holding these investments for long-term purposes.

b. Investments in debt instruments

	December 31	
	2023	2022
Non-current		
Domestic investments		
Cathay Life Insurance Company, Ltd. - bonds	$ 699,918	$ -
Nan shan life insurance Co., Ltd. - bonds	149,984	-
	$ 849,902	$ -

1) In October 2023, the Company purchased 10-year corporate bonds issued by Cathay Life Insurance Company, Ltd. with a coupon rate of 3.7%.

2) In October 2023, the Company purchased 10-year corporate bonds issued by Nan Shan 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 investments in debt instruments at FVTOCI.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at FVTOCI were as follows:

December 31, 2023

	At FVTOCI
Gross carrying amount	$ 850,000
Fair value adjustments	(98)
Amortized cost	$ 849,902

In order to minimize credit risk, the Company 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.

In determining the expected credit losses for debt instrument investments, the Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries. The Company's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
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	Lifetime ECLs - not credit impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECLs - credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

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%	$ 849,902

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2023	2022
Note receivable - operating		
At amortized cost		
Gross carrying amount from unrelated parties	$ 304,221	$ 264,854
Less: Allowance for impairment loss	(175)	(175)
	$ 304,046	$ 264,679
Trade receivable		
At amortized cost		
Gross carrying amount from unrelated parties	$ 714,955	$ 786,534
Gross carrying amount from related parties (Note 31)	23,024	25,214
Less: Allowance for impairment loss	(6,993)	(10,343)
	$ 730,986	$ 801,405
Other receivables		
At amortized cost		
Gross carrying amount from unrelated parties	$ 8,022	$ 2,870
Gross carrying amount from related parties (Note 32)	3,898	566
	$ 11,920	$ 3,436
Overdue receivables		
Overdue receivables	$ 4,053	$ 3,591
Less: Allowance for losses	(4,053)	(3,591)
	$ -	$ -

Trade Receivables

The average credit period of sales of goods is 30-120 days and no interest is charged on account receivables. In order to minimize credit risk, the management of the Company 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 Company 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 Company 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 Company'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 Company's different customer base.

The Company 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. For trade receivables that have been written off, the Company 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 trade receivables based on the Company's provision matrix.

December 31, 2023

	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	0.05%-0.49%	0.01%-25.60%	0.01%-57.78%	100%	
Gross carrying amount	$ 1,020,851	$ 11,344	$ 8,311	$ 5,747	$ 1,046,253
Loss allowance (Lifetime ECLs)	(2,552)	(1,363)	(1,559)	(5,747)	(11,221)
Amortized cost	$ 1,018,299	$ 9,981	$ 6,752	$ -	$ 1,035,032

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	0.05%-0.21%	0.01%-14.56%	0.01%-72.02%	100%	
Gross carrying amount	$ 1,033,797	$ 31,453	$ 7,162	$ 7,781	$ 1,080,193
Loss allowance (Lifetime ECLs)	(1,634)	(2,289)	(2,405)	(7,781)	(14,109)
Amortized cost	$ 1,032,163	$ 29,164	$ 4,757	$ -	$ 1,066,084

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

	December 31	
	2023	2022
Balance at January 1	$ 14,109	$ 7,555
Add: Net remeasurement of loss allowance	340	6,554
Less: Amounts written off	(3,228)	-
Balance at December 31	$ 11,221	$ 14,109

11. INVENTORIES

	December 31	
	2023	2022
Finished goods	$ 94,594	$ 174,979
Work in progress	2,475	5,069
Semi-finished goods	14,716	49,152
Raw materials	86,109	89,578
Commodity	941,988	1,006,138
Inventory in transit	65,941	35,081
	$ 1,205,823	$ 1,359,997

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

	December 31	
	2023	2022
Cost of inventories sold	$ 4,284,269	$ 4,452,086
Loss on decline in value of inventories	33,315	20,119
Loss on disposal of inventories	13,992	6,178
Adjustment for right to recover product	3,346	(10,890)
Recognition of provisions	21,868	32,098
Others	33,201	28,906
	$ 4,389,991	$ 4,528,497

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2023	2022
Investment in subsidiaries	$ 501,371	$ 490,587
Investment in associates	233,353	191,567
	$ 734,724	$ 682,154

a. Investment in subsidiaries

	December 31	
	2023	2022
RANSO CO., LTD.	$ 352,199	$ 304,839
HERTEC. Co., Ltd.	92,482	113,836
HER HSIUNG CO.,LTD.	40,516	41,825
SHAHER AIR TECH CORPORATION	16,174	30,087
	$ 501,371	$ 490,587

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

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

b. Investment in associates

	December 31	
	2023	2022
Material associates		
TAIWAN GREE CO., LTD.	$ 233,353	$ 191,567

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

Refer to Table 5 "Information of Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The investment accounted for using the equity method and the Company's shares of the profit or loss and other comprehensive income are recognized according to the financial statements audited by the CPA of the subsidiaries and the associates above.

The Company 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 Company for equity accounting purposes.

	December 31	
	2023	2022
TAIWAN GREE CO., LTD		
Current assets	$ 1,178,130	$ 839,309
Non-current assets	10,960	8,487
Current liabilities	(325,625)	(140,547)
Non-current liabilities	(7,835)	(4,835)
Equity	$ 855,630	$ 702,414
Proportion of the Company's ownership	27.27%	27.27%
Equity attributable to the Company	$ 233,353	$ 191,567
Carry amount	$ 233,353	$ 191,567
Operating revenue	$ 1,949,437	$ 1,650,996
Net profit for the year	$ 275,943	$ 197,360
Total comprehensive income for the year	$ 275,943	$ 197,360

13. PROPERTY, PLANT AND EQUIPMENT

Assets Used by the Company and Leased under Operating Leases

	Proprietary Land	Building	Machinery Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2023	$ 829,893	$ 534,491	$ -	$ 34,044	$ 13,088	$ 71,406	$ 426	$ 1,483,348
Additions	-	446	1,963	7,776	34,756	35,236	11,590	91,767
Disposals	-	-	-	(11,036)	(1,873)	(15,227)	-	(28,136)
Balance at December 31, 2023	$ 829,893	$ 534,937	$ 1,963	$ 30,784	$ 45,971	$ 91,415	$ 12,016	$ 1,546,979
Accumulated depreciation								
Balance at January 1, 2023	$ -	$ 68,511	$ -	$ 16,774	$ 5,988	$ 34,954	$ -	$ 126,227
Depreciation expense	-	13,105	32	6,530	6,879	16,858	-	43,404
Disposals	-	-	-	(10,752)	(1,873)	(15,227)	-	(27,852)
Balance at December 31, 2023	$ -	$ 81,616	$ 32	$ 12,552	$ 10,994	$ 36,585	$ -	$ 141,779
Carrying amount at December 31, 2023	$ 829,893	$ 453,321	$ 1,931	$ 18,232	$ 34,977	$ 54,830	$ 12,016	$ 1,405,200
Cost								
Balance at January 1, 2022	$ 817,412	$ 533,681	$ -	$ 33,428	$ 11,225	$ 72,277	$ -	$ 1,468,023
Additions	176	810	-	3,002	2,172	930	426	7,516
Disposals	-	-	-	(10,341)	(464)	(3,875)	-	(14,680)
Reclassification	12,305	-	-	7,955	155	2,074	-	22,489
Balance at December 31, 2022	$ 829,893	$ 534,491	$ -	$ 34,044	$ 13,088	$ 71,406	$ 426	$ 1,483,348
Accumulated depreciation								
Balance at January 1, 2022	$ -	$ 52,860	$ -	$ 19,872	$ 3,963	$ 26,501	$ -	$ 103,196
Depreciation expense	-	15,651	-	7,243	2,489	12,328	-	37,711
Disposals	-	-	-	(10,341)	(464)	(3,875)	-	(14,680)
Balance at December 31, 2022	$ -	$ 68,511	$ -	$ 16,774	$ 5,988	$ 34,954	$ -	$ 126,227
Carrying amount at December 31, 2022	$ 829,893	$ 465,980	$ -	$ 17,270	$ 7,100	$ 36,452	$ 426	$ 1,357,121

