Heran Co., Ltd.

Financial Statements for the
Years Ended December 31, 2022 and 2021 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 financial statements of Heran Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 matter are those matters that in our professional judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a sperate opinion on these matters.

The key audit matter identified in the company financial statements for the year ended December 31, 2022 is stated as follows:

Occurrence of Operating Income

For 2022, 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 occur frequently and the effect of the recognition of related revenues on the financial statements is material. Therefore, we have determined that there may be a risk of the authenticity of revenue from sales of air-conditioning system and considered the occurrence of operating income to be a key audit matter. The related accounting policies are described in Note 4(n) to the financial statements.

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

1. Understood and evaluated the procedure and the internal control system related to revenue from sales of air-conditioning system.

2. Tested the effectiveness of the internal control system related to the occurrence of revenue from sales of air-conditioning system.

3. In order to confirm no material difference, we obtained the sales revenue details of the air-conditioning system in 2022, 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. Verified and confirmed the existence of material sales return and discount after the balance sheet date.

Responsibilities of Management for the Financial Statements

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

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 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.

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 14, 2023

<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.

BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 882,180	15	$ 421,078	7
Contract assets - current (Notes 23 and 30)	-	-	284,599	5
Note receivables from unrealized parties (Note 10)	264,679	5	365,677	6
Trade receivables from unrealized parties (Note 10)	776,191	14	792,201	14
Trade receivables from related parties (Notes 10 and 30)	25,214	-	60,738	1
Other receivables (Note 10)	2,870	-	2,396	-
Other receivables from related parties (Notes 10 and 30)	566	-	679	-
Inventories (Note 11)	1,359,997	24	1,543,031	26
Prepayments (Note 17)	66,714	1	79,970	1
Right to recover products - current (Note 17)	68,693	1	57,803	1
Other current assets	-	-	51	-
Total current assets	3,447,104	60	3,608,223	61
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 8 and 31)	-	-	128	-
Investments accounted for using equity method (Note 12)	682,154	12	733,261	12
Property, plant and equipment (Note 13)	1,357,121	24	1,364,827	23
Right of use assets (Note 14)	12,931	-	26,084	1
Investment property (Note 15)	93,714	2	95,786	2
Intangible assets (Note 16)	14,857	-	6,573	-
Deferred tax assets (Note 25)	68,138	1	74,160	1
Prepayments for equipment	34,740	1	3,097	-
Refundable deposits	13,399	-	12,308	-
Net defined benefit asset, non-current (Note 21)	4,840	-	3,776	-
Total non-current assets	2,281,894	40	2,320,000	39
TOTAL	$ 5,728,998	100	$ 5,928,223	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Note 7)	$ 6,462	-	$ 381	-
Contract liabilities - current (Note 19)	-	-	15,292	-
Notes payable (Note 18)	91,400	2	97,311	2
Trade payables to unrelated parties (Note 18)	249,130	5	382,373	7
Trade payables to related parties (Notes 18 and 30)	89,016	2	241,411	4
Other payables to unrelated parties (Note 19)	581,663	10	551,145	9
Other payables to related parties (Notes 19 and 30)	11,017	-	10,940	-
Current tax liabilities (Note 25)	61,095	1	82,372	1
Provisions - current (Note 20)	8,562	-	7,461	-
Lease liabilities - current (Notes 14 and 30)	7,170	-	23,973	1
Refund liabilities - current (Note 19)	351,161	6	424,340	7
Other current liabilities (Note 19)	1,979	-	1,896	-
Total current liabilities	1,458,655	26	1,838,895	31
NON-CURRENT LIABILITIES				
Provisions - non-current (Note 20)	35,591	1	23,547	1
Deferred tax liabilities (Note 25)	18,191	-	12,909	-
Lease liabilities - non-current (Notes 14 and 30)	5,839	-	4,729	-
Guaranteed deposits received	4,658	-	3,843	-
Total non-current liabilities	64,279	1	45,028	1
Total liabilities	1,522,934	27	1,883,923	32
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)				
Share capital	730,004	13	730,004	12
Capital surplus	825,306	14	825,306	14
Retained earnings				
Legal reserve	669,657	12	593,092	10
Unappropriated earnings	1,981,097	34	1,895,898	32
Total equity	2,650,754	46	2,488,990	42
Total equity	4,206,064	73	4,044,300	68
TOTAL	$ 5,728,998	100	$ 5,928,223	100

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

HERAN CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 23 and 30)				
Sales	$ 7,618,994	121	$ 7,918,256	121
Sales returns	(303,803)	(5)	(289,709)	(4)
Sales discounts and allowances	(988,021)	(16)	(1,080,177)	(17)
Total operating revenue	6,327,170	100	6,548,370	100
OPERATING COSTS (Notes 11, 24 and 30)	(4,528,497)	(72)	(4,617,729)	(70)
GROSS PROFIT	1,798,673	28	1,930,641	30
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND SUBSIDIARIES	(412)	-	(34,127)	(1)
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND SUBSIDIARIES	34,127	1	236	-
REALIZED GROSS PROFIT	1,832,388	29	1,896,750	29
OPERATING EXPENSES (Notes 24 and 30)				
Selling and marketing expenses	(938,855)	(15)	(984,885)	(15)
General and administrative expenses	(112,953)	(2)	(103,167)	(2)
Research and development expenses	(46,178)	(1)	(47,243)	(1)
Expected credit losses	(6,554)	-	(1,342)	-
Total operating expenses	(1,104,540)	(18)	(1,136,637)	(18)
PROFIT FROM OPERATIONS	727,848	11	760,113	11
NON-OPERATING INCOME AND EXPENSES (Notes 24 and 30)				
Interest income	4,469	-	338	-
Other income	26,980	-	26,502	1
Other gains and losses	48,955	1	9,558	-
Finance costs	(1,333)	-	(493)	-
Share of profit or loss of associates and subsidiaries accounted for using the equity method	94,486	2	150,291	2
Total non-operating income and expenses	173,557	3	186,196	3

(Continued)

HERAN CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
PROFIT BEFORE INCOME TAX	$ 901,405	14	$ 946,309	14
INCOME TAX EXPENSE (Note 25)	(156,168)	(2)	(166,169)	(2)
NET PROFIT FOR THE YEAR	745,237	12	780,140	12
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	664	-	167	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(133)	-	(33)	-
Other comprehensive income for the year, net of income tax	531	-	134	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 745,768	12	$ 780,274	12
EARNINGS PER SHARE (Note 26)				
Basic	$ 10.21		$ 10.69	
Diluted	$ 10.16		$ 10.65	

