

**HSIN YUNG CHIEN CO., LTD.**  
**INDIVIDUAL FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2022 AND 2021**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 22003424

To the Board of Directors and Shareholders of Hsin Yung Chien Co., Ltd.

### ***Opinion***

We have audited the accompanying individual balance sheets of Hsin Yung Chien Co., Ltd. (the "Company") as at December 31, 2022 and 2021, and the related individual statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 individual financial statements. These matters were addressed in the

context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 individual financial statements are stated as follows:

## **1. Timing of sales revenue recognition**

### Description

Refer to Note 4(26) for accounting policies on sales revenue and Note 6(19) for details of sales revenue. The Company is primarily engaged in manufacturing, processing, and sales of various types of rubber products. Sales revenues are recognised when the control of goods is transferred upon the goods arriving at the destination port in accordance with the contract terms. At the end of the month, manually check whether the transaction date is consistent with the actual arrival date, and the revenue is recognised. The process of revenue recognition involves numerous manual judgement and procedures, which may result in improper timing of sales revenue recognition, thus we consider the cut-off of sales revenue as a key audit matter.

### How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included:

- A. Obtained an understanding and assessed the process of sales transactions and internal controls, and then tested these controls to assess the effectiveness of sales revenue recognition timing determined by management.
- B. Checked transaction documents to ensure that the sales transaction for a certain period before and after the balance sheet date is recorded in the proper time.

## **2. Assessment of allowance for inventory valuation losses**

### Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for details of allowance for inventory valuation losses. As of December 31, 2022, the Company's inventories and allowance for

inventory valuation losses amounted to \$253,306 thousand and \$15,961 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of various types of rubber products. For inventory that is over a certain age and individually identified for impairment, the impairment is measured at the lower of cost and net realisable value, and provides allowance for inventory valuation losses based on individually identified reasonable net realisable value and usable condition of obsolete or slow-moving inventories. Considered the Company's allowance for inventory valuation losses were material to its financial statements, and the determination of the net realisable value at balance sheet date involved judgements and estimates, we identified the allowance for inventory valuation losses a key audit matter.

#### How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included:

- A. Assessed the reasonableness of provision policies on allowance for inventory valuation losses based on our understanding of the Company's operation and the characteristics of its industry.
- B. Reviewed the Company's annual physical inventory count plan and participated in the annual inventory count event in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
- C. Obtained valuation statement of net realisable value of inventory, assessed whether the estimation policy was consistently applied, tested the estimation basis of the net realisable value with relevant information, including verifying the sales and purchase prices with supporting evidence, and recalculated and evaluated the reasonableness of the inventory valuation.
- D. Obtained the Company's inventory aging report and verified dates of movements with supporting documents. Ensured the proper categorisation of inventory aging report and recalculated inventory aging range to confirm that the report information was consistent with its policies.

#### ***Responsibilities of management and those charged with governance for the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of

financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditors' responsibilities for the audit of the financial statements***

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

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

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

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 financial statements of the current period 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.

Wu, Sung-Yuan

Hung, Shu-Hua

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2023

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The accompanying individual financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying individual financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HSIN YUNG CHIEN CO.,LTD.  
INDIVIDUAL BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,185,269	33	\$ 587,190	16
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	1,102,229	30
1136	Current financial assets at amortised cost, net	6(3) and 8	529,225	15	46,681	1
1150	Notes receivable, net	6(4)	8,529	-	14,879	1
1170	Accounts receivable, net	6(4)	150,568	4	235,576	6
1200	Other receivables	6(5)	6,447	-	44,058	1
130X	Inventories	6(6)	237,345	7	298,358	8
1460	Non-current assets or disposal groups classified as held for sale, net	6(9)	-	-	70,638	2
1470	Other current assets	6(7)	20,214	1	68,773	2
11XX	<b>Current Assets</b>		<u>2,137,597</u>	<u>60</u>	<u>2,468,382</u>	<u>67</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(8) and 8	1,265,940	35	1,105,119	30
1780	Intangible assets		3,638	-	5,295	-
1840	Deferred income tax assets	6(25)	23,527	1	10,301	-
1900	Other non-current assets	6(10)	137,845	4	101,046	3
15XX	<b>Non-current assets</b>		<u>1,430,950</u>	<u>40</u>	<u>1,221,761</u>	<u>33</u>
1XXX	<b>Total assets</b>		<u>\$ 3,568,547</u>	<u>100</u>	<u>\$ 3,690,143</u>	<u>100</u>