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	5 years
Transportation equipment	5 years
Office equipment	5 years
Other equipment	
Land improvements	20 years
Utilities equipment	10 years
Others	2-7 years

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 32.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amount		
Buildings	$ 179,728	$ 3,961
Transportation equipment	4,845	8,970
	$ 184,573	$ 12,931

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	$ 272,400	$ 10,338
Depreciation charge for right-of-use assets		
Buildings	$ 96,098	$ 17,382
Transportation equipment	4,660	4,769
	$ 100,758	$ 22,151

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	$ 93,804	$ 7,170
Non-current	$ 93,418	$ 5,839

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	1.66%-3%	1.67%
Transportation equipment	1.67%-3%	1.67%-3%

c. Material lease-in activities and terms

The Company 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 Company does not have bargain purchase options to acquire the leasehold buildings and lands at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	$ 4,588	$ 18,969
Expenses relating to low-value asset leases	$ 1,970	$ 367
Total cash outflow for leases	$ (104,745)	$ (44,001)

The Company'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 Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	Completed Investment Properties
Cost	
Balance at January 1, 2023	$ 103,355
Transfers to property, plant and equipment	-
Balance at December 31, 2023	$ 103,355
Accumulated depreciation	
Balance at January 1, 2023	$ 9,641
Depreciation expenses	2,071
Balance at December 31, 2023	$ 11,712
Carry amount at December 31, 2023	$ 91,643
Cost	
Balance at January 1, 2022	$ 103,355
Transfers to property, plant and equipment	-
Balance at December 31, 2022	$ 103,355
Accumulated depreciation	
Balance at January 1, 2022	$ 7,569
Depreciation expenses	2,072
Balance at December 31, 2022	$ 9,641
Carry amount at December 31, 2022	$ 93,714

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 was as follows:

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

Investment properties are depreciated using the straight-line method over their estimated useful lives as follow:

Main buildings	50 years

The management of the Company 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 follows:

	December 31	
	2023	2022
Fair value	$ 1,834,055	$ 935,898

16. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2022	$ 16,948
Additions	17,135
Balance at December 31, 2022	$ 34,083
Accumulated amortization	
Balance at January 1, 2022	$ 10,375
Amortization expense	8,851
Balance at December 31, 2022	$ 19,226
Carrying amount at December 31, 2022	$ 14,857

(Continued)

	Computer Software
Cost	
Balance at January 1, 2023	$ 34,083
Additions	8,832
Balance at December 31, 2023	$ 42,915
Accumulated amortization	
Balance at January 1, 2023	$ 19,226
Amortization expense	13,776
Balance at December 31, 2023	$ 33,002
Carrying amount at December 31, 2023	$ 9,913

(Concluded)

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

Computer software	1 to 3 years

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating cost	$ 1,029	$ 836
Selling and marketing expense	5,542	4,905
General and administrative expenses	502	482
Research and development expense	6,703	2,628
	$ 13,776	$ 8,851

17. OTHER ASSETS

	December 31	
	2023	2022
Current		
Prepayment for goods	$ 37,595	$ 39,486
Prepaid taxes	1,078	2
Other prepayment	35,799	27,226
	$ 74,472	$ 66,714
Right to recover products - current (Note 24)	$ 65,347	$ 68,693

(Continued)

	December 31	
	2023	2022
Overdue receivable	$ 4,053	$ 3,591
Less: Allowance for losses	(4,053)	(3,591)
	$ -	$ -
Other financial assets	$ 5,000	$ -

(Concluded)

Refer to Note 32 for the amount of Post-release Duty Payment through the Customs.

18. SHORT-TERM BORROWINGS

	December 31	
	2023	2022
Secured borrowings		
Bank loans (1)(Note 32)	$ 150,000	$ -
Unsecured borrowings		
Line of credit and letter of credit borrowing (2)	131,883	-
	$ 281,883	$ -

1) The bank loans were secured by land and buildings owned by the Company (Refer to Note 32), with maturity dates on March 13, 2024 and ending on December 31, 2023, and effective interest rates of 1.66% per annum.

2) The interest rates of bank revolving borrowings were 1.65%-1.66% in 2023.

19. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2023	2022
Notes payable		
Operating	$ 36,367	$ 91,400
Trade payables		
Operating - unrelated parties	$ 305,745	$ 249,130
Operating - related parties	195,582	89,016
	$ 501,327	$ 338,146

20. OTHER LIABILITIES

	December 31	
	2023	2022
Current		
Other payables to unrelated parties		
Payables for salaries or bonuses	$ 104,776	$ 107,294
Payables for discounts and advertising expenses	13,172	7,548
Payables for compensation of employees and remuneration of directors and supervisors	32,479	42,475
Payables for freight	18,782	22,104
Payables for annual leave	14,479	14,444
Payables for customs declaration fees	13,219	11,195
Payables for dividends	292,002	292,002
Payables for commodity tax	2,405	7,897
Payables for recycle expenses	15,072	14,877
Others	65,095	61,827
	$ 571,481	$ 581,663
Other payables to related parties		
Payables for service expenses	$ 9,810	$ 7,742
Payables for utility expenses	526	474
Others	104	2,801
	$ 10,440	$ 11,017
Other liabilities		
Refund liabilities - current (Note 25)	$ 320,073	$ 351,161
Others	2,064	1,979
	$ 322,137	$ 353,140

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

21. PROVISIONS

	December 31	
	2023	2022
Current		
Warranties	$ 7,972	$ 8,562
Non-current		
Warranties	$ 38,448	$ 35,591

	Warranties
Balance at January 1, 2022	$ 31,008
Additional provisions recognized	32,098
Amount used	(18,953)
Balance at December 31, 2022	$ 44,153
Balance at January 1, 2023	$ 44,153
Additional provisions recognized	21,868
Amount used	(19,601)
Balance at December 31, 2023	$ 46,420

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 Company'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.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company 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 Company 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 Company 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 Company 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 Company 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 Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans are as follows:

	December 31	
	2023	2022
Present value of funded defined benefit obligation	$ 2,936	$ 2,842
Fair value of plan asset	(8,189)	(7,682)
Surplus	(5,253)	(4,840)
Net defined benefits assets	$ (5,253)	$ (4,840)

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	$ 2,972	$ (6,748)	$ (3,776)
Net interest expense (income)	19	(44)	(25)
Recognized in profit or loss	19	(44)	(25)
Remeasurement			
Return on plan asset (exclude amounts included in net interest)	-	(515)	(515)
Actuarial (gain) loss			
Changes in financial assumption	(152)	-	(152)
Experience adjustment	3	-	3
Recognized in other comprehensive income	(149)	(515)	(664)
Contributions from the employer	-	(375)	(375)
Balance at December 31, 2022	$ 2,842	$ (7,682)	$ (4,840)
Balance at January 1, 2023	$ 2,842	$ (7,682)	$ (4,840)
Net interest expense (income)	39	(108)	(69)
Recognized in profit or loss	39	(108)	(69)
Remeasurement			
Return on plan asset (exclude amounts included in net interest)	-	(55)	(55)
Actuarial (gain) loss			
Changes in financial assumption	35	-	35
Experience adjustment	20	-	20
Recognized in other comprehensive income	55	(55)	-
Contributions from the employer	-	(344)	(344)
Balance at December 31, 2023	$ 2,936	$ (8,189)	$ (5,253)

Through the defined benefit plans under the Labor Standards Act, the Company 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 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:

	December 31	
	2023	2022
Discount rate	1.250%	1.375%
Expected rates 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:

	December 31	
	2023	2022
Discount rate		
0.25% increase	$ (69)	$ (70)
0.25% decrease	$ 72	$ 73
Expected rates of salary increase		
0.25% increase	$ 70	$ 71
0.25% decrease	$ (67)	$ (69)

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.

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

23. EQUITY

a. Share capital

Ordinary shares

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

b. Capital surplus

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

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus).

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 6, 2019 and in that meeting resolved the amendments to the Company'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 each 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 Company'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 Company'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 Company 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 Company'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 Company is currently in the stage of growth, it needs to reserve funds to meet the needs for operation, growth and investment. In principle, the Company'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 25(g).

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

The appropriations of earnings for the second half of 2021, the first half of 2022 and the second half of 2022 were as follows:

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

The above appropriations of earnings for 2022 and 2021, which were reported in the shareholders' meetings on June 2, 2023 and June 8, 2022, respectively.

The appropriation of earnings for the first half of 2022 and the second half of 2022 were as follows:

	July 1 to December 31, 2023	January 1 to June 30, 2023
Date of board resolution	March 6, 2024	December 13, 2023
Legal reserve	$ 25,247	$ 31,558
Cash dividends	$ 219,001	$ 292,002
Cash dividends per share (NT$)	$ 3	$ 4

In addition, on March 6, 2024, the board of directors of the Company resolved to distribute cash in the amount of $73,000 thousand from capital surplus.

The appropriation of earnings for 2022 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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ -	$ -
Recognized for the year		
Unrealized gain/(loss) - debt instruments	(98)	-
Equity instruments	2,226	-
Other comprehensive income or loss for the year	2,128	-
Balance at December 31	$ 2,128	$ -

24. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods	$ 5,960,050	$ 6,175,789
Revenue from the rendering of services	129,322	151,381
	$ 6,089,372	$ 6,327,170

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 Company 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 history orders. The rest of the products are sold at a fixed price stated in the contract.

In accordance with commercial practice, the Company accepts returns of home appliances and electronic products for full refund. Considering the experience accumulated in the past, the Company 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 21 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 receivable and trade receivables (Note 10)	$ 1,035,032	$ 1,066,084	$ 1,218,616
Contract assets (Note 10)			
Sale of goods	$ -	$ -	$ 284,599
Contract liabilities - current			
Sale of goods	$ -	$ -	$ 15,292

c. Disaggregation of revenue

	Country of Operation		
	Home Appliances	Other	Total
For the year ended December 31, 2023			
Type of goods or services			
Sale of goods	$ 5,960,050	$ 129,322	$ 6,089,372
For the year ended December 31, 2022			
Type of goods or services			
Sale of goods	$ 6,175,789	$ 151,381	$ 6,327,170

25. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits and short-term notes	$ 11,790	$ 4,469

b. Other income

	For the Year Ended December 31	
	2023	2022
Rental income	$ 23,110	$ 19,865
Others	17,734	7,115
	$ 40,844	$ 26,980

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment	$ 26	$ -
Net foreign exchange gains	8,202	75
(Loss) gain on financial asset at fair value through profit or loss	(1,938)	49,122
Others	(538)	(242)
	$ 5,752	$ 48,955

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	$ 1,347	$ 1,102
Interest on lease liabilities	6,892	230
Other Interests	65	1
	$ 8,304	$ 1,333

e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating cost	$ 14,038	$ 7,982
Operating expenses	132,195	53,952
	$ 146,233	$ 61,934
An analysis of amortization by function		
Operating cost	$ 1,029	$ 836
Operating expenses	12,747	8,015
	$ 13,776	$ 8,851

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term benefits	$ 566,845	$ 581,628
Post-employment benefits (Note 21)		
Defined contribution plans	23,660	24,356
Defined benefit plans	(69)	(25)
	23,591	24,331
Other employee benefits	19,349	19,799
Total employee benefits expense	$ 609,785	$ 625,758
An analysis of employee benefits expense by function		
Operating costs	$ 63,054	$ 63,706
Operating expenses	544,731	562,052
	$ 609,785	$ 625,758

g. Compensation of employees and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 1% and no higher than 5%, 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 Company'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

	For the Year Ended December 31	
	2023	**2022**
Compensation of employees	3.3%	3.3%
Remuneration of directors and supervisors	1.2%	1.2%

Amount

	For the Year Ended December 31			
	2023		**2022**	
	Cash	**Stock**	**Cash**	**Stock**
Compensation of employees	$ 23,818	$ -	$ 31,148	$ -
Remuneration of directors	$ 8,661	$ -	$ 11,327	$ -

If there is a change in the amounts after the annual parent company only 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 Company'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

	For the Year Ended December 31	
	2023	**2022**
Foreign exchange gains	$ 17,280	$ 24,012
Foreign exchange losses	(9,078)	(23,937)
Net profits	$ 8,202	$ 75

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 113,577	$ 150,325
Income tax on unappropriated earnings	4,359	-
Adjustments for prior years	1,363	(5,328)
	119,299	144,997
Deferred tax		
In respect of the current year	1,934	11,171
Income tax expense recognized in profit or loss	$ 121,233	$ 156,168

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

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	$ 689,288	$ 901,405
Income tax expense calculated at the statutory rate	$ 137,858	$ 180,281
Tax-exempt income	(22,347)	(18,785)
Income tax on unappropriated earnings	4,359	-
Adjustments for prior years	1,363	(5,328)
Income tax expense recognized in profit or loss	$ 121,233	$ 156,168

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	$ -	$ (133)

c. Current tax liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	$ 156	$ -
Current tax liabilities		
Income tax payable	$ 41,788	$ 61,095