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

HERAN CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Share Capital			Retained Earnings		
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total
BALANCE AT JANUARY 1, 2021	73,000	$ 730,004	$ 825,306	$ 499,650	$ 1,793,069	$ 3,848,029
Appropriation of 2020 earnings						
Legal reserve	-	-	-	93,442	(93,442)	-
Cash dividends distributed by the Company	-	-	-	-	(584,003)	(584,003)
Net profit for the year ended December 31, 2021	-	-	-	-	780,140	780,140
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	134	134
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	780,274	780,274
BALANCE AT DECEMBER 31, 2021	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

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

HERAN CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 901,405	$ 946,309
Adjustments for:		
Expected credit loss recognized on trade receivables	61,934	74,774
Depreciation expense	8,851	7,414
Amortization expense	6,554	1,342
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(49,122)	(1,412)
Finance costs	1,333	493
Interest income	(4,469)	(338)
Share of profit of associates and subsidiaries accounted for using the equity method	(94,486)	(150,291)
Loss on decline in value of inventories and slow moving	20,119	7,116
Unrealized gain on transactions with associates and subsidiaries	412	34,127
Realized gain on transactions with associates and subsidiaries	(34,127)	(236)
Net gain on lease modification	(26)	(3)
Recognition of provisions	32,098	10,670
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	56,189	1,793
Notes receivables	100,998	(150,703)
Trade receivables	9,456	(186,094)
Trade receivables from related parties	35,524	(38,081)
Other receivables	(474)	(1,556)
Other receivables from related parties	113	(13)
Inventories	162,915	(384,834)
Contract assets	284,599	(284,599)
Prepayments	13,256	2,822
Other current assets	51	(51)
Net defined benefit assets	(400)	(392)
Right to recover products	(10,890)	(11,088)
Financial liabilities held for trading	(986)	-
Contract liabilities	(15,292)	1,551
Notes payable	(5,911)	74,586
Trade payables	(133,243)	124,609
Trade payables to related parties	(152,395)	(69,588)
Other payables	28,784	60,691
Other payables to related parties	77	2,292
Provisions - current	(18,953)	(14,435)
Refund liabilities - current	(73,179)	124,438
Other current liabilities	83	625
Cash generated from operations	1,130,798	181,938
Interest paid	(1,333)	(493)
Income tax paid	(166,274)	(237,345)
Net cash generated from operating activities	963,191	(55,900)

(Continued)

HERAN CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	$ 128	$ -
Acquisition of associates and subsidiaries	-	(178,990)
Proceeds from capital reduction of subsidiaries	120,000	-
Payments for property, plant and equipment	(5,782)	(10,383)
Increase in refundable deposits	(1,091)	(2,135)
Payments for intangible assets	(17,135)	(10,725)
Increase in prepayments for equipment	(41,827)	(9,119)
Increase in prepayments for land	(12,305)	-
Interest received	4,469	338
Dividends received from associates and subsidiaries	59,308	101,469
Net cash used in investing activities	105,765	(109,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	815	-
Increase in guarantee deposits received	-	(26)
Decrease in guarantee deposits received	(24,665)	(35,117)
Allocation of cash dividends	(584,004)	(584,003)
Net cash used in financing activities	(607,854)	(619,146)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	461,102	(784,591)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	421,078	1,205,669
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 882,180	$ 421,078

The accompanying notes are an integral part of the 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 14, 2023.

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), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes the were recognized on January 1, 2023 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2023.

As of the date the 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. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	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
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are 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 the initial application of IFRS 16.

As of the date the 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 SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1) Level 1 input value: Refers to the quotation of the sane asset or Liability in an active market as of the evaluation (before adjustment).

2) Level 2 input value: Refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.

3) Level 3 input value: The unobservable input value of 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 twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, and

3) Liabilities for which the 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 financial statements of each individual entity, transactions in currencies other than the entity’s functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

For the purpose of presenting financial statements, the functional currencies of the entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan Dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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 B 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 B 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 reveres 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 investment 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.

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.

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

h. Property, plant and equipment

Property, plant and equipment are stated 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 properties 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 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 amortized cost.

<u>Financial assets at amortized cost</u>

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.

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 contract assets.

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 equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

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.

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 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. 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.

r. 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 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 and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the 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. CRITICAL 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 about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10 and 23. 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	
	2022	**2021**
Cash on hand	$ 946	$ 898
Checking accounts and demand deposits	508,394	420,180
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	230,710	-
Repurchase agreements collateralized by bonds	142,130	-
	$ 882,180	$ 421,078

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

	December 31	
	2022	**2021**
Bank balance	0.39%-1.05%	0.01%-0.02%
Time deposits	1.24%-4.22%	-
Repurchase agreements collateralized by bonds	0.88%-4.35%	-

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	**2021**
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge account)		
Foreign exchange forward contracts	$ 6,462	$ 381

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, 2022			
Buy	NTD/USD	2023.1.15-2023.3.31	NTD238,575/USD7,586
December 31, 2021			
Buy	NTD/USD	2022.1.7-2022.6.28	NTD387,494/USD14,000

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

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
Non-current		
Domestic investment		
Time deposits with original maturities of more than 1 year (a)	$ -	$ 128

a. The ranges of interest rates for time deposits with original maturities of more than 1 year was 0.76% per annum as of December 31, 2021.

b. Refer to Note 9 for information relating to the credit risk and impairment of investments in financial assets at amortized cost.

c. Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost:

At amortized cost

	December 31	
	2022	2021
Gross carrying amount	$ -	$ 128
Less: Allowance for impairment loss	-	-
Amortized cost	$ -	$ 128

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

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

December 31, 2020

Category	**Expected Loss Rate**	**Gross Carrying Amount At Amortized Cost**
Performing	0%-0.01%	$ 128