(Continued)



HSIN YUNG CHIEN CO., LTD.  
INDIVIDUAL BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2130	Current contract liabilities	6(19)	\$ 47,104	1	\$ 28,022	1
2150	Notes payable		29,916	1	108,819	3
2160	Notes payable - related parties	7(2)	54,846	2	50,707	1
2170	Accounts payable		24,579	1	51,746	1
2180	Accounts payable - related parties	7(2)	15,028	1	15,904	1
2200	Other payables	6(11)	77,973	2	207,796	6
2230	Current income tax liabilities	6(25)	78,757	2	38,020	1
2250	Provisions for liabilities - current	6(12)	3,227	-	3,227	-
2320	Long-term liabilities, current portion		44,333	1	-	-
2399	Other current liabilities, others		1,000	-	6,112	-
21XX	<b>Current Liabilities</b>		<u>376,763</u>	<u>11</u>	<u>510,353</u>	<u>14</u>
<b>Non-current liabilities</b>						
2540	Non-current portion of non-current borrowings	6(13)	155,667	4	-	-
2570	Deferred income tax liabilities	6(25)	33,195	1	29,662	1
2600	Other non-current liabilities		100	-	4,393	-
25XX	<b>Non-current liabilities</b>		<u>188,962</u>	<u>5</u>	<u>34,055</u>	<u>1</u>
2XXX	<b>Total Liabilities</b>		<u>565,725</u>	<u>16</u>	<u>544,408</u>	<u>15</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
	Share capital	6(16)				
3110	Share capital - common stock		779,918	22	779,918	21
	Capital surplus	6(17)				
3200	Capital surplus		248,381	6	241,826	6
	Retained earnings	6(18)				
3310	Legal reserve		656,668	19	559,813	15
3350	Unappropriated retained earnings		1,317,855	37	1,564,178	43
3XXX	<b>Total equity</b>		<u>3,002,822</u>	<u>84</u>	<u>3,145,735</u>	<u>85</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,568,547</u>	<u>100</u>	<u>\$ 3,690,143</u>	<u>100</u>

The accompanying notes are an integral part of these individual financial statements.

HSIN YUNG CHIEN CO., LTD.  
INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19)	\$ 1,845,955	100	\$ 1,937,193	100
5000	Operating costs	6(6)(23)(24) and 7(2)	( 1,004,048)	( 55)	( 1,120,881)	( 58)
5900	Net operating margin		<u>841,907</u>	<u>45</u>	<u>816,312</u>	<u>42</u>
	Operating expenses	6(23)(24)				
6100	Selling expenses		( 193,512)	( 11)	( 193,502)	( 10)
6200	General and administrative expenses		( 44,827)	( 2)	( 79,941)	( 4)
6300	Research and development expenses		( 7,757)	-	( 21,420)	( 1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
6000	Total operating expenses		( 245,096)	( 13)	( 293,863)	( 15)
6900	Operating profit		<u>596,811</u>	<u>32</u>	<u>522,449</u>	<u>27</u>
	Non-operating income and expenses					
7100	Interest income	6(20)	9,971	1	6,712	-
7010	Other income	6(21)	71,841	4	27,334	2
7020	Other gains and losses	6(22)	( 162,608)	( 9)	508,953	26
7050	Finance costs		( 252)	-	( 106)	-
7000	Total non-operating income and expenses		( 81,048)	( 4)	542,893	28
7900	<b>Profit before income tax</b>		<u>515,763</u>	<u>28</u>	<u>1,065,342</u>	<u>55</u>
7950	Income tax expense	6(25)	( 123,792)	( 7)	( 96,948)	( 5)
8200	<b>Profit for the year</b>		<u>\$ 391,971</u>	<u>21</u>	<u>\$ 968,394</u>	<u>50</u>
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(14)	\$ 5,629	-	\$ 200	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		( 1,126)	-	( 40)	-
8300	<b>Total other comprehensive income for the year</b>		<u>\$ 4,503</u>	<u>-</u>	<u>\$ 160</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>		<u>\$ 396,474</u>	<u>21</u>	<u>\$ 968,554</u>	<u>50</u>
	Basic earnings per share	6(26)				
9750	Total basic earnings per share		<u>\$ 5.03</u>		<u>\$ 12.42</u>	
	Diluted earnings per share	6(26)				
9850	Total diluted earnings per share		<u>\$ 5.00</u>		<u>\$ 12.31</u>	