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

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Inventory devaluation loss	$ 26,987	$ 6,663	$ -	$ 33,650
Unrealized gross profits	82	86	-	168
Unrealized financial products profit or loss	1,292	(1,167)	-	125
Unrealized allowance for sales return	17,536	101	-	17,637
Unrealized payable for annual leave	2,889	7	-	2,896
Unrealized warranty expense	8,831	454	-	9,285
Unrealized allowance for sales discounts	10,521	(7,017)	-	3,504
	$ 68,138	$ (873)	$ -	$ 67,265

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized asset recognized to acquired	$ (13,738)	$ 669	$ -	$ (13,069)
Exchange difference	(3,424)	(1,647)	-	(5,071)
Unrealized pension expense	(806)	(83)	-	(889)
Remeasurement of defined benefit plans	(223)	-	-	(223)
	$ (18,191)	$ (1,061)	$ -	$ (19,252)

For the year ended December 31, 2022

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Inventory devaluation loss	$ 22,963	$ 4,024	$ -	$ 26,987
Unrealized gross profits	6,825	(6,743)	-	82
Unrealized financial products profit or loss	76	1,216	-	1,292
Unrealized allowance for sales return	15,107	2,429	-	17,536
Unrealized payable for annual leave	2,530	359	-	2,889
Unrealized warranty expense	6,202	2,629	-	8,831
Unrealized allowance for sales discounts	20,457	(9,936)	-	10,521
	$ 74,160	$ (6,022)	$ -	$ 68,138

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized asset recognized to acquired	$ (11,560)	$ (2,178)	$ -	$ (13,738)
Exchange difference	(533)	(2,891)	-	(3,424)
Unrealized pension expense	(726)	(80)	-	(806)
Remeasurement of defined benefit plans	(90)	-	(133)	(223)
	$ (12,909)	$ (5,149)	$ (133)	$ (18,191)

e. Income tax assessments

The income tax returns of the Company through 2021 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2023	2022
Basic earing per share		
From continuing operations	$ 7.78	$ 10.21
Diluted earing per share		
From continuing operations	$ 7.75	$ 10.16

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

	For the Year Ended December 31	
	2023	**2022**
Profit for the year attributable to owners of the Company	$ 568,055	$ 745,237

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

	For the Year Ended December 31	
	2023	**2022**
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	269	332
Weighted average number of ordinary shares used in the computation of diluted earnings per share	73,269	73,332

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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.

28. CASH FLOW INFORMATION

a. Non-cash transaction

In addition to those disclosed in other notes, the Company 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 Company'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

			Non-cash Changes			
	Opening Balance	**Cash Flows**	**New Leases**	**Lease Termination**	**Interest Expense**	**Closing Balance**
Lease liabilities	$ 13,009	$ (105,079)	$ 272,400	$ -	$ 6,892	$ 187,222

For the year ended December 31, 2022

			Non-cash Changes			
	Opening Balance	Cash Flows	New Leases	Lease Termination	Interest Expense	Closing Balance
Lease liabilities	$ 28,702	$ (24,895)	$ 10,338	$ (1,366)	$ 230	$ 13,009

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of equity of net debt (borrowings offset by cash and cash equivalents) the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company 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.

30. FINANCIAL INSTRUMENTS

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

In the Company's management's opinion, the book values of financial assets and liabilities that are 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
Financial assets at FVTPL				
Fund beneficiary certificates	$ 32,020	$ -	$ -	$ 32,020
Financial assets at FVTOCI				
Investments in equity instruments				
Fund beneficiary certificates	$ 44,045	$ -	$ -	$ 44,045
Investments in debt instruments				
Domestic corporate bonds	-	849,902	-	849,902
	$ 44,045	$ 849,902	$ -	$ 893,947

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	$ -	$ 624	$ -	$ 624

(Concluded)

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	$ -	$ 6,462	$ -	$ 6,462

There was no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

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

Financial Instruments	Valuation Technique and Inputs
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.
Domestic unlisted (over-the-counter) bond investment	Discounted cash flow. Future cash flows are discounted at a rate that reflects the current borrowing rates of the bond issuer at the end of the reporting period.

c. Categories of financial instruments

	December 31	
	2023	2022
Financial assets		
Fair value through profit and loss		
Financial assets mandatorily classified as at FVTPL	$ 32,020	$ -
Financial assets at amortized cost (1)	1,423,015	1,965,099
Financial assets at FVTOCI - investment in debt instruments		
Investments in equity instruments	44,045	-
Investments in debt instruments	849,902	-

(Continued)

	December 31	
	2023	2022
Financial liabilities		
Fair value through profit and loss		
Held for trading	$ 624	$ 6,462
Financial liabilities at amortized cost (2)	1,405,889	1,026,884

(Concluded)

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, debt investments measured of amortized cost, and refundable deposits.

2) The balances include short-term loans, financial liabilities at amortized cost, which comprise notes payable, trade payables, other payables, and deposits received.

d. Financial risk management objectives and policies

Main financial instruments used by the Company include equity and debt investments, accounts receivable, accounts payable and loans. The financial management department of the Company provides services to all business units, and supervises and manages the financial risks relating to the operations of the Company through the internal risk reports that analyze exposures by degree and magnitude of risks These risks are market risk (including exchange risk and interest rate risk), credit risk, and liquidity risk.

1) Market risk

The Company'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). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including foreign exchange forward contracts to hedge the exchange rate risk arising on the export.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company has foreign currency sales and purchases, which exposes the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company'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 34.

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., 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 dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar 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.

	USD Impact	
	For the Year Ended December 31	
	2023	2022
Profit or (loss)	$ (2,176) *	$ 169 *

* 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 Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	$ 20,353	$ 372,840
Financial liabilities	-	-
Cash flow interest rate risk		
Financial assets	290,760	416,335
Financial liabilities	281,883	-

Sensitivity analysis

The sensitivity analysis below was determined based on the Company'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 0.5% basis point 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 50 basis points (0.5%) higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by $44 thousand and $2,082 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits.

2) Credit risk

Credit risk refers to the risk in the financial loss of the Company because the counterparty delays in the fulfillment of the contractual obligations. Up to the balance sheet date, the Company'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 Company to trade only with reputable parties and to obtain adequate guarantee where necessary to mitigate the risk of financial loss due to default. The Company 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 Company 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 Company holds that the credit risk of the Group has reduced significantly.

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

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized short-term bank loan facilities set out in (3) below.