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31 2022	**December 31 2021**
Note receivable - operating		
At amortized cost		
Gross carrying amount from unrelated parties	$ 264,854	$ 365,852
Less: Allowance for impairment loss	(175)	(175)
	$ 264,679	$ 365,677
Trade receivable		
At amortized cost		
Gross carrying amount from unrelated parties	$ 786,534	$ 795,953
Gross carrying amount from related parties (Note 13)	25,214	60,738
Less: Allowance for impairment loss	(10,343)	(3,752)
	$ 801,405	$ 852,939

(Continued)

	December 31	
	2022	2021
Other receivables		
At amortized cost		
Gross carrying amount from unrelated parties	$ 2,870	$ 2,396
Gross carrying amount from related parties (Note 13)	566	679
	$ 3,436	$ 3,075
Overdue receivables		
Overdue receivables	$ 3,591	$ 3,628
Less: Allowance for losses	(3,591)	(3,628)
	$ -	$ -

(Concluded)

* Trade receivables

The average credit period of sales of goods is 30-120 days and no interest is charged on account receivable. 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, e.g., when the debtor has been placed under liquidation, or when the trade receivables are over 365 days past due, whichever occurs earlier. For trade receivables that have been written off, the 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, 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

December 31, 2021

	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%-0.06%	0.01%-11.53%	0.01%-74.90%	79.64%-100%	
Gross carrying amount	$ 1,168,641	$ 45,356	$ 5,568	$ 6,606	$ 1,226,171
Loss allowance (Lifetime ECLs)	(472)	(1,213)	(609)	(5,261)	(7,555)
Amortized cost	$ 1,168,169	$ 44,143	$ 4,959	$ 1,345	$ 1,218,616

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

	December 31 2022	2021
Balance at January 1	$ 7,555	$ 6,213
Add: Net remeasurement of loss allowance	6,554	1,342
Balance at December 31	$ 14,109	$ 7,555

11. INVENTORIES

	December 31 2022	2021
Finished goods	$ 174,979	$ 208,711
Work in progress	5,069	7,780
Semi-finished goods	49,152	117,322
Raw materials	89,578	89,066
Commodity	1,006,138	953,913
Inventory in transit	35,081	166,239
	$ 1,359,997	$ 1,543,031

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

	December 31 2022	2021
Cost of inventories sold	$ 4,452,086	$ 4,595,489
Loss on decline in value of inventories	20,119	7,116
Loss on disposal of inventories	6,178	6,450
Adjustment for right to recover product	(10,890)	(11,087)
Recognition of provisions	32,098	10,670
Others	28,906	9,091
	$ 4,528,497	$ 4,617,729

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investment in subsidiaries	$ 490,587	$ 561,764
Investment in associates	191,567	171,497
	$ 682,154	$ 733,261

a. Investment in subsidiaries

	December 31	
	2022	2021
RANSO CO., LTD.	$ 304,839	$ 289,716
HERTEC Co., Ltd.	113,836	178,838
HER HSIUNG Co., Ltd.	41,825	63,241
SHAHER AIR TECH CORPORATION	30,087	29,969
	$ 490,587	$ 561,764

Investor	Investee	Nature of Activities	Proportion of Ownership and Voting Right December 31 2022	Proportion of Ownership and Voting Right December 31 2021	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 its name as SHAHER AIR TECH CORPORATION and was approved.

b. Investment in associates

	December 31	
	2022	2021
Material associates		
TAIWAN GREE CO., LTD	$ 191,567	$ 171,497

Name of associates	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Right December 31 2022	Proportion of Ownership and Voting Right December 31 2021
TAIWAN GREE CO., LTD	Selling electrical products	Taiwan	27.27%	27.27%

Refer to Table 3 “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 IFRSs adjusted by the Company for equity accounting purposes.

	December 31	
	2022	**2021**
TAIWAN GREE CO., LTD		
Current assets	$ 839,309	$ 773,537
Non-current assets	8,487	6,472
Current liabilities	(140,547)	(147,955)
Non-current liabilities	(4,835)	(3,230)
Equity	$ 702,414	$ 628,824
Proportion of the Company’s ownership	27.27%	27.27%
Equity attributable to the Company	$ 191,567	$ 171,497
Carry amount	$ 191,567	$ 171,497
Operating revenue	$ 1,650,996	$ 1,578,692
Net profit for the year	$ 197,360	$ 259,745
Total comprehensive income for the year	$ 197,360	$ 259,745

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, 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

(Continued)

	Proprietary Land	Building	Machinery Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2021	$ 817,412	$ 531,194	$ 240	$ 38,534	$ 10,444	$ 71,888	$ -	$ 1,469,712
Additions	-	815	-	1,924	3,717	3,919	-	10,375
Disposals	-	-	(240)	(9,890)	(2,936)	(4,532)	-	(17,598)
Reclassification	-	1,672	-	2,860	-	1,002	-	5,534
Balance at December 31, 2021	$ 817,412	$ 533,681	$ -	$ 33,428	$ 11,225	$ 72,277	$ -	$ 1,468,023
Accumulated depreciation								
Balance at January 1, 2021	$ -	$ 37,250	$ 160	$ 22,037	$ 4,349	$ 19,297	$ -	$ 83,093
Depreciation expense	-	15,610	80	7,725	2,550	11,736	-	37,701
Disposals	-	-	(240)	(9,890)	(2,936)	(4,532)	-	(17,598)
Balance at December 31, 2021	$ -	$ 52,860	$ -	$ 19,872	$ 3,963	$ 26,501	$ -	$ 103,196
Carrying amount at December 31, 2021	$ 817,412	$ 480,821	$ -	$ 13,556	$ 7,262	$ 45,776	$ -	$ 1,364,827

(Concluded)

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 31.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Buildings	$ 3,961	$ 17,464
Transportation equipment	8,970	8,620
	$ 12,931	$ 26,084

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	$ 10,338	$ 37,717
Depreciation charge for right-of-use assets		
Buildings	$ 17,382	$ 31,238
Transportation equipment	4,769	3,773
	$ 22,151	$ 35,011

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	$ 7,170	$ 23,973
Non-current	$ 5,839	$ 4,729

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.67%	1.67%
Transportation equipment	1.67%-3%	1.67%-1.8%

c. Material lease-in activities and terms

The Company leases buildings and motor vehicles mainly for the use of the plants office and transportations 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	
	2022	2021
Expenses relating to short-term leases	$ 18,969	$ 1,904
Expenses relating to low-value asset leases	$ 367	$ 264
Total cash outflow for leases	$ (44,001)	$ (37,285)

