Heran Co., Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Heran Co., Ltd. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Heran Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

HERAN CO., LTD.

By

CHIN TU TSAI
Chairman

March 14, 2023

勤業眾信

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Heran Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Occurrence of Operating Income

For 2022, operating income of the Group is a key indicator used by management to evaluate business performance, the products for sale include air-conditioning system, LCD monitors and other electrical equipment. Among various products for sale, the sales of air-conditioning system occur frequently and the effect of the recognition of related revenues on the financial statements is material. Therefore, we have determined that there may be a risk of the authenticity of revenue from sales of air-conditioning system and considered the occurrence of operating income to be a key audit matter. The related accounting policies are described in Note 4(n) to the consolidated financial statements.

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

1. 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.

Other Matters

We have also audited the separate financial statements of Heran Co., Ltd. for the years ended December 31, 2022 and 2021 on which we have expressed an unqualified opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audits resulting in this independent auditors' report are Jui-Chuan Chih and Chien-Hsin Hsieh.

Chih Jui Chuan   Chien-Hsin Hsieh

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

<u>*Notice to Readers*</u>

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

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

HERAN CO., LTD. AND SUBSIDIARIES

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

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 1,292,253	22	$ 822,208	14
Note receivable (Note 10)	266,142	4	368,291	6
Trade receivables from unrelated parties (Note 10)	788,817	13	808,547	14
Trade receivables from related parties (Notes 10 and 31)	101	-	2	-
Other receivables (Note 10)	7,881	-	2,556	-
Other receivables from related parties (Notes 10 and 31)	43	-	4	-
Current tax assets (Note 26)	8,575	-	9,688	-
Inventories (Note 11)	1,541,260	26	1,941,253	32
Prepayments (Note 18)	90,747	2	192,125	3
Current asset recognised as right to recover products from customers (Note 18)	68,693	1	57,803	1
Other current assets	830	-	686	-
Total current assets	4,065,342	68	4,203,163	70
NON-CURRENT ASSETS				
Financial assets at amortized cost non-current (Note 8)	-	-	128	-
Investments accounted for using equity method (Note 13)	191,541	3	171,471	3
Property, plant and equipment (Note 14)	1,369,108	23	1,374,675	23
Right of use assets (Note 15)	12,931	-	31,425	-
Investment property (Note 16)	93,714	2	95,786	2
Intangible assets (Note 17)	15,480	-	8,602	-
Deferred tax assets (Note 26)	77,392	2	79,057	1
Prepayments for equipment	74,699	1	16,190	-
Refundable deposits	32,546	1	41,021	1
Net defined benefit asset, non-current (Note 22)	4,840	-	3,776	-
Total non-current assets	1,872,251	32	1,822,131	30
TOTAL	$ 5,937,593	100	$ 6,025,294	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Note 7)	$ 9,090	-	$ 435	-
Contract liabilities - current (Note 20)	-	-	15,292	-
Notes payable (Note 19)	91,400	2	97,311	2
Account payable (Note 19)	447,017	8	629,099	10
Other payables to unrelated parties (Note 20)	654,285	11	640,964	11
Other payables to related parties (Notes 20 and 31)	4,568	-	1,872	-
Current tax liabilities (Note 26)	76,334	1	87,048	1
Provisions - current (Note 21)	8,562	-	7,461	-
Lease liabilities - current (Notes 15 and 31)	7,170	-	29,336	1
Refund liabilities - current (Note 20)	351,176	6	424,356	7
Other current liabilities (Note 20)	5,018	-	2,781	-
Total current liabilities	1,654,620	28	1,935,955	32
NON-CURRENT LIABILITIES				
Provisions - non-current (Note 21)	35,591	1	23,547	1
Deferred income tax liabilities (Note 26)	18,911	-	12,920	-
Lease liabilities - non-current (Notes 15 and 31)	5,839	-	4,729	-
Refund liabilities - non-current (Note 20)	2,611	-	-	-
Deposit received	13,957	-	3,843	-
Total non-current liabilities	76,909	1	45,039	1
Total liabilities	1,731,529	29	1,980,994	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)				
Share capital	730,004	12	730,004	12
Capital surplus	825,306	14	825,306	14
Retained earnings				
Legal reserve	669,657	11	593,092	10
Unappropriated earnings	1,981,097	34	1,895,898	31
Total equity	4,206,064	71	4,044,300	67
TOTAL	$ 5,937,593	100	$ 6,025,294	100