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

The following table details the Company'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 Company 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

	On Demand or Less than 1 Year	More than 1 Year
Non-derivative financial liabilities		
Note payable	$ 36,367	$ -
Trade payables	501,327	-
Other payables	581,921	-
Short-term borrowing	282,723	-
Lease liabilities	98,046	94,921
	$ 1,500,384	$ 94,921

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20Years	More than 20 Year
Lease liabilities	$ 98,046	$ 94,921	$ -	$ -	$ -	$ -

December 31, 2022

	On Demand or Less than 1 Year	More than 1 Year
Non-derivative financial liabilities		
Note payable	$ 91,400	$ -
Trade payables	249,130	-
Other payables	592,680	-
Lease liabilities	7,170	5,839
	$ 940,380	$ 5,839

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20Years	More than 20 Year
Lease liabilities	$ 7,170	$ 5,839	$ -	$ -	$ -	$ -

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

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

The following table details the Company'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

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

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Year
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 65,982	$ 166,133	$ -	$ -	$ -
Outflows	(68,072)	(170,505)	-	-	-
	$ (2,090)	$ (4,372)	$ -	$ -	$ -

c) Financing facilities

	December 31	
	2023	2022
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 546,415	$ 435,163
Amount unused	1,822,629	2,344,807
	$ 2,369,044	$ 2,779,970
Secured bank overdraft facilities, reviewed annually		
Amount used	$ 150,000	$ -
Amount unused	450,000	-
	$ 600,000	$ -

31. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and relation

Related Party Name	Relation with the Company
RANSO CO., LTD. (Ranso)	Subsidiary
HERTEC. Co., Ltd. (HERTEC)	Subsidiary
HER HSIUNG CO., LTD. (HER HSIUNG)	Subsidiary
SHAHER AIR TECH CORPORATION (Shaher)	Subsidiary
Heran Tech Co., Ltd. (Heran Tech)	Related party in substance - the chairman is same as the Company
HERHUA CONSTRUCTION CO., LTD. (HERHUA CONSTRUCTION)	Related party in substance - a influential shareholder is a close relative of the Company's chairman

(Continued)

Related Party Name	Relation with the Company
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
TAIWAN GREE CO., LTD (TAIWAN GREE)	Affiliated Company

(Concluded)

b. Sales of goods

Line Item	Related Party Name	December 31 2023	December 31 2022
Sales	Subsidiary	$ 65,328	$ 67,996
	Related party in substance	813	319
		$ 66,141	$ 68,315

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

c Purchases of goods

	December 31 2023	December 31 2022
Subsidiary/Ranso	$ 2,553,614	$ 2,450,719
Subsidiary	14,948	25,337
	$ 2,568,562	$ 2,476,056

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	December 31 2022
Trade receivables	Subsidiary/HERTEC	$ 22,757	$ 25,122
	Subsidiary	267	-
	Related party in substance	-	92
		$ 23,024	$ 25,214
Other receivables	Subsidiary/Shaher	$ 2,999	$ -
	Subsidiary	851	523
	Related party in substance	48	43
		$ 3,898	$ 566

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	December 31 2022
Trade payables	Subsidiary/Ranso	$ 193,190	$ 88,633
	Subsidiary	2,392	383
		$ 195,582	$ 89,016
Other payables	Subsidiary	$ 9,832	$ 7,807
	Related party in substance	608	3,210
		$ 10,440	$ 11,017

The outstanding trade payables to related parties are unsecured.

f. Acquisition of property, plant and equipment

	Purchase Price For the Year Ended December 31	
	2023	2022
Related party in substance/HERTEC	$ 275	$ -

Prices of transactions with related parties were based on market prices, and the terms of the transactions were not materially different from those of other related parties.

g. Disposal of property, plant and equipment

	Proceeds For the Year Ended December 31		Gain or Loss Disposal For the Year Ended December 31	
	2023	2022	2023	2022
Related party in substance/ HERHUA	$ 310	$ -	$ 26	$ -

Prices of transactions with related parties were based on market prices, and the terms of the transactions were not materially different from those of other related parties.

h. Lease arrangements - the Group is lessee

Acquisition of right-of-use assets

Line Item	Related Party Category/Name	December 31 2023	December 31 2022
Lease liabilities	Subsidiary/HERTEC	$ 179,535	$ -

Related Party Category/Name	For the Year Ended December 31 2023	2022
Interest expense		
Subsidiary/Heran Tech	$ 6,700	$ 48

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 parking spaces on 1-9F and B1-B3F, No. 289 Wenhe Road, Kueishan District, Taoyuan City	January 1, 2023 to December 31, 2025	The monthly rent was at $7,450 thousand and paid every month.
Related party in substance/ Heran Tech	Lot 69, Lejie Section, Kueishan District, Taoyuan City, Taiwan - Wo Luen Parking Lot (2) 312 Spaces	January 1, 2023 to December 31, 2023	The monthly rent was at $624 thousand and paid every month.
Related party in substance/ Heran Tech	13F, No. 289, Wenhe Road, Kueishan District, Taoyuan City, Taiwan.	December 1, 2023 to December 31, 2025	The monthly rent was at $146 thousand and paid every month.
Related party in substance/ Heran Tech	No. 289, Wenxin Rd., Neighborhood 9, Lexian Li, Kueishan District, Taoyuan City	October 1, 2023 to March 31, 2026	The monthly rent was at $106 thousand and paid every month.

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 June 30, 2022	The monthly rent was at $3,245 thousand and paid every month.

i. Other transactions with related parties

	For the Year Ended December 31 2023	2022
Manufacturing expense		
Subsidiary/Ranso	$ 37	$ -
Operating expense		
Subsidiary/HER HSIUNG	$ 54,208	$ 46,701
Subsidiary	7,722	8,332
Related party in substance	1,427	16,013
	$ 63,357	$ 71,046

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 parking spaces on 1-9F and B1-B3F, No. 289 Wenhe Road, Kueishan District, Taoyuan City	January 1, 2023 to December 31, 2025	The monthly rent was at $7,450 thousand and paid every month.
Related party in substance/ Heran Tech	Lot 69, Lejie Section, Kueishan District, Taoyuan City, Taiwan - Wo Luen Parking Lot (2) 312 Spaces	January 1, 2023 to December 31, 2023	The monthly rent was at $624 thousand and paid every month.
Related party in substance/ Heran Tech	13F, No. 289, Wenhe Road, Kueishan District, Taoyuan City, Taiwan.	December 1, 2023 to December 31, 2025	The monthly rent was at $146 thousand and paid every month.
Related party in substance/ Heran Tech	No. 289, Wenxin Rd., Neighborhood 9, Lexian Li, Kueishan District, Taoyuan City	October 1, 2023 to March 31, 2026	The monthly rent was at $106 thousand and paid every month.

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 monthly rent was at $3,245 thousand and paid every month.

	For the Year Ended December 31	
	2023	**2022**
Other revenues		
Subsidiary/Ranso	$ 3,421	$ 2,829
Subsidiary/Shaher	8,602	-
Subsidiary	1,883	2,192
Related party in substance	602	356
	$ 14,508	$ 5,377

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
	$ 32,158	$ 34,544

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

32. 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:

	December 31	
	2023	2022
Land	$ 565,762	$ 323,889
Buildings	341,427	-
Investment property	91,644	-
	$ 998,833	$ 323,889

The following assets are pledged as collaterals for imported raw materials:

	December 31	
	2023	2022
Pledged deposits (other financial assets - non-current)	$ 5,000	$ -

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

Significant commitments

a. As of December 31, 2023, the Company has undertaken surety for loans, and has issued promissory notes to respective lending banks amounted $1,000,000 thousand.

b. As of December 31, 2023, unused letters of credit amounted to US$7,536 thousand.

c. As of December 31, 2023, used letters of credit of US$6,026 thousand for the import of goods.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currency	Exchange Rate	Carrying Amount
December 31, 2023			
Financial assets			
Monetary items			
USD	$ 1,456	30.705 (USD:NTD)	$ 44,706

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 8,544	30.705 (USD:NTD)	$ 262,344
December 31, 2022			
Financial assets			
Monetary items			
USD	5,763	30.71 (USD:NTD)	$ 176,982
Financial liabilities			
Monetary items			
USD	5,212	30.71 (USD:NTD)	$ 160,061

(Concluded)

For the years ended December 31, 2023 and 2022, realized net foreign exchange losses were $34 thousand and $14,377 thousand, respectively. For the years ended December 31, 2023 and 2022, unrealized net foreign exchange gains was $8,236 thousand and $14,452 thousand, respectively.