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, 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
Cost	
Balance at January 1, 2021	$ 102,867
Transfers to property, plant and equipment	488
Balance at December 31, 2021	$ 103,355
Accumulated Depreciation	
Balance at January 1, 2021	$ 5,507
Depreciation expenses	2,062
Balance at December 31, 2021	$ 7,569
Carry amount at December 31, 2021	$ 95,786

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	
	2022	2021
Year 1	$ 10,230	$ 16,230
Year 2	7,230	10,230
Year 3	2,410	7,230
Year 4	-	2,410
Year 5	-	-
	$ 19,870	$ 36,100

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	
	2022	**2021**
Fair value	$ 935,898	$ 885,749

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
Cost	
Balance at January 1, 2021	$ 6,223
Additions	10,725
Balance at December 31, 2021	$ 16,948
Accumulated amortization	
Balance at January 1, 2021	$ 2,961
Amortization expense	7,414
Balance at December 31, 2021	$ 10,375
Carrying amount at December 31, 2021	$ 6,573

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	
	2022	2021
An analysis of depreciation by function		
Operating cost	$ 836	$ 777
Selling and marketing expense	4,905	4,578
General and administrative expenses	482	588
Research and development expense	2,628	1,471
	$ 8,851	$ 7,414

17. OTHER ASSETS

	December 31	
	2022	2021
Current		
Prepayment for goods	$ 39,486	$ 49,250
Prepaid taxes	2	9,821
Other prepayment	27,226	20,899
	$ 66,714	$ 79,970
Right to recover products - current (Note 23)	$ 68,693	$ 57,803
Overdue receivable	$ 3,591	$ 3,628
Less: Allowance for losses	(3,591)	(3,628)
	$ -	$ -

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2022	2021
Notes payable		
Operating	$ 91,400	$ 97,311
Trade payables		
Operating - unrelated parties	$ 249,130	$ 382,373
Operating - related parties	89,016	241,411
	$ 338,146	$ 623,784

19. OTHER LIABILITIES

	December 31	
	2022	2021
Current		
Other payables to unrelated parties		
Payables for salaries or bonuses	$ 107,294	$ 110,239
Payables for discounts and advertising expenses	7,548	15,533
Payables for compensation of employees and remuneration of directors and supervisors	42,475	36,359
Payables for freight	22,104	23,412
Payables for annual leave	14,444	12,653
Payables for customs declaration fees	11,195	26,651
Payables for dividends	292,002	292,002
Payables for commodity tax	7,897	-
Payables for recycle expenses	14,877	11,284
Others	61,827	23,012
	$ 581,663	$ 551,145
Other payables to related parties		
Payables for service expenses	$ 7,742	$ 7,738
Payables for utility expenses	474	21
Others	2,801	3,181
	$ 11,017	$ 10,940
Other liabilities		
Contract liabilities (Note 23)	$ -	$ 15,292
Refund liabilities - current (Note 23)	351,161	424,340
Others	1,979	1,896
	$ 353,140	$ 441,528

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

20. PROVISIONS

	December 31	
	2022	2021
Current		
Warranties	$ 8,562	$ 7,461
Non-current		
Warranties	$ 35,591	$ 23,547

	Warranties
Balance at January 1, 2022	$ 34,773
Additional provisions recognized	10,670
Amount used	(14,435)
Balance at December 31, 2021	$ 31,008
Balance at January 1, 2022	$ 31,008
Additional provisions recognized	32,098
Amount used	(18,953)
Balance at December 31, 2022	$ 44,153

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.

21. 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 Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2022	2021
Present value of funded defined benefit obligation	$ 2,842	$ 2,972
Fair value of plan asset	(7,682)	(6,748)
Surplus	(4,840)	(3,776)
Net defined benefits assets	$ (4,840)	$ (3,776)

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, 2021	$ 3,047	$ (6,264)	$ (3,217)
Net interest expense (income)	15	(32)	(17)
Recognized in profit or loss	15	(32)	(17)
Remeasurement			
Return on plan asset (exclude amounts included in net interest)	-	(77)	(77)
Actuarial (gain) loss			
Changes in demographic assumption	86	-	86
Changes in financial assumption	(41)	-	(41)
Experience adjustment	(135)	-	(135)
Recognized in other comprehensive income	(90)	(77)	(167)
Contributions from the employer	-	(375)	(375)
Balance at December 31, 2021	$ 2,972	$ (6,748)	$ (3,776)
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 demographic assumption	-	-	-
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)

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/corporate] bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans’ debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2022	**2021**
Discount rate	1.375%	0.625%
Expected rates of salary increase	2.500%	2.250%

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	
	2022	**2021**
Discount rate		
0.25% increase	$ (70)	$ (81)
0.25% decrease	$ 73	$ 85
Expected rates of salary increase		
0.25% increase	$ 71	$ 82
0.25% decrease	$ (69)	$ (79)

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	
	2022	**2021**
Expected contributions to the plans for the next year	$ 384	$ 384
Average duration of the defined benefit obligation	10 years	11 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	**2021**
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	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Stocks issued at premium	$ 825,306	$ 825,306

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

c. Retained earnings and dividends policy

The shareholders of the 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 both the first and the second six months of the fiscal year. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be reported in the shareholders' meeting. If distributing dividends and bonuses by issuing new shares, such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the Articles, the proposal for profit distribution or offsetting of losses should be made at the end of both the first and the second six months of the fiscal year; the profit shall be first utilized for paying taxes, offsetting losses of previous years and setting aside as a legal reserve until the legal reserve equals the paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the 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 24(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 six months of 2020 and the first and second six months of 2021, which were approved in the shareholders' meetings on June 8, 2022 and August 24, 2021, respectively, were as follows:

	Appropriation of Earnings		
	July 1 to December 31, 2021	**January 1 to June 30, 2021**	**July 1 to December 31, 2020**
Date of board resolution	March 10, 2022	December 6, 2021	March 17, 2021
Legal reserve	$ 34,561	$ 43,467	$ 49,975
Cash dividends	$ 292,002	$ 292,001	$ 292,002
Cash dividends per share (NT$)	$ 4	$ 4	$ 4

The appropriation of earnings for the first second six months of 2022, which were proposed by the Company's board of directors on March 14, 2023 and December 14, 2022, were as follows:

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

The appropriation of earnings for 2022 will be reported by the shareholders in their meeting to be held on June 2, 2023.