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

HERAN CO., LTD. AND SUBSIDIARIES

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

	2022		2021	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 24 and 31)				
Sales	$ 8,134,358	119	$ 7,717,834	121
Sales returns	(305,501)	(5)	(278,987)	(4)
Sales discounts and allowances	(988,487)	(14)	(1,075,759)	(17)
	6,840,370	100	6,363,088	100
OPERATING COSTS (Notes 11, 25 and 31)				
Cost of goods sold	(4,668,480)	(68)	(4,056,977)	(64)
GROSS PROFIT	2,171,890	32	2,306,111	36
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	(26)	-	(26)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	26	-	52	-
REALIZED GROSS PROFIT	2,171,890	32	2,306,137	36
OPERATING EXPENSES (Notes 25 and 31)				
Selling and marketing expenses	(1,248,804)	(18)	(1,291,766)	(20)
General and administrative expenses	(126,343)	(2)	(119,661)	(2)
Research and development expenses	(52,942)	(1)	(53,645)	(1)
Expected credit losses	(6,554)	-	(1,342)	-
Total operating expenses	(1,434,643)	(21)	(1,466,414)	(23)
PROFIT FROM OPERATIONS	737,247	11	839,723	13
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 31)				
Interest income	6,189	-	458	-
Other income	24,856	-	23,573	1
Other gains and losses	95,010	1	20,461	-
Finance costs	(1,668)	-	(1,468)	-
Share of profit or loss of associates/and joint ventures	53,826	1	70,839	1
Total non-operating income and expenses	178,213	2	113,863	2

(Continued)

HERAN CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	$ 915,460	13	$ 953,586	15
INCOME TAX EXPENSE (Note 26)	(170,223)	(2)	(173,446)	(3)
NET PROFIT FOR THE YEAR	745,237	11	780,140	12
OTHER COMPREHENSIVE INCOME (LOSS) (Note 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	664	-	167	-
Income tax related 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	11	$ 780,274	12
NET PROFIT/(LOSS) ATTRIBUTABLE TO:				
Owner(s) of the Company	$ 745,237	11	$ 780,140	12
Non-controlling interests	-	-	-	-
	$ 745,237	11	$ 780,140	12
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Owner(s) of the Company	$ 745,768	11	$ 780,274	12
Non-controlling interests	-	-	-	-
	$ 745,768	11	$ 780,274	12
EARNINGS PER SHARE (Note 23)				
Basic	$10.21		$10.69	
Diluted	$10.16		$10.65	

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

HERAN CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 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 loss for the year ended December 31, 2021, net of income tax	-	-	-	-	134	134
Total comprehensive loss 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 loss for the year ended December 31, 2022, net of income tax	-	-	-	-	531	531
Total comprehensive loss for the year ended December 31, 2022	-	-	-	-	745,768	745,768
BALANCE AT DECEMBER 31, 2022	73,000	$ 730,004	$ 825,306	$ 669,657	$ 1,981,097	$ 4,206,064

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

HERAN CO., LTD. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 915,460	$ 953,586
Adjustments for:		
Depreciation expense	71,910	89,076
Amortization expense	9,609	8,919
Expected credit loss recognized on trade receivables	6,554	1,342
Net gain or fair value changes of financial assets and liabilities at fair value through profit or loss	(123,987)	(4,061)
Finance costs	1,668	1,468
Interest income	(6,189)	(458)
Share of profit of associates and subsidiaries accounted for using the equity method	(53,826)	(70,839)
(Gain) on disposal of property, plant and equipment	8	-
Net loss (gain) on lease modification	(26)	(3)
Write-down of inventories	28,724	7,915
Unrealized gain on transactions with associates	26	26
Realized gain on transactions with associates	(26)	(52)
Provisions	32,098	10,670
Changes in operating assets and liabilities		
Net gain on fair value changes of financial assets at fair value through profit or loss	133,630	4,496
Note receivables	102,149	(150,697)
Account receivables	13,176	(182,387)
Account receivables to related parties	(99)	436
Other receivables	(5,325)	(1,553)
Other receivables to related parties	(39)	6
Inventories	368,596	(735,679)
Prepayments	101,378	(102,369)
Other current assets	(144)	(116)
Current asset recognised as right to recover products from customers	(10,890)	(11,088)
Net defined benefit asset	(400)	(392)
Financial liability held for trading	(988)	-
Contract liabilities	(15,292)	1,551
Notes payable	(5,911)	74,586
Account payables	(182,082)	60,247
Other payables	(2,840)	63,897
Other payables to related parties	2,696	2
Provisions	(18,953)	(14,435)
Other current liabilities	2,237	932
Refund liabilities	(70,569)	124,444
Cash generated from operations	1,292,333	129,470
Interest paid	(1,668)	(1,468)
Income tax paid	(172,301)	(263,927)
Net cash generated from operating activities	1,118,364	(135,925)

(Continued)

HERAN CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	$ -
Payments for property, plant and equipment	(6,639)	(11,113)
Proceeds from disposal of property, plant and equipment	1	-
Increase in received deposits	-	(10,016)
Decrease in received deposits	8,475	-
Proceeds from disposal of intangible assets	(16,487)	(9,497)
Increase in prepayments for equipment	(57,519)	(22,212)
Increase in prepayments for land	(12,305)	-
Interest received	6,189	458
Dividends received from associates	33,756	24,094
Net cash used in investing activities	(44,401)	(28,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	10,114	-
Decrease in guarantee deposits received	-	(26)
Repayment of the principal portion of lease liabilities	(30,028)	(45,799)
Dividends paid to owners of the Company	(584,004)	(584,003)
Net cash used in financing activities	(603,918)	(629,828)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	470,045	(794,039)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	822,208	1,616,247
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,292,253	$ 822,208

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

HERAN CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 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 Group'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 that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

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

c. 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group'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 consolidated financial statements have been prepared in accordance with IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

The 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.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of consolidation

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

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

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

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

See Note 12 and Trade 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

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

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement 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.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) as well as contract assets.