35. 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 30

10) Information on investees: Table 5

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 6

TABLE 1

HERAN CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Holding Company	Marketable Securities Type and Issuer (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	December 31, 2023				Note (Note 4)
				Units	Carrying Value (Note 3)	Percentage of Ownership	Fair Value	
Heran Co., Ltd.	Cathay Life Subordinated Corporate Bonds	-	Financial assets at fair value through other comprehensive income or loss - non-current	7,000,000	$ 699,918	-	$ 699,918	
	Nan Shan Life Subordinated Bonds	-	Financial assets at fair value through other comprehensive income or loss - non-current	1,500,000	149,984	-	149,984	
	CAPITAL ICE ESG 20+ Year BBB Corporate ETF	-	Financial assets at fair value through profit or loss - current	2,000,000	32,020	-	32,020	
	Fuh Hwa Taiwan Technology Dividend Highlight ETF	-	Financial assets at fair value through other comprehensive income or loss - current	2,300,000	44,045	-	44,045	

Note 1: Marketable securities referred to in this table are stocks, bonds, beneficiary certificates and marketable securities derived from the above items that are within the scope of IFRS 9, "Financial Instruments".

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

Note 3: For those measured at fair value, the carrying amount in column B should be the book balance after fair value adjustment and deduction allowance for losses; for those not measured at fair value, the carrying amount in column B should be the book balance at amortized cost (net of allowance for losses has been deducted).

Note 4: If any of the listed securities are subject to restrictions on use due to guarantees, pledged loans, or other agreements, the number of shares guaranteed or pledged, the amount guaranteed or pledged, and the circumstances under which the use is restricted should be stated in the remarks column.

Note 5: For information on investment in subsidiaries, affiliates and joint ventures, refer to Table 5.

HERAN CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars/Foreign Currencies)

Company Name	Marketable Securities Type and Name (Note 1)	Financial Statement Account	Counter-party (Note 2)	Nature of Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
Heran Co., Ltd.	Cathay Life Subordinated Corporate Bonds	Financial assets at fair value through other comprehensive income or loss - non-current	Cathay Life	-	-	$ -	7,000,000	$ 700,000	-	$ -	$ -	$ -	7,000,000	$ 700,000,000
	Nan Shan Life Subordinated Bonds	Financial assets at fair value through other comprehensive income or loss - non-current	Nan Shan Life	-	-	-	1,500,000	150,000	-	-	-	-	1,500,000	150,000,000

Note 1: The marketable securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and marketable securities derived from the above items.

Note 2: Investors whose marketable securities accounted for using the equity method are required to fill in these two columns. Others are exempted.

Note 3: The cumulative amount of purchase and sale should be calculated separately by the market price in order to determine whether the amount reach $300 million or 20% of the paid-in capital.

Note 4: The paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value of each share is not NT$10, the transaction amount requirement related to 20% of the paid-in capital shall be calculated as 10% of the equity attributable to the owners of the parent company in the balance sheet.

HERAN CO., LTD.

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 (Noe 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)	35.80	-

Note 1: If the terms and conditions of a related party transaction are different from regular transactions, conditions and reasons of the difference should be stated in the unit price and credit period columns.

Note 2: If there is a prepayment executed, reasons, contract terms, amount, and the difference from normal transactions should be stated in the remarks column.

Note 3: The paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value of each share is not NT$10, the transaction amount requirement related to 20% of the paid-in capital shall be calculated as 10% of the equity attributable to the owners of the parent company in the balance sheet.

TABLE 4

HERAN CO., LTD.

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 (Note 1)	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	Accounts receivable $ 193,190	18.12	$ -	-	$ 81,871	$ -

Note 1: The accounts receivable from related parties, notes, other receivables, etc. should be filled in separately.

Note 2: The paid-in capital refers to the parent company's paid-in capital. If the issuer's stock has no par value or the par value of each share is not NT$10, the transaction amount requirement related to 20% of the paid-in capital shall be calculated as 10% of the equity attributable to the owners of the parent company in the balance sheet.

TABLE 5

HERAN CO., LTD.

INFORMATION ON INVESTEES
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	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Remarks
				December 31, 2023	December 31, 2022	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)	Subsidiary
	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	Subsidiary
	HER HSIUNG Co., Ltd.	Taiwan	Manufacturing refrigerators	50,000	50,000	5,000,000	100.00	40,516	(1,228)	(1,309) (Note 5)	Subsidiary
	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)	(13,913) (Note 6)	Subsidiary
	TAIWAN GREE CO., Ltd.	Taiwan	Wholesale trading of electrical and electronic products	30,000	30,000	13,500,000	27.27	233,353	275,943	74,976	Affiliated company

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

Note 2: For cases other than those mentioned in Note 1, they are filled in the following information:

a. The columns of "Name of investee company," "Location," "Major business items," "Amount of original investment," and "Shareholding as of the end of the period" should be filled out in accordance with the status of the Company's investment and the status of reinvestment in each investee company directly or indirectly controlled by the Company, and the relationship between the investee company and the Company (e.g., subsidiary or grandson) should also be stated in the comment column.

b. The amount of each investee's current income or loss should be entered in column B of "Current Income or Loss of the Invested Company".

c. Only the amount of profit or loss of each subsidiary and equity-method investee recognized by the Company should be entered in the "Investment income or loss recognized for the current period" column, while the rest of the column should be exempted from the requirement. When filling in the column "Amount of profit or loss of subsidiaries recognized as direct investment", it should be confirmed that the amount of profit or loss of subsidiaries has included the profit or loss of investment that should be recognized in accordance with the regulations on reinvestment.

Note 3: Significant non-controlling interest. (This note shall be added if the country information in the "Subsidiaries" note regarding principal place of business and incorporation is indexed to this schedule).

Note 4: The difference between net income (loss) of the investee and share of profit (loss) is the realized inventory gross profit 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 the realized inventory gross profit 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 the realized inventory gross profit of $9 thousand, which is included in share of profit (loss).

TABLE 6

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.	4,614,097	6.32
EVERSTAR ENTERPRISE CORPORATION 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.

HERAN CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

HERAN CO., LTD.