23. REVENUE

	For the Year Ended December 31	
	2022	**2021**
Revenue from contracts with customers		
Revenue from sale of goods	$ 6,175,789	$ 6,441,758
Revenue from the rendering of services	151,381	106,612
	$ 6,327,170	$ 6,548,370

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 past orders. The rest of the products are sold at a fixed price as agreed 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 20 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, 2022	December 31, 2021	January 1, 2021
Note receivable and trade receivables (Note 10)	$ 1,066,084	$ 1,218,616	$ 845,080
Contract assets (Note 10)			
Sale of goods	$ -	$ 284,599	$ -
Contract liabilities - current (Note 19)			
Sale of goods	$ -	$ 15,292	$ 13,741

c. Disaggregation of revenue

	Country of Operation		
	Home Appliances	Other	Total
For the year ended December 31, 2022			
Type of goods or services			
Sale of goods	$ 6,175,789	$ 151,381	$ 6,327,170
For the year ended December 31, 2021			
Type of goods or services			
Sale of goods	$ 6,441,758	$ 106,612	$ 6,548,370

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits and short-term notes	$ 4,469	$ 338

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	$ 19,865	$ 19,554
Others	7,115	6,948
	$ 26,980	$ 26,502

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gains	$ 75	$ 10,741
Net profits of financial assets at fair value through profits and loss	49,122	1,412
Others	(242)	(2,595)
	$ 48,955	$ 9,558

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 1,102	$ 74
Interest on lease liabilities	230	397
Other Interests	1	22
	$ 1,333	$ 493

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating cost	$ 7,982	$ 15,697
Operating expenses	53,952	59,077
	$ 61,934	$ 74,774
An analysis of amortization by function		
Operating cost	$ 836	$ 777
Operating expenses	8,015	6,637
	$ 8,851	$ 7,414

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	$ 581,628	$ 534,470
Post-employment benefits (Note 21)		
Defined contribution plans	24,356	19,152
Defined benefit plans	(25)	(17)
	24,331	19,135
Other employee benefits	19,799	18,603
Total employee benefits expense	$ 625,758	$ 572,208
An analysis of employee benefits expense by function		
Operating costs	$ 63,706	$ 61,476
Operating expenses	562,052	510,732
	$ 625,758	$ 572,208

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 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on March 14, 2023 and March 10, 2022 were as follows:

No accruals were made in 2018 due to deficit.

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	3.3%	2.5%
Remuneration of directors and supervisors	1.2%	1.2%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	$ 31,148	$ 24,567
Remuneration of directors and supervisors	$ 11,327	$ 11,792

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

There's no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors for 2022 and 2021 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	
	2022	2021
Foreign exchange gains	$ 24,012	$ 13,167
Foreign exchange losses	(23,937)	(2,426)
Net profits	$ 75	$ 10,741

25. 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	
	2022	2021
Current tax		
In respect of the current year	$ 150,325	$ 177,673
Income tax on unappropriated earnings	-	13,112
Adjustments for prior years	(5,328)	(6,146)
	144,997	184,639
Deferred tax		
In respect of the current year	11,171	(18,470)
Income tax expense recognized in profit or loss	$ 156,168	$ 166,169

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	$ 901,405	$ 946,309
Income tax expense calculated at the statutory rate	$ 180,281	$ 189,262
Tax-exempt income	(18,785)	(30,059)
Income tax on unappropriated earnings	-	13,112
Adjustments for prior years	(5,328)	(6,146)
Income tax expense recognized in profit or loss	$ 156,168	$ 166,169

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	**2021**
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plans	$ (133)	$ (33)
Total income tax recognized in other comprehensive income	$ (133)	$ (33)

c. Current tax liabilities

	December 31	
	2022	**2021**
Current tax liabilities		
Income tax payable	$ 61,095	$ 82,372

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, 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)

For the year ended December 31, 2021

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Inventory devaluation loss	$ 21,540	$ 1,423	$ -	$ 22,963
Unrealized gross profits	46	6,779	-	6,825
Unrealized financial products profit or loss	-	76	-	76
Unrealized allowance for sales return	13,167	1,940	-	15,107
Unrealized payable for annual leave	2,141	389	-	2,530
Unrealized warranty expense	6,954	(752)	-	6,202
Unrealized allowance for sales discounts	8,732	11,725	-	20,457
Exchange difference	27	(27)	-	-
	$ 52,607	$ 21,553	$ -	$ 74,160

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized asset recognized to acquired	$ (9,343)	$ (2,217)	$ -	$ (11,560)
Exchange difference	-	(533)	-	(533)
Unrealized pension expense	(393)	(333)	-	(726)
Remeasurement of defined benefit plans	(57)	-	(33)	(90)
	$ (9,793)	$ (3,083)	$ (33)	$ (12,909)

e. Income tax assessments

The income tax returns of the Company through 2020 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2022	**2021**
Basic earing per share		
From continuing operations	$ 10.21	$ 10.69
Diluted earing per share		
From continuing operations	$ 10.16	$ 10.65

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	
	2022	**2021**
Profit for the year attributable to owners of the Company	$ 745,237	$ 780,140
Earnings used in the computation of basic earnings per share	$ 745,237	$ 780,140
Earnings used in the computation of diluted earnings per share	$ 745,237	$ 780,140

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

	For the Year Ended December 31	
	2022	**2021**
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	332	243
Weighted average number of ordinary shares used in the computation of diluted earnings per share	73,332	73,243

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.

27. 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, 2022 and 2021:

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, 2022 and 2021.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2022

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

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Lease Termination	Interest Expense	
Lease liabilities	$ 26,513	$ (35,514)	$ 37,717	$ (411)	$ 397	$ 28,702

28. 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.

29. 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, 2022

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	$ -	$ 381	$ -	$ 381

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.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
Financial assets at amortized cost (1)	$ 1,965,099	$ 1,939,804
Financial liabilities		
Fair value through profit and loss		
Held for trading	6,462	381
Financial liabilities at amortized cost (2)	1,026,884	1,287,023

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

2) The balances include financial liabilities at amortized cost, which comprise 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 investments, accounts receivable and accounts payable. The financial management department of the Company provides services to all business units supervises and manages related financial risks of the operation of the Company through the internal risk report on risk exposure by intensity and scope. 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 Group 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 control the exchange rate risk arising on the export

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

a) Foreign currency risk

The Company have 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 33.