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

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

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

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. Financial asset is more than 181 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

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

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at FVTPL</u>

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

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

Fair value is determined in the manner described in Note 30.

b) Derecognition of financial liabilities

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

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 Group's obligations.

n. Revenue recognition

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

1) Revenue from the sale of goods

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

2) Revenue from the rendering of services

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

o. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. 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 asset

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

b. Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand and working capital	$ 1,035	$ 987
Checking accounts and demand deposits	918,378	821,221
Cash equivalents (Investment with the original maturity date within three months)		
Time deposit	230,710	-
Bonds under repurchase agreement	142,130	-
	$ 1,292,253	$ 822,208

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

	December 31	
	2022	2021
Bank deposit	0.20%-1.05%	0.01%-0.20%
Time deposit	1.24%-4.22%	
Bonds under repurchase agreement	0.88%-4.35%	

7. FINANCIAL INSTRUMENTS MEASURED AT FVTPL

	December 31	
	2022	2021
Financial liabilities - current		
Held for trading		
Derivatives financial liabilities (not under hedge account)		
Foreign exchange forward contracts	$ 9,090	$ 435

As of the balance sheet date, 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	2023.1.5-2023.3.31	NTD341,117/USD10,850
December 31, 2021			
Buy	NTD/USD	2022.1.7-2022.6.28	NTD584,409/USD21,120

The Group 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 investments		
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 were approximately 0.76% annum as of December 31, 2021.

b. Refer to Note 32 for information relating to investments in financial assets at amortized cost pledged as security.

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

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

In determining the expected credit losses for debt instrument investments, the Group 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 Group'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, 2021

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

10. NOTES RECEIVABLES, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31 2022	December 31 2021
Note receivable - operating		
At amortized cost		
Gross carrying amount from unrelated parties	$ 266,317	$ 368,466
Less: Allowance for impairment loss	(175)	(175)
	$ 266,142	$ 368,291
Trade receivable (a)		
At amortized cost		
Gross carrying amount from unrelated parties	$ 799,166	$ 812,305
Gross carrying amount from related parties (Note 31)	101	2
Less: Allowance for impairment loss	(10,349)	(3,758)
	$ 788,918	$ 808,549
Other receivables		
At amortized cost		
Gross carrying amount from unrelated parties	$ 7,881	$ 2,556
Gross carrying amount from related parties (Note 31)	43	4
	$ 7,924	$ 2,560
Overdue receivables		
Overdue receivables	$ 3,603	$ 3,640
Less: Allowance for impairment loss	(3,603)	(3,640)
	$ -	$ -

a. Trade receivables

The average credit period of sales of goods is 30-120 days. No interest is charged on trade receivables.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts.

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

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

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

December 31, 2022

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

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	0.01%-0.4%	0.01%-69.26%	0.01%-74.9%	79.68%-100%	
Gross carrying amount	$ 1,124,001	$ 48,225	$ 5,569	$ 6,618	$ 1,184,413
Loss allowance (Lifetime ECLs)	(474)	(1,216)	(610)	(5,273)	(7,573)
Amortized cost	$ 1,123,527	$ 47,009	$ 4,959	$ 1,345	$ 1,176,840

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

	December 31	
	2022	2021
Balance at January 1	$ 7,573	$ 6,231
Add: Net remeasurement of loss allowance	6,554	1,342
Balance at December 31	$ 14,127	$ 7,573

11. INVENTORIES

	December 31	
	2022	2021
Finished goods	$ 673,929	$ 1,009,713
Work in progress	5,123	7,924
Semi-finished goods		
Raw materials	52,678	122,381
Materials	127,879	153,063
Commodity	586,572	447,360
Inventory in transit	95,079	200,812
	$ 1,541,260	$ 1,941,253

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

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	$ 4,570,666	$ 4,031,128
Inventory write-downs	28,724	7,915
Abnormal production costs of inventories	8,157	7,325
Idle capacity	16,646	10,874
Right to recover products from customers adjustment	(10,890)	(11,087)
Recognition of provisions	32,098	10,670
Others	23,079	152
	$ 4,668,480	$ 4,056,977

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			Proportion of Ownership and Voting Right		
			December 31		
Investor	Investee	Nature of Activities	2022	2021	Remark
Heran Co., Ltd.	RANSO CO., LTD.	Manufacturing air conditioner and set-top box	100%	100%	
Heran Co., Ltd.	HERTEC Co., Ltd.	Selling and wholesaling electrical products	100%	100%	
Heran Co., Ltd.	HER HSIUNG Co., Ltd.	Manufacturing refrigerator	100%	100%	
Heran Co., Ltd.	SHAHER AIR TECH CORPORATION	Selling and wholesaling electrical products	100%	100%	*