CASH AND CASH EQUIVALENT STATEMENT
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Cash on hand and working capital		$ 921
Bank deposits		
Demand (current) deposit		261,400
Check deposit		34,957
Foreign currency demand deposit	(Include US$955 thousand, @30.705)	29,360
		325,717
Cash equivalent		
Repurchase agreements collateralized by bonds	Period is from December 22, 2023, to January 2, 2024. The interest rate is 5.4%. (Including US$500 thousand, @30.705)	15,353
		$ 341,991

STATEMENT 2

HERAN CO., LTD.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Financial Asset	Units	Amount	Acquisition Cost	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk
				Unit Price	Gross Amount	
ETF bond fund						
CAPITAL ICE ESG 20+ Year BBB Corporate ETF (00937B)	2,000,000	$ 15	$ 30,000	$ 16.01	$ 32,020	$ -

STATEMENT 3

HERAN CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investee	Balance, January 1, 2023		Additions		Decrease		Rating Adjustment	Balance, December 31, 2023		Fair Value	Collateral
	Units	Amount	Units	Amount	Units	Amount		Units	Amount		
ETF index equity funds											
Fuh Hwa Taiwan Technology Dividend Highlight ETF (00929)	-	$ -	2,300,000	$ 41,819	-	$ -	$ 2,226	2,300,000	$ 44,045	$ 44,045	None

HERAN CO., LTD.

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Operating - from unrelated parties		
Taiwan Gao Yuan Co.	Payment for purchase	$ 15,299
Other (Note)	〃	288,922
		304,221
Less: Allowance for losses		(175)
		$ 304,046

Note: The balance of each customer did not exceed 5% of the balance of this item.

HERAN CO., LTD.

STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Related parties		
HERTEC	Payment for purchase	$ 22,757
Others (Note)	〃	267
		23,024
Non-related party		
Presicarre	Payment for purchase	126,761
RT Mart	〃	55,360
MOMO	〃	91,166
Test Rite Retail	〃	50,000
E-life Mall	〃	37,967
Others (Note)	〃	353,701
		714,955
Total of trade receivable		737,979
Less: Allowance for losses		(6,993)
		$ 730,986

Note: The balance of each customer did not exceed 5% of the balance of this item.

STATEMENT 6

HERAN CO., LTD.

STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Related parties	Ranso	$ 273
	HERTEC	36
	HER HSIUNG	542
	Shaher	2,999
	HER-HUA	48
		3,898
Non-related parties	Other	8,022
		$ 11,920

HERAN CO., LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Cost	Market Price (Note)
Finished goods	$ 94,594	$ 117,941
Work in process	2,475	4,032
Semi-finished goods	14,716	15,158
Raw materials	86,109	114,784
Commodity	941,988	1,269,435
Inventories in transit	65,941	65,941
	$ 1,205,823	$ 1,587,291

Note: The market price is calculated with the net realizable value on December 31, 2023, as the basis.

HERAN CO., LTD.

STATEMENT OF PREPAYMENTS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Prepayment for goods	Payment for purchase	$ 37,595
Prepaid taxes	Operating tax and other taxes	1,078
Prepaid expenses	Insurance expense and other expenses	35,799
		$ 74,472

HERAN CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investee	Balance, January 1, 2023		Additions		Decrease		Rating	Balance, December 31, 2023			
	Units	Amount	Units	Amount	Units	Amount	Adjustment	Units	Amount	Fair Value	Collateral
Corporate bonds											
Cathay Life Subordinated Corporate Bonds (B99605)	-	$ -	7,000,000	$ 700,000	-	$ -	$ (82)	7,000,000	$ 699,918	$ 699,918	None
Nan Shan Life Subordinated Bonds (B99404)	-	-	1,500,000	150,000	-	-	(16)	1,500,000	149,984	149,984	〃
		$ -		$ 850,000		$ -	$ (98)		$ 849,902	$ 849,902	

HERAN CO., LTD.

CHANGES IN INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars and Shares)

Investee Companies	Beginning Retained Earnings		Increase in the Period		Decrease in the Period (Note 3)		Investment (Loss) Gain (Note 1)	Balance, Ending			Net Equity (Note 2)		Collateral or Pledge States
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Shareholding Rate (%)	Amount	Unit Price	Total Amount	
Domestic non-listed counter company													
Ranso Co., Ltd.	29,640,000	$ 304,839	2,519,400	$ -	-	$ -	$ 47,360	32,159,400	100.00	$ 352,199	12.66	$ 407,128	None
HERTEC. Co., Ltd.	8,000,000	113,836	-	-	-	27,792	6,438	8,000,000	100.00	92,482	11.67	93,326	None
HER HSIUNG Co., Ltd.	5,000,000	41,825	-	-	-	-	(1,309)	5,000,000	100.00	40,516	8.22	41,100	None
Shaher Air Tech Corporation	3,000,000	30,087	-	-	-	-	(13,913)	3,000,000	100.00	16,174	5.39	16,183	None
Taiwan Gree Co., Ltd.	12,000,000	191,567	1,500,000	-	-	33,190	74,976	13,500,000	27.27	233,353	17.29	233,353	None
		$ 682,154		$ -		$ 60,982	$ 113,552			$ 734,724		$ 791,090	

Note 1: Based on the auditor-reviewed financial statements for the same period.

Note 2: The net value of equity is calculated based on the financial statements of the invested company and the shareholding percentage of the Company.

Note 3: The decrease in long-term equity investments accounted for by the equity method was due to the payment of dividends totaling $60,550 thousand and gross profit of $432 thousand on inventories not yet realized from downstream transactions.

Note 4: The difference between ended balance and net equity of the long-term Investment using the equity method to Ranso Co., Ltd. is because unrealized gain on transactions of $54,929 thousand is included in net equity.

Note 5: The difference between ended balance and net equity of the long-term Investment using the equity method to HERTEC Co., Ltd. is because unrealized gain on transactions of $844 thousand is included in net equity.

Note 6: The difference between ended balance and net equity of the long-term Investment using the equity method to HER HSIUNG Co., Ltd. is because unrealized gain on transactions of $584 thousand is included in net equity.

Note 7: The difference between ended balance and net equity of the long-term Investment using the equity method to Shaher Air Tech Corporation is because unrealized gain on transactions of $9 thousand is included in net equity.

HERAN CO., LTD.

STATEMENT OF RIGHT OF USE ASSETS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Buildings	Transportation Equipment	Total	Remark
Cost				
Balance at January 1, 2023	$ 11,128	$ 14,965	$ 26,093	
Increase	271,865	535	272,400	
Decrease	-	(2,123)	(2,123)	
Balance at December 31, 2023	$ 282,993	$ 13,377	$ 296,370	
Accumulated depreciation				
Balance at January 1, 2023	$ 7,167	$ 5,995	$ 13,162	
Increase	96,098	4,660	100,758	
Decrease	-	(2,123)	(2,123)	
Balance at December 31, 2023	$ 103,265	$ 8,532	$ 111,797	
Carry amount at December 31, 2023	$ 179,728	$ 4,845	$ 184,573	

HERAN CO., LTD.

STATEMENT OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Non-related parties		
DATA SYSTEMS CONSULTING CO., LTD.	Software maintenance fee	$ 2,011
Other (Note)	Payment for purchase	34,356
		$ 36,367

Note: The balance of each customer did not exceed 5% of the balance of this item.