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

	USD Impact	
	For the Year Ended December 31	
	2022	**2021**
Profit or (loss)	$ 169 *	$ 934 *

* 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	
	2022	**2021**
Fair value interest rate risk		
Financial assets	$ 372,840	$ 128
Cash flow interest rate risk		
Financial assets	416,335	322,182

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 0.5% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by $2,082 thousand and $1,611 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits.

2) Credit risk

The 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, 2022 and 2021, 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, 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
Lease liabilities	$ 7,339	$ 5,912

December 31, 2021

	On Demand or Less than 1 Year	More than 1 Year
Non-derivative financial liabilities		
Note payable	$ 97,311	$ -
Trade payables	382,373	-
Other payables	562,085	-
Lease liabilities	23,973	4,729
	$ 1,065,742	$ 4,729

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	$ 24,152	$ 4,774

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, 2022

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

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 124,452	$ 124,454	$ 138,207
Outflows	(124,563)	(124,544)	(138,387)
	$ (111)	$ (90)	$ (180)

c) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 435,163	$ 758,283
Amount unused	2,344,807	1,526,917
	$ 2,779,970	$ 2,285,200

30. 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
JOWIN Co., Ltd. (JOWIN) (have changed the Chinese name of company)	Related party in substance - relative within second degree of relationship between the chairman of both Company
HERFA ENTERPRISE CORPORATION LTD. (HERFA ENTERPRISE)	Related party in substance - the chairman is same as the Company
CHANGGU INVESTMENT CO., LTD.	Related party in substance - relative within second degree of relationship between the chairman of both Company

b. Sales of goods

		December 31	
Line Item	Related Party Name	2022	2021
Sales	Subsidiary	$ 67,996	$ 372,442
	Related party in substance	319	1,116
		$ 68,315	$ 373,558

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

c Purchases of goods

	December 31	
	2022	2021
Subsidiary/Ranso	$ 2,450,719	$ 2,419,722
Subsidiary	25,337	74,632
Related party in substance	-	46
	$ 2,476,056	$ 2,494,400

Purchases were made at the same condition with normal supplier.

d. Contract assets

	December 31	
Related Party Category/Name	**2022**	**2021**
Subsidiary/HERTEC	$ -	$ 284,599

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

		December 31	
Line Item	**Related Party Category/Name**	**2022**	**2021**
Trade receivables	Subsidiary/HERTEC	$ 25,122	$ 60,731
	Subsidiary	-	5
	Related party in substance	92	2
		$ 25,214	$ 60,738
Other receivables	Subsidiary/Ranso	$ 237	$ 549
	Subsidiary	286	126
	Related party in substance	43	4
		$ 566	$ 679

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

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

		December 31	
Line Item	**Related Party Category/Name**	**2022**	**2021**
Trade payables	Subsidiary/Ranso	$ 88,633	$ 239,634
	Subsidiary	383	1,777
		$ 89,016	$ 241,411
Other payables	Subsidiary	$ 7,807	$ 10,333
	Related party in substance	3,210	607
		$ 11,017	$ 10,940

The outstanding trade payables to related parties are unsecured.

g. Lease arrangements - the Group is lessee

Acquisition of right-of-use assets

Line Item	Related Party Category/Name	December 31 2022	December 31 2021
Lease liabilities	Subsidiary/Heran Tech	$ -	$ 17,240

Related Party Category/Name	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Interest expense		
Subsidiary/Heran Tech	$ 48	$ 230

For the Years Ended December 31, 2022 and 2021

Lessor	Subject Matter of Lease	Lease Term	Method of Rent Calculation/Collection
Subsidiary/Heran Tech	B1 to 1, 3 to 9F., No. 88, Keji 3rd Rd., Guishan Dist., Taoyuan City	July 1, 2018 to June 30, 2022	The monthly rent was at $2,470 thousand and paid every month.

h. Other transactions with related parties

	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Operating expense - other expense		
Subsidiary/HER HSIUNG	$ 46,701	$ 93,485
Subsidiary	8,332	6,560
Related party in substance	16,013	754
	$ 71,046	$ 100,799

For the Year Ended December 31, 2022

Lessor	Subject Matter of Lease	Lease Term	Method of Rent Calculation/Collection
Subsidiary/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 $2,339 thousand and paid every month.

	For the Year Ended December 31	
	2022	2021
Other revenues		
Subsidiary/Ranso	$ 2,829	$ 2,863
Subsidiary	2,192	1,759
Related party in substance	356	57
	$ 5,377	$ 4,679
Other expenses		
Subsidiary/Ranso	$ -	$ 2,300

i. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	$ 33,948	$ 31,154
Post-employment benefits	596	523
	$ 34,544	$ 31,677

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

31. 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	
	2022	2021
Land	$ 323,889	$ 323,889
Pledged deposits (classified as financial assets at amortized cost - non-current)	-	128
	$ 323,889	$ 324,017

32. 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, 2022 and 2021 were as follows:

Significant commitments

a. As of December 31, 2022, 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, 2022, unused letters of credit amounted to US$9,157 thousand.

c. As of December 31, 2021, used letters of credit of US$5,013 thousand for the import of goods.

33. 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, 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
December 31, 2021			
Financial assets			
Monetary items			
USD	1,638	27.68 (USD:NTD)	$ 45,340
Financial liabilities			
Monetary items			
USD	5,012	27.68 (USD:NTD)	$ 138,732

For the years ended December 31, 2022 and 2021, realized net foreign exchange losses were $14,377 thousand and gains $7,950 thousand, respectively. For the years ended December 31, 2022 and 2021, unrealized net foreign exchange gains was $14,452 thousand and $2,791 thousand, respectively.

34. 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): None

4) The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: None.