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associate(s)

	December 31	
	2022	**2021**
Material associate(s)		
TAIWAN GREE CO., LTD	$ 191,541	$ 171,471

Material associate(s)

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

Refer to Table 4 “Information of Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

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

The summarized financial information below represents amounts shown in the associates’ financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

TAIWAN GREE CO., LTD

	December 31	
	2022	**2021**
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 Group’s ownership	27.27%	27.27%
Equity attributable to the Group	$ 191,567	$ 171,497
Carrying amount	$ 191,541	$ 171,471

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

	December 31	
	2022	**2021**
Operating income	$ 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

14. PROPERTY, PLANT AND EQUIPMENT

Assets Used by the Group

	Proprietary Land	Building	Machinery Equipment	Transportation Equipment	Office Equipment	Rental equipment - Machinery Equipment	Other Equipment	Construction in Progress	Total
Cost									
Balance at January 1, 2022	$ 817,412	$ 533,681	$ 14,775	$ 36,501	$ 11,315	$ 1,877	$ 72,655	$ -	$ 1,488,216
Additions	176	810	412	4,317	3,932	-	1,127	426	11,200
Disposals	-	-	-	(11,255)	(464)	(13)	(3,875)	-	(15,607)
Reclassification	12,305	-	-	8,381	155	2,673	2,074	-	25,588
Balance at December 31, 2022	$ 829,893	$ 534,491	$ 15,187	$ 37,944	$ 14,938	$ 4,537	$ 71,981	$ 426	$ 1,509,397
Accumulated depreciation									
Balance at January 1, 2022	$ -	$ 52,860	$ 8,392	$ 21,534	$ 4,002	$ 167	$ 26,586	$ -	$ 113,541
Depreciation expense	-	15,651	2,722	7,946	2,873	715	12,439	-	42,346
Disposals	-	-	-	(11,255)	(464)	(4)	(3,875)	-	(15,598)
Balance at December 31, 2022	$ -	$ 68,511	$ 11,114	$ 18,225	$ 6,411	$ 878	$ 35,150	$ -	$ 140,289
Carrying amount at December 31, 2022	$ 829,893	$ 465,980	$ 4,073	$ 19,719	$ 8,572	$ 3,659	$ 36,831	$ 426	$ 1,369,108
Cost									
Balance at January 1, 2021	$ 817,412	$ 531,194	$ 15,209	$ 44,491	$ 10,534	$ -	$ 72,362	$ -	$ 1,491,202
Additions	-	815	63	2,644	3,717	-	3,997	-	11,236
Disposals	-	-	(497)	(13,493)	(2,936)	-	(4,707)	-	(21,633)
Reclassification	-	1,672	-	2,859	-	1,877	1,003	-	7,411
Balance at December 31, 2021	$ 817,412	$ 533,681	$ 14,775	$ 36,501	$ 11,315	$ 1,877	$ 72,655	$ -	$ 1,488,216
Accumulated depreciation									
Balance at January 1, 2021	$ -	$ 37,250	$ 6,123	$ 26,577	$ 4,370	$ -	$ 19,460	$ -	$ 93,780
Depreciation expense	-	15,610	2,766	8,450	2,568	167	11,833	-	41.394
Disposals	-	-	(497)	(13,493)	(2,936)	-	(4,707)	-	(21,633)
Balance at December 31, 2021	$ -	$ 52,860	$ 8,392	$ 21,534	$ 4,002	$ 167	$ 26,586	$ -	$ 113,541
Carrying amount at December 31, 2021	$ 817,412	$ 480,821	$ 6,383	$ 14,967	$ 7,313	$ 1,710	$ 46,069	$ -	$ 1,374,675

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

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

	December 31	
	2022	2021
Year 1	$ 798	$ 519
Year 2	19	57
	$ 817	$ 576

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

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Buildings	$ 3,961	$ 22,805
Transportation equipment	8,970	8,620
	$ 12,931	$ 31,425

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	$ 10,338	$ 48,400
Depreciation charge for right-of-use assets		
Buildings	$ 22,723	$ 41,847
Transportation equipment	4,769	3,773
	$ 27,492	$ 45,620

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	$ 7,170	$ 29,336
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%-3.00%	1.67%-1.80%

c. Material lease-in activities and terms

The Group leases buildings and motor vehicles mainly for the respectively use of the plants, offices and transportation with lease terms of 1-3 year. The Group does not have bargain purchase options to acquire the leasehold buildings and motor vehicles at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	$ 24,410	$ 3,240
Expenses relating to low-value asset leases	$ 421	$ 392
Total cash outflow for leases	$ (54,859)	$ (49,431)

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.