HERAN CO., LTD.

STATEMENT OF TRADE PAYABLES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Name of Suppliers	Summary	Amount
Non-related parties		
ChangHong	Payment for purchase	$ 183,798
WHIZZ TECH INDUSTRIAL CO., LTD.	〃	20,812
TAI-SUNG	〃	17,261
Other (Note)	〃	83,874
		305,745
Related parties		
Ranso	Payment for purchase	193,190
HER HSIUNG	〃	2,392
		195,582
		$ 501,327

Note: The balance of each customer did not exceed 5% of the balance of this item.

HERAN CO., LTD.

STATEMENT OF LEASE LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Summary	Lease Term	Discount Rate	Balance, Ending	Remark
Buildings	Plant, parking lot, water purification plant, service station	April 22, 2022 - March 31, 2026	1.66%-3.00%	$ 182,303	
Transportation equipment	Automobile rent	July 26, 2021 - January 3, 2026	1.67%-3.00%	4,919	
				$ 187,222	

HERAN CO., LTD.

STATEMENT OF OPERATING INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Quantity (Thousand)	Amount
Sales revenue		
Home appliance	1,286	$ 7,326,662
Other		131,222
		7,457,884
Less: Sales return		(266,653)
Sales discount		(1,101,859)
		$ 6,089,372

HERAN CO., LTD.

STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount
Commodity balance, beginning	$ 1,106,263
Add: Purchase	3,962,860
Transfer of raw materials and semi-finished goods to finished goods	30,489
Less: Transfer to operating expense	(9,331)
Inventory deficit	(224)
Scrapped commodity	(9,445)
Commodity balance, ending	(1,120,559)
Cost of goods sold - sale of commodity	3,960,053
Raw materials, beginning	137,767
Semi-finished goods, beginning	53,867
Add: Purchase of materials in current period	124,141
Less: Transfer of raw materials and semi-finished goods to finished goods	(30,489)
Transfer to manufacturing expenses	(18,839)
Transfer to operating expense	(1,708)
Scrapped raw material and semi-finished goods	(3,412)
Raw materials, ending	(115,712)
Semi-finished goods, ending	(16,982)
Raw materials consumption in the period	128,633
Direct labors	31,932
Manufacturing expense	79,161
Manufacturing cost	239,726
Work in process, beginning	8,270
Work in process, ending	(4,590)
Cost of finished goods	243,406
Finished goods, beginning	188,765
Less: Transfer to operating expense	(216)
Deficits	(88)
Scrapped finished goods	(1,134)
Finished goods, ending	(116,230)
Cost of goods sold - manufacturing	314,503
Losses on inventory inventories	312
Scrapped	13,991
Inventory devaluation loss	33,315
Revenue from sale of scraps	(690)
Adjustment of the right to recover products	3,346
Cost of goods sold - installation	35,460
Cost of goods sold - warranty service expense	21,868
Other operating cost - maintenance	7,833
Operating cost	$ 4,389,991

HERAN CO., LTD.

STATEMENT OF OPERATING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Selling and marketing expense		
Salaries expense		$ 377,573
Recycling and treatment expenses		21,075
Freight		89,761
Advertisement expense		125,476
Expected credit loss		5,778
Depreciation		113,491
Other expense (Note)		281,272
		1,014,426
General and administrative expenses		
Salaries expense		50,682
Remuneration to directors		8,661
Service expense		3,921
Expected credit loss		(5,438)
Depreciation		15,933
Other expense (Note)		30,946
		104,705
Research and development expenses		
Salaries expense		23,386
Insurance expense		2,849
Depreciation		2,771
Other expense (Note)		25,158
		54,164
Total operating expenses		$ 1,173,295

Note: The balance of each customer did not exceed 5% of the balance of this item.

HERAN CO., LTD.

SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES INCURRED DURING THE PERIOD BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023			2022		
	Allocated as Operating Cost	Allocated as Operating Expenses	Total	Allocated as Operating Cost	Allocated as Operating Expenses	Total
Salaries and wages	$ 54,325	$ 451,641	$ 505,966	$ 53,345	$ 465,491	$ 518,836
Labor insurance and national health insurance	6,025	46,193	52,218	5,705	45,705	51,410
Pension expenses	1,529	22,062	23,591	1,446	22,885	24,331
Remuneration to directors	-	8,661	8,661	-	11,382	11,382
Other employee benefits expenses	3,175	16,174	19,349	3,210	16,589	19,799
	$ 65,054	$ 544,731	$ 609,785	$ 63,706	$ 562,052	$ 625,758
Depreciation expense	$ 14,038	$ 132,195	$ 146,233	$ 7,982	$ 53,952	$ 61,934
Amortization expenses	$ 1,029	$ 12,747	$ 13,776	$ 836	$ 8,015	$ 8,851

Notes:

1. The number of employees for the current year and the previous year was 748 and 765, respectively, of which the number of directors who were not accounted for as employees were both 7.

2. Since the Company's shares have been listed on the Taiwan Stock Exchange (TWSE), the information below has to be disclosed:

   a. The average employee benefit expenses were $811 thousand in current year, and the formula was (total employee benefit expenses of current year-total remuneration to directors)/(the number of employees for the current year-the number of directors who were not also employees).

      The average employee benefit expenses were $811 thousand in previous year, and the formula was (total employee benefit expenses of previous year-total remuneration to directors)/(the number of employees for the previous year-the number of directors who were not also employees).

   b. The average employee salary expense was $683 thousand in current year, and the formula was (total employee salary expense of current year)/(the number of employees for the current year-the number of directors who were not also employees).

      The average employee salary expense was $684 thousand in previous year, and the formula was (total employee salary expense of previous year)/(the number of employees for the previous year-the number of directors who were not also employees).

   c. Average employee salary expense decreased by 0.15%, and the formula was (current year average employee salary expense-previous year average employee salary expense)/(previous year average employee salary expense).

   d. The Company did not have supervisors in 2023 and 2022, therefore, there was no supervisor-related remuneration.

   e. The Company's remuneration policy for directors, managerial officers and employees is described below.

      Director

      In accordance with the Company's Articles of Incorporation, if the Company makes a profit in a year, the Company shall provide no less than 1% of the annual profit for employees and no more than 3% of the annual profit for directors. The Company shall provide reasonable remuneration in accordance with the resolution of the Company's remuneration committee, which takes into account the Company's operating results and their contributions to the Company's performance.

(Continued)

Managers

The remuneration policy of the general manager and the vice president is based on the relevant industry standards and the past performance of the Company. The payment standards, structure and system are reviewed and adjusted from time to time in accordance with the actual operating conditions and changes in relevant laws and regulations and will not induce managerial officers to engage in actions that exceed the risk tolerance of the Company in pursuit of remuneration. The reasonableness of the relevant evaluations and salaries are reviewed by the remuneration committee and the recommendations made are submitted to the board of directors for discussion.

Employee

The remuneration plan is determined to maintain the competitiveness of the overall remuneration and to consider the operational performance and future development of the Company. A performance-based policy is implemented to offer differentiated rewards based on individual performance to reward the contributions of colleagues.

(Concluded)