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 1

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 2

9) Trading in derivative instruments: Notes 7 and 29

10) Information on investees: Table 3

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 4

TABLE 1

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, 2022
(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
			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	$ 2,450,719	59.57	Same as general suppliers	No significant difference from regular transactions.	-	Trade payable $ (88,633)	20.63	-

HERAN CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Companies Book in the “Accounts Receivable”	Counterparties	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Ranso Co., Ltd.	HERAN CO., LTD.	Parent company	$ 88,633	14.93	$ -	-	$ 88,633	$ -

HERAN CO., LTD.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Remarks
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
HERAN CO., LTD.	Ranso Co., Ltd.	Taiwan	Manufacturing air conditioners and set-top boxes	$ 255,000	$ 255,000	29,640,000	100.00	$ 304,839	$ 28,443	$ 18,975	Notes 1 and 2
	HERTEC Co., Ltd.	Taiwan	Wholesale trading of electrical and electronic products	58,990	178,900	8,000,000	100.00	113,836	30,383	64,098	Note 1
	HER HSIUNG Co., Ltd.	Taiwan	Manufacturing refrigerators	50,000	50,000	5,000,000	100.00	41,825	(9,254)	(8,816)	Notes 1 and 4
	Shaher Air Tech Corporation	Taiwan	Wholesale trading of electrical and electronic products	30,000	30,000	3,000,000	100.00	30,087	118	118	Note 1
	TAIWAN GREE CO., Ltd.	Taiwan	Wholesale trading of electrical and electronic products	30,000	30,000	12,000,000	27.27	191,567	197,360	53,826	Note 1

Note 1: The investment gains (losses) from the abovementioned investees in 2021 were recognized based on the auditor-reviewed financial statements of the respective investees for the same period.

Note 2: The difference between net income (loss) of the investee and share of profit (loss) is since that unrealized inventory gross profit amounted $9,468 thousand is included in share of profit (loss).

Note 3: The difference between net income (loss) of the investee and share of profit (loss) is since that realized inventory gross profit amounted $33,715 thousand is included in share of profit (loss).

Note 4: The difference between net income (loss) of the investee and share of profit (loss) is since that realized inventory gross profit amounted $438 thousand is included in share of profit (loss).

TABLE 4

HERAN CO., LTD.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chin Tu Tsai	9,828,194	13.46
HERFA ENTERPRISE CORPORATION LTD.	9,500,000	13.01
HERAN TECH CO., LTD.	6,529,446	8.94
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, 2022
(In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Cash on hand and working capital		$ 946
Bank deposits		
Demand (current) deposit		363,301
Check deposit		92,059
Foreign currency demand deposit	(Include US$1,727 thousand, @30.71)	53,034
		508,394
Cash equivalent		
Time deposits	Period is from November 4, 2022, to January 9, 2023. The interest rate is between 1.24% to 4.22%. (including $200,000 thousand and US$1,000 thousand, @30.71)	230,710
Repurchase agreements collateralized by bonds	Period is from November 18, 2022, to January 18, 2023. The interest rate is between 0.88% to 4.35%. (including $50,000 thousand and US$3,000 thousand, @30.71)	142,130
		372,840
		$ 882,180

STATEMENT 2

HERAN CO., LTD.

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Operating - from unrelated parties		
JIN CHANG YI	Payment for purchase	$ 15,049
Other (Note)	〃	249,805
		264,854
Less: Allowance for losses		(175)
		$ 264,679

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, 2022
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Related parties		
HERTEC	Payment for purchase	$ 25,122
Others (Note)	〃	92
		25,214
Non-related party		
Presicarre	Payment for purchase	131,338
RT Mart	〃	74,179
MOMO	〃	72,097
Test Rite Retail	〃	44,637
Others (Note)	〃	464,283
		786,534
Total of trade receivable		811,748
Less: Allowance for losses		(10,343)
		$ 801,405

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

STATEMENT 4

HERAN CO., LTD.

STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Related parties	Ranso	$ 237
	HERTEC	34
	HERAN TECH	1
	HER HSIUNG	252
	HER-HUA	42
		566
Non-related parties	Other	2,870
		$ 3,436

HERAN CO., LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Cost	Market Price (Note)
Finished goods	$ 174,979	$ 204,513
Work in process	5,069	7,102
Semi-finished goods	49,152	50,705
Raw materials	89,578	102,684
Commodity	1,006,138	1,441,778
Inventories in transit	35,081	35,081
	$ 1,359,997	$ 1,841,863

Note: The market price is calculated with the net realizable value on December 31, 2022, as the basis.

HERAN CO., LTD.

STATEMENT OF PREPAYMENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Prepayment for goods	Payment for purchase	$ 39,486
Prepaid taxes	Operating tax and other taxes	2
Prepaid expenses	Insurance expense and other expenses	27,226
		$ 66,714

HERAN CO., LTD.

CHANGES IN INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars and Shares)

Investee Companies	Beginning Retained Earnings		Increase in the Period (Note 3)		Decrease in the Period (Note 4)		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	$ 289,716	-	$ -	-	$ 3,852	$ 18,975	29,640,000	100.00	$ 304,839	12.08	$ 358,006	None
HERTEC Co., Ltd.	20,000,000	178,838	-	33,715	12,000,000	129,100	30,383	8,000,000	100.00	113,836	14.28	114,248	None
HER HSIUNG Co., Ltd.	5,000,000	63,241	-	-	-	12,600	(8,816)	5,000,000	100.00	41,825	8.47	42,328	None
Shaher Air Tech Corporation	3,000,000	29,969	-	-	-	-	118	3,000,000	100.00	30,087	10.03	30,087	None
Taiwan Gree Co., Ltd.	9,000,000	171,497	3,000,000	-	-	33,756	53,826	12,000,000	27.27	191,567	15.96	191,567	None
		$ 733,261		$ 33,715		$ 179,308	$ 94,486			$ 682,154		$ 736,236	

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: Long-term investment under equity method increased in the period since that the realized gain on downstream transactions with HERTEC Co., Ltd. of $33,715 thousand.

Note 4: Long-term investment under equity method decreased in the period since that distributing dividend $59,308 thousand in total and the reduction of HERTEC Co., Ltd. returned share capitals of $120,000 thousand.

Note 5: The difference between ended balance and net equity of the long-term Investment Under Equity Method to Ranso Co., Ltd. is because unrealized gain on transactions of $53,167 thousand is included in net equity.

Note 6: The difference between ended balance and net equity of the long-term Investment Under Equity Method to HERTEC Co., Ltd. is because unrealized gain on transactions of $412 thousand is included in net equity.

Note 7: The difference between ended balance and net equity of the long-term Investment Under Equity Method to HER HSIUNG Co., Ltd. is because unrealized gain on transactions of $503 thousand is included in net equity.