16. INVESTMENT PROPERTIES

	Completed Investment Properties
Cost	
Balance at January 1, 2022	$ 103,355
Transfers (to) from 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
Carrying amount at December 31, 2022	$ 93,714
Cost	
Balance at January 1, 2021	$ 102,867
Transfers (to) from 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
Carrying 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 at December 31, 2022 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 on a straight-line basis over their estimated useful lives as follows:

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 follow:

	December 31	
	2022	**2021**
Fair value	$ 935,898	$ 885,749

17. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2022	$ 23,099
Additions	16,487
Balance at December 31, 2022	$ 39,586
Accumulated amortization	
Balance at January 1, 2022	$ 14,497
Amortization expense	9,609
Balance at December 31, 2022	$ 24,106
Carrying amount at December 31, 2022	$ 15,480

(Continued)

	Computer Software
Cost	
Balance at January 1, 2021	$ 13,602
Additions	9,497
Balance at December 31, 2021	$ 23,099
Accumulated amortization	
Balance at January 1, 2021	$ 5,578
Amortization expense	8,919
Balance at December 31, 2021	$ 14,497
Carrying amount at December 31, 2021	$ 8,602

(Concluded)

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

Computer software	1-3 years

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	$ 888	$ 804
Selling and marketing expenses	4,611	5,057
General and administrative expenses	1,482	1,588
Research and development expenses	2,628	1,470
	$ 9,609	$ 8,919

18. OTHER ASSETS

	December 31	
	2022	2021
Current		
Prepayments	$ 57,646	$ 101,782
Prepay custom fee	1,854	8,556
Prepay install fee	-	36,404
Input and offset against business tax payable	1,057	23,985
Others	30,190	21,398
	$ 90,747	$ 192,125
Right to recover products from customers (Note 24)	$ 68,693	$ 57,803

(Continued)

	December 31	
	2022	2021
Non-current		
Overdue receivables	$ 3,603	$ 3,640
Less: Allowance for impairment loss	(3,603)	(3,640)
	$ -	$ -

(Concluded)

19. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2022	2021
Notes payable		
Operating	$ 91,400	$ 97,311
Trade payables		
Operating	$ 447,017	$ 629,099

20. OTHER LIABILITIES

	December 31	
	2022	2021
Current		
Other payables		
Payables for salaries or bonuses	$ 126,274	$ 128,843
Payables for promotion and commercial	7,548	15,533
Payables for custom fee	17,801	41,018
Payables for compensation of employees and remuneration of directors and supervisors	43,355	36,963
Payables for shipping fee	23,677	26,529
Payables for annual leave	17,269	15,240
Payables for dividend	292,002	292,002
Payables for commodity tax	10,575	27,713
Payables for sale tax	10,330	4,774
Payables for recycle expenses	17,959	17,158
Others	87,495	35,191
Other payables - related parties	4,568	1,872
	$ 658,853	$ 642,836
Other liabilities		
Contract liabilities (Note 24)	$ -	$ 15,292
Refund liabilities (Note 24)	351,176	424,356
Other current liabilities	5,018	2,781
	$ 356,194	$ 442,429

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

	December 31	
	2022	2021
Non-current		
Other liabilities		
Refund liabilities (Note 24)	$ 2,611	$ -

21. PROVISIONS

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

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

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

22. RETIREMENT BENEFIT PLANS

a. Defined Contribution Plan

The Company and HERTEC. Co., Ltd HER HSIUNG CO., LTD. RANSO CO., LTD. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the 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 defined benefit obligation	$ 2,842	$ 2,972
Fair value of plan assets	(7,682)	(6,748)
Deficit (surplus)	(4,840)	(3,776)
Net defined benefit 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, 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 assets (excluding amounts included in net interest)	-	(515)	(515)
Actuarial (gain) loss			
Changes in financial assumptions	(152)	-	(152)
Experience adjustments	3	-	3
Recognized in other comprehensive income	(149)	(515)	(664)
Contributions from the employer	-	(375)	(375)
Balance at December 31, 2022	$ 2,842	$ 7,682	$ (4,840)
Balance at January 1, 2021	$ 3,047	$ (6,264)	$ (3,217)
Net interest expense (income)	15	(32)	(17)
Recognized in profit or loss	15	(32)	(17)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (77)	$ (77)
Actuarial (gain) loss			
Changes in demographic assumptions	86	-	86
Changes in financial assumptions	(41)	-	(41)
Experience adjustments	(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)

(Concluded)

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

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

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

	December 31	
	2022	2021
Discount rate(s)	1.375%	0.625%
Expected rate(s) 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(s)		
0.25% increase	$ (70)	$ (81)
0.25% decrease	$ 73	$ 85
Expected rate(s) 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

23. 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 25(g).

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

The appropriations of earnings for the second six months of 2020 and the first and second six months of 2021, which were resolved by the Company's board of directors, 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 above appropriations of the earnings for 2021 and 2020 were reported to the shareholders in their meeting on June 8, 2022 and August 24, 2021, respectively.

The appropriation of earnings for the first and second six months of 2022, which were resolved by the Company's board of directors 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.

24. REVENUE

	For the Year Ended December 31	
	2022	**2021**
Revenue from contracts with customers		
Revenue from sale of goods	$ 6,687,868	$ 6,253,776
Revenue from the rendering of services	152,502	109,312
	$ 6,840,370	$ 6,363,088

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 21 for the description of defective warranty obligations for home appliances and electronic products.