The accompanying notes are an integral part of these individual financial statements.

HSIN YUNG CHIEN CO.,LTD.  
INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings		Total equity
				Legal reserve	Unappropriated retained earnings	
<u>Year ended December 31, 2021</u>						
Balance at January 1, 2021		\$ 709,016	\$ 235,248	\$ 506,842	\$ 1,074,005	\$ 2,525,111
Profit for the year		-	-	-	968,394	968,394
Other comprehensive income for the year		-	-	-	160	160
Total comprehensive income		-	-	-	968,554	968,554
Appropriation and distribution of 2020 earnings:	6(18)					
Legal reserve appropriated		-	-	52,971	( 52,971)	-
Cash dividends of ordinary share		-	-	-	( 354,508)	( 354,508)
Stock dividends of ordinary share		70,902	-	-	( 70,902)	-
Dividends not received by shareholders		-	193	-	-	193
Share-based payments	6(15)(17)	-	6,385	-	-	6,385
Balance at December 31, 2021		\$ 779,918	\$ 241,826	\$ 559,813	\$ 1,564,178	\$ 3,145,735
<u>Year ended December 31, 2022</u>						
Balance at January 1, 2022		\$ 779,918	\$ 241,826	\$ 559,813	\$ 1,564,178	\$ 3,145,735
Profit for the year		-	-	-	391,971	391,971
Other comprehensive income for the year		-	-	-	4,503	4,503
Total comprehensive income		-	-	-	396,474	396,474
Appropriation and distribution of 2021 earnings:	6(18)					
Legal reserve appropriated		-	-	96,855	( 96,855)	-
Cash dividends of ordinary share		-	-	-	( 545,942)	( 545,942)
Dividends not received by shareholders		-	170	-	-	170
Share-based payments	6(15)(17)	-	6,385	-	-	6,385
Balance at December 31, 2022		\$ 779,918	\$ 248,381	\$ 656,668	\$ 1,317,855	\$ 3,002,822

The accompanying notes are an integral part of these individual financial statements.

HSIN YUNG CHIEN CO.,LTD.  
INDIVIDUAL STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 515,763	\$ 1,065,342
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(23)	78,159	81,863
Amortization expense	6(23)	6,021	13,663
Reversal of provision for bad debt expense	12(2)	( 1,000 )	( 1,000 )
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(22)	257,800	( 576,447 )
Interest expense		252	106
Interest income	6(20)	( 9,971 )	( 6,712 )
Dividend income	6(21)	( 65,259 )	( 6,802 )
Share-based payments	6(15)	6,385	6,385
(Gain) loss on disposal of property and equipment	6(22)	( 39,995 )	25,655
Unrealized foreign exchange (gain) loss		( 28,161 )	17,275
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		6,350	( 6,082 )
Accounts receivable, net		134,870	( 95,695 )
Other receivables		22,630	( 4,547 )
Inventories		61,013	( 22,106 )
Other current assets		48,561	( 30,984 )
Changes in operating liabilities			
Contract liabilities		10,135	( 9,154 )
Notes payable		( 78,903 )	69,774
Notes payable - related parties		4,139	6,765
Accounts payable		( 27,067 )	11,605
Accounts payable - related parties		( 876 )	2,110
Other payables		( 51,991 )	30,617
Other current liabilities		( 5,112 )	( 109 )
Net defined benefit liability		( 654 )	( 703 )
Cash inflow generated from operations		843,089	570,819
Interest received	6(20)	9,971	6,706
Dividends received	6(21)	65,259	6,802
Interest paid		( 212 )	( 106 )
Income taxes paid		( 93,875 )	( 97,478 )
Net cash flows from operating activities		<u>824,232</u>	<u>486,743</u>