HERAN CO., LTD.

STATEMENT OF RIGHT OF USE ASSETS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Buildings	Transportation Equipment	Total	Remark
Cost				
Balance at January 1, 2022	$ 110,231	$ 14,103	$ 124,334	
Increase	4,083	6,255	10,338	
Decrease	(103,186)	(5,393)	(108,579)	
Balance at December 31, 2022	$ 11,128	$ 14,965	$ 26,093	
Accumulated depreciation				
Balance at January 1, 2022	$ 92,767	$ 5,483	$ 98,250	
Increase	17,382	4,769	22,151	
Decrease	(102,982)	(4,257)	(107,239)	
Balance at December 31, 2022	$ 7,167	$ 5,995	$ 13,162	
Carry amount at December 31, 2022	$ 3,961	$ 8,970	$ 12,931	

HERAN CO., LTD.

STATEMENT OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Non-related parties		
Other (Note)	Payment for purchase	$ 91,400

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, 2022
(In Thousands of New Taiwan Dollars)

Name of Suppliers	Summary	Amount
Non-related parties		
ChangHong	Payment for purchase	$ 153,580
Other (Note)	〃	95,550
		249,130
Related parties		
Ranso	Payment for purchase	88,633
HER HSIUNG	〃	383
		89,016
		$ 338,146

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

STATEMENT 11

HERAN CO., LTD.

STATEMENT OF LEASE LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Summary	Lease Term	Discount Rate	Balance, Ending	Remark
Buildings	Plant, service station	October 1, 2021-October 9, 2024	1.67%	$ 3,977	
Transportation equipment	Automobile rent	March 31, 2020-November 2, 2025	1.67%-3.00%	9,032	
				$ 13,009	

STATEMENT 12

HERAN CO., LTD.

STATEMENT OF OPERATING INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Quantity (Thousand)	Amount
Sales revenue		
Home appliance	1,071	$ 7,463,625
Other		155,369
		7,618,994
Less: Sales return		(303,803)
Sales discount		(988,021)
		$ 6,327,170

STATEMENT 13

HERAN CO., LTD.

STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Amount
Commodity balance, beginning	$ 1,025,882
Add: Purchase	3,827,743
Transfer of raw materials and semi-finished goods to finished goods	55,061
Less: Transfer to operating expense	(6,897)
Inventory deficit	(55)
Scrapped commodity	(3,731)
Commodity balance, ending	(1,106,263)
Cost of goods sold - sale of commodity	3,791,740
Raw materials, beginning	110,740
Semi-finished goods, beginning	125,789
Add: Purchase of materials in current period	542,856
Inventory overage	10
Less: Transfer of raw materials and semi-finished goods to finished goods	(55,061)
Transfer to manufacturing expenses	(22,632)
Transfer to operating expense	(1,552)
Scrapped raw material and semi-finished goods	(700)
Raw materials, ending	(137,767)
Semi-finished goods, ending	(53,867)
Raw materials consumption in the period	507,816
Direct labors	31,499
Manufacturing expense	81,223
Manufacturing cost	620,538
Work in process, beginning	7,942
Work in process, ending	(8,270)
Cost of finished goods	620,210
Finished goods, beginning	221,255
Add: Inventory overage	109
Less: Transfer to operating expense	(925)
Scrapped finished goods	(1,747)
Finished goods, ending	(188,765)
Cost of goods sold - manufacturing	650,137
Inventory overage	(64)
Scrapped	6,178
Inventory devaluation loss	20,119
Revenue from sale of scraps	(397)
Adjustment of the right to recover products	(10,890)
Cost of goods sold - installation	33,667
Cost of goods sold - warranty service expense	32,098
Other operating cost - maintenance	5,909
Operating cost	$ 4,528,497

HERAN CO., LTD.

STATEMENT OF OPERATING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Selling and marketing expense		
Salaries expense		$ 375,742
Recycling and treatment expenses		38,589
Freight		94,781
Advertisement expense		109,992
Expected credit loss		1,116
Depreciation		46,928
Other expense (Note)		272,823
		939,971
General and administrative expenses		
Salaries expense		64,687
Remuneration to directors		11,382
Service expense		4,006
Expected credit loss		5,438
Depreciation		5,502
Other expense (Note)		27,376
		118,391
Research and development expenses		
Salaries expense		25,062
Testing expense		96
Insurance expense		2,849
Depreciation		1,522
Other expense (Note)		16,649
		46,178
Total operating expenses		$ 1,104,540

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022			2021		
	Allocated as Operating Cost	Allocated as Operating Expenses	Total	Allocated as Operating Cost	Allocated as Operating Expenses	Total
Employee benefits expenses						
Salaries and wages	$ 53,345	$ 465,491	$ 518,836	$ 51,203	$ 429,319	$ 480,522
Labor insurance and national health insurance	5,705	45,705	51,410	5,485	36,441	41,926
Pension expenses	1,446	22,885	24,331	1,323	17,812	19,135
Remuneration to directors	-	11,382	11,382	-	12,022	12,022
Other employee benefits expenses	3,210	16,589	19,799	3,465	15,138	18,603
	$ 63,706	$ 562,052	$ 625,758	$ 61,476	$ 510,732	$ 572,208
Depreciation expense	$ 7,982	$ 53,952	$ 61,934	$ 15,697	$ 59,077	$ 74,774
Amortization expenses	$ 836	$ 8,015	$ 8,851	$ 777	$ 6,637	$ 7,414

Notes:

1. The number of employees for the current year and the previous year was 765 and 727, respectively, of which the number of directors who were not also employees was 7 and 7, respectively.

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

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

      The average employee benefit expenses were $778 thousand in previous year(“total employee benefit expenses of previous year-total Remuneration to directors”/“The number of employees for the current year-the number of directors who were not also employees”).

   b. The average employee salary expense was $684 thousand in current year(“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 $667 thousand in previous year(“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 increased by 2.55% (“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 2022 and 2021, 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 not less than 1% of the annual profit for employees and not more than 3% of the annual profit for directors, and shall provide reasonable remuneration in accordance with the resolution of the Company’s Remuneration Committee, taken 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 will be 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, and implement a performance-based policy and offer differentiated rewards based on individual performance to reward the contributions of colleagues.

(Concluded)