2) Revenue from the rendering of services

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

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Trade receivables (Note 10)	$ 1,055,060	$ 1,176,840	$ 815,534
Contract liabilities - current (Note 20)			
Revenue from sale of goods	$ -	$ 15,292	$ 13,741

c. Details for contract revenue

Refer to Note 36 for the information of the details for revenue.

25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits and short-term bills	$ 6,189	$ 458

b. Other income

	For the Year Ended December 31	
	2022	2021
Lease income	$ 21,367	$ 19,063
Others	3,489	4,510
	$ 24,856	$ 23,573

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange (losses) gains	$ (28,726)	$ 19,899
Financial asset or financial liability at fair value through profit or loss	123,987	4,061
Loss on disposal of property, plant and equipment	(8)	-
Others	(243)	(3,499)
	$ 95,010	$ 20,461

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 1,418	$ 966
Interest on lease liabilities	249	480
Other finance costs	1	22
	$ 1,668	$ 1,468

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	$ 17,099	$ 29,506
Operating expenses	54,811	59,570
	$ 71,910	$ 89,076
An analysis of amortization by function		
Operating costs	$ 888	$ 804
Operating expenses	8,721	8,115
	$ 9,609	$ 8,919

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	$ 698,476	$ 663,974
Post-employment benefits (Note 22)		
Defined contribution plans	29,432	24,878
Defined benefit plans	(25)	(17)
	29,407	24,861
Other employee benefits	24,753	23,995
Total employee benefits expense	$ 752,636	$ 712,830
An analysis of employee benefits expense by function		
Operating costs	$ 127,514	$ 120,440
Operating expenses	625,122	592,390
	$ 752,636	$ 712,830

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	$ 39,848	$ 26,925
Foreign exchange losses	(68,574)	(7,026)
	$ (28,726)	$ (19,899)

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 168,038	$ 185,760
Income tax on unappropriated earnings	11	13,127
Adjustments for prior years	(5,349)	(6,157)
	162,700	192,730
Deferred tax		
In respect of the current year	(7,523)	(19,284)
Income tax expense recognized in profit or loss	$ 170,223	$ 173,446

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	$ 915,460	$ 953,586
Income tax expense calculated at the statutory rate	$ 192,766	$ 196,442
Nondeductible expenses in determining taxable income	-	93
Tax-exempt income	(18,785)	(30,059)
Income tax on unappropriated earnings	11	13,127
Unrecognized loss carryforwards	1,580	-
Adjustments for prior years	(5,349)	(6,157)
Income tax expense recognized in profit or loss	$ 170,223	$ 173,446

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 assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	$ 8,575	$ 9,688
Current tax liabilities		
Income tax payable	$ 76,334	$ 87,048

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

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Inventory devaluation loss	$ 27,067	$ 5,745	$ -	$ 32,812
Unrealized gross profits	6,825	(6,743)	-	82
Unrealized allowance for sales discount	20,457	(9,414)	-	11,043
Unrealized financial products profit or loss	76	1,216	-	1,292
Unrealized allowance for sales return	15,106	2,429	-	17,535
Unrealized payable for annual leave	3,048	406	-	3,454
idle capacity	85	29	-	114
Difference between tax and account	12	(12)	-	-
Unrealized warranty expense	6,201	2,630	-	8,831
Exchange differences	180	2,049	-	2,229
	$ 79,057	$ (1,665)	$ -	$ 77,392
Deferred tax liabilities				
Temporary differences				
Unrealized asset recognized to acquired	$ (11,560)	$ (2,177)	$ -	$ (13,737)
Exchange difference	(533)	(3,086)	-	(3,619)
Unrealized profits or loss of financial commodity	(11)	(515)	-	(526)
Unrealized pension expense	(726)	(80)	-	(806)
Remeasurement of defined benefit plans	(90)	-	(133)	(223)
	$ (12,920)	$ (5,858)	$ (133)	$ (18,911)

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Inventory devaluation loss	$ 25,484	$ 1,583	$ -	$ 27,067
Unrealized gross profits	46	6,779	-	6,825
Unrealized allowance for sales discount	8,732	11,725	-	20,457
Unrealized financial products profit or loss	-	76	-	76
Unrealized allowance for sales return	13,167	1,939	-	15,106
Unrealized payable for annual leave	2,892	156	-	3,048
idle capacity	75	10	-	85
Difference between tax and account	28	(16)	-	12
Unrealized warranty expense	6,954	(753)	-	6,201
Exchange differences	27	153	-	180
	$ 57,405	$ 21,652	$ -	$ 79,057
Deferred tax liabilities				
Temporary differences				
Unrealized asset recognized to acquired	$ (9,343)	$ (2,217)	$ -	$ (11,560)
Exchange difference	(726)	193	-	(533)
Unrealized profits or loss of financial commodity	(393)	(333)	-	(726)
Unrealized pension expense	-	(11)	-	(11)
Remeasurement of defined benefit plans	(57)	-	(33)	(90)
	$ (10,519)	$ (2,368)	$ (33)	$ (12,920)

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

	December 31	
	2022	2021
Loss carryforwards		
Expiry in 2032	$ 7,903	$ -

f. Income tax assessments

The income tax returns for the Company and HERTEC. Co., Ltd., HER HSIUNG CO., LTD. RANSO CO., LTD. have been assessed by the tax authorities through 2020.

27. 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		
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

Shares

Unit: NT$ Per Share

	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.

28. CASH FLOW INFORMATION

a. Non-cash transaction

In addition to those disclosed in other notes, the Company entered into the following non-cash investing and financing activities which were not reflected in the statements of cash flows for the years ended December 31, 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	$ 34,065	$ (30,277)	$ 10,338	$ (1,366)	$ 249	$ 13,009

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Lease Modification	Interest Expense	
Lease liabilities	$ 31,875	$ (46,279)	$ 48,400	$ (411)	$ 480	$ 34,065

29. CAPITAL MANAGEMENT

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

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

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

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

30. FINANCIAL INSTRUMENTS

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

As the years ended on December 31, 2022 and 2021, the carrying amounts of financial instruments not measured at fair value are approximately equal to their fair values.

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

1) Fair value hierarchy

December 31, 2022

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	$ -	$ 435	$ -	$ 435

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)	$ 2,387,783	$ 2,042,757
Financial liabilities		
Fair value through profit and loss		
Held for trading	9,090	435
Financial liabilities at amortized cost (2)	1,211,227	1,373,089

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

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the period are set out in Note 34.

Sensitivity analysis

The Group is mainly exposed to the USD.

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

	USD Impact	
	For the Year Ended December 31	
	2022	**2021**
Profit or (loss)	$ 327 *	$ (1,739) *

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

b) Interest rate risk

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

	December 31	
	2022	**2021**
Fair value interest rate risk		
Financial assets	$ 372,840	$ 128
Cash flow interest rate risk		
Financial assets	826,309	723,223

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 $4,132 thousand and $3,616 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 Group because the counterparty delays in the fulfillment of the contractual obligations. Up to the balance sheet date, the Group's potential highest credit risk exposure due to failure of the counterparty to fulfill its obligations was mainly derived from the book value of the financial assets recognized in the separate balance sheet.

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

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

December 31, 2022

	On Demand or Less than 1 Year	More than 1 Year
Non-derivative financial liabilities		
Note payable	$ 91,400	$ -
Trade payables	447,017	-
Other payables	658,853	-
Lease liabilities	7,170	5,839
	$ 1,204,440	$ 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	629,099	-
Other payables	642,836	-
Lease liabilities	29,336	4,729
	$ 1,398,582	$ 4,729

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	$ 29,534	$ 4,774

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

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	$ 116,853	$ 215,175	$ -
Outflows	(120,552)	(220,566)	-
	$ (3,699)	$ (5,391)	$ -

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	$ 141,545	$ 317,977
Outflows	(124,564)	(141,640)	(318,205)
	$ (112)	$ (95)	$ (228)

c) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 1,068,719	$ 1,302,354
Amount unused	4,329,369	3,262,846
	$ 5,398,088	$ 4,565,200

31. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and relation

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

b. Sales of goods

		December 31	
Line Item	**Related Party Name**	**2022**	**2021**
Sales	Associate	$ 18	$ 2
	Related party in substance	319	1,116
		$ 337	$ 1,118

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

c Purchases of goods

	December 31	
	2022	**2021**
Associate	$ 42	$ -
Related party in substance	-	67,099
	$ 42	$ 67,099

Purchases were made at the same condition with normal supplier.

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

Line Item	Related Party Category/Name	December 31 2022	December 31 2021
Trade receivables	Associate	$ 9	$ -
	Related party in substance	92	2
		$ 101	$ 2
Other receivables	Related party in substance	$ 43	$ 4

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.

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

Line Item	Related Party Category/Name	December 31 2022	December 31 2021
Other payables	Related party in substance	$ 4,568	$ 1,872

The outstanding trade payables to related parties are unsecured.

f. Lease arrangements - the Group is lessee

Line Item	Related Party Category/Name	December 31 2022	December 31 2021
Lease liabilities	Related party in substance/Heran Tech	$ -	$ 22,604

Related Party Category/Name	For the Year Ended December 31 2022	For the Year Ended December 31 2021
Interest expense		
Related party in substance/Heran Tech	$ 67	$ 313

For the Years Ended December 31, 2022 and 2021

Lessor	Subject Matter of Lease	Lease Term	Method of Rent Calculation/Collection
Related party in substance/Heran Tech	B1 to 1, 3 to 9F., No. 88, Keji 3rd Rd., Guishan Dist., Taoyuan City	July 1, 2018 to June 30, 2022	The monthly rent was at $3,367 thousand and paid every month.

g. Other transactions with related parties

Line Item	Related Party Category/Name	December 31 2022	December 31 2021
Other revenues	Related party in substance	$ 356	$ 57
Operating expense - other expense	Related party in substance	$ 350	$ 754
Rental expense	Related party in substance/Heran Tech	$ 21,104	$ -

For the Year Ended December 31, 2022			
Lessor	**Subject Matter of Lease**	**Lease Term**	**Method of Rent Calculation/Collection**
Related party in substance/Heran Tech	B1 to 1, 3 to 9F., No. 88, Keji 3rd Rd., Guishan Dist., Taoyuan City	July 1, 2022 to December 31, 2022	The monthly rent was at $3,245 thousand and paid every month.

h. 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.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2022 and 2021 were as follows:

Significant Commitments

a. As of December 31, 2022, the Group has undertaken surety for loans, and has issued promissory notes to respective lending banks amounted $2,075,000 thousand.

b. As of December 31, 2022, unused letters of credit amounted to US$27,021 thousand.

c. As of December 31, 2022, used letters of credit of US$7,780 thousand for the import of goods.

d. As of December 31, 2022, the Group has unrealized contractual commitments as follows:

	December 31, 2022
Acquisition of property, plant and equipment	$ 33,015

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currency	Exchange Rate	Carrying Amount
December 31, 2022			
Financial assets			
Monetary items			
USD	$ 10,584	30.71 (USD:NTD)	$ 333,352
Financial liabilities			
Monetary items			
USD	9,791	30.71 (USD:NTD)	$ 300,696
December 31, 2021			
Financial assets			
Monetary items			
USD	4,464	27.68 (USD:NTD)	$ 123,564
Financial liabilities			
Monetary items			
USD	10,748	27.68 (USD:NTD)	$ 297,505

For the years ended December 31, 2022 and 2021, realized net foreign exchange gains and losses were $54,624 thousand and $21,632 thousand, respectively; unrealized net foreign exchange gains and losses were $25,898 thousand and $1,733 thousand, respectively.

35. SEPARATELY DISCLOSED ITEMS

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

1) Loans to others: None

2) Endorsements/guarantees for others: None

3) Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures): 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 30

10) Business relationships and significant intercompany transactions between parent and subsidiary and between subsidiaries: Table 3

11) Information on investees: Table 4

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 5

36. SEGMENT INFORMATION

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

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

Other business - others

a. Segment revenues and operating results

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

	Electronic Equipment - Direct Sales	**Electronic Equipment - Wholesale**	**Total**
For the year ended December 31, 2022			
Revenue from external customers	$ 6,658,180	$ 182,190	$ 6,840,370
Inter-segment revenue	2,552,234	134,743	2,686,977
Segment revenue	$ 9,210,414	$ 316,933	9,527,347
Eliminations			(2,686,977)
Consolidated revenue			$ 6,840,370
Segment income	$ 674,377	$ 62,870	$ 737,247
Interest revenue			6,189
Other revenue			24,856
Other income and loss			95,010
Financial cost			(1,668)
Share of profit of associates and joint ventures accounted for using the equity method			53,826
Profit before tax (continuing operations)			$ 915,460
For the year ended December 31, 2021			
Revenue from external customers	$ 6,229,971	$ 133,117	$ 6,363,088
Inter-segment revenue	2,857,704	161,779	3,019,483
Segment revenue	$ 9,087,675	$ 294,896	9,382,571
Eliminations			(3,019,483)
Consolidated revenue			$ 6,363,088
Segment income	$ 908,157	$ (68,434)	$ 839,723
Interest revenue			458
Other revenue			23,573
Other income and loss			20,461
Financial cost			(1,468)
Share of profit of associates and joint ventures accounted for using the equity method			70,839
Profit before tax (continuing operations)			$ 953,586

Revenues reported above are generated from transactions with external customers. The inter-segment sales are all eliminated in 2022 and 2021.

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

b. Total segment assets

	December 31	
	2022	2021
Segment assets		
Home appliances	$ 4,997,232	$ 4,960,132
Other	662,853	804,946
Total segment assets	$ 5,660,085	$ 5,765,078

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

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

c. Revenue from major products and services

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

d. Information on major customers

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

	For the Year Ended December 31	
	2022	2021
Customer A	$ 608,740	$ 681,168
Customer B	681,432	583,880
	$ 1,290,172	$ 1,265,048

Note 1: Revenue from sales revenue.

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

TABLE 1

HERAN CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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	-

TABLE 2

HERAN CO., LTD. AND SUBSIDIARIES

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

BUSINESS RELATIONS AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

No.	Trader's Name	Counterparty	Relationship with Trader	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	HERAN CO., LTD.	RANSO CO., LTD.	a	Trade payables	$ 88,633	No significant difference from regular transactions.	1.49
		〃	a	Purchase	2,450,719	At the price agreed by both.	35.83
1	RANSO CO., LTD.	HERTEC Co., Ltd.	c	Purchase	74,165	At the price agreed by both.	1.08

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

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

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

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

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

HERAN CO., LTD. AND SUBSIDIARIES

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	Notes 1 and 3
	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	191,541	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 5

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.