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HSIN YUNG CHIEN CO.,LTD.  
INDIVIDUAL STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at amortised cost		(\$ 524,080 )	(\$ 47,591 )
Proceeds from repayments of financial assets at amortised cost		46,681	130,000
Acquisition of financial assets at fair value through profit or loss		( 30,307 )	( 656,374 )
Proceeds from disposal of financial assets at fair value through profit or loss	6(2)	859,036	290,866
Acquisition of property and equipment	6(27)	( 359,933 )	( 122,482 )
Proceeds from disposal of property, plant and equipment		110,829	-
Decrease (increase) in refundable deposits	6(10)	9,256	( 3,888 )
Acquisition of intangible assets		( 960 )	( 983 )
Increase in other operating assets		( 3,986 )	( 10,356 )
Receipts in advance due to disposal of assets	6(9)	-	5,000
Net cash flows from (used in) investing activities		<u>106,536</u>	<u>( 415,808 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Proceeds from long-term debt		200,000	-
Ddividends not received by shareholders		170	193
Cash dividends paid	6(18)	( 545,942 )	( 354,508 )
Net cash flows used in financing activities		<u>( 345,772 )</u>	<u>( 354,315 )</u>
Effect of exchange rate changes on cash and cash equivalents		<u>13,083</u>	<u>( 1,272 )</u>
Net increase (decrease) in cash and cash equivalents		598,079	( 284,652 )
Cash and cash equivalents at beginning of year		587,190	871,842
Cash and cash equivalents at end of year		<u>\$ 1,185,269</u>	<u>\$ 587,190</u>

The accompanying notes are an integral part of these individual financial statements.

HSIN YUNG CHIEN CO., LTD.  
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Hsin Yung Chien Co., Ltd. (the “Company” ) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in August 1969. The Company was formerly named as HSIN YUNG CHIEN CO., LTD. and changed its name to HSIN YUNG CHIEN CO., LTD. in 2003. The Company is primarily engaged in manufacturing, processing and sales of rubber conveyor belt, rubber sheet, oil resistant, acid resistant, heat resistant packer elements and other rubber products. The Company’s stocks have been approved and listed on the Taipei Exchange since September 28, 2006 and transferred to list in the Taiwan Stock Exchange starting from December 29, 2010 after approval.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These financial statements were authorised for issuance by the Board of Directors on March 22, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts - cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 - 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

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC

Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in NTD, which is the Company’s functional currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;



(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Company's operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in profit or loss.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(12) Held for sale non-current assets

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss

during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the direct method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~51 years
Machinery and equipment	1~15 year(s)
Transportation equipment	5 years
Office equipment	2~11 years
Other equipment	1~15 year(s)

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 8 years.

(15) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

Borrowings comprise long-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Accounts and notes payable

- A. Notes payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii Remeasurements arising on defined benefit plans are recognised in other comprehensive

income in the period in which they arise and are recorded as retained earnings.

iii Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the amounts resolved by the shareholders and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. If the deferred tax arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

Sales of goods:

- A. The Company manufactures and sells conveyor belt related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The Company's obligation to provide a refund for sales of faulty products is recognised as a provision.
- C. Sales contracts contain the terms for advance sales receipts. The contract liabilities are recognised

as revenue when control of the products has transferred to the customer.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Assumptions and Key Sources of Estimation Uncertainty

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was \$237,345 thousand.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 571	\$ 581
Checking accounts	29,386	22,334
Demand deposits	165,135	259,555
Time deposits	970,156	304,720
Notes issued under repurchase agreement	<u>20,021</u>	<u>-</u>
	<u>\$ 1,185,269</u>	<u>\$ 587,190</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Cash and cash equivalents amounting to \$813 as engineering bond, were classified as financial assets at amortised cost. Relevant information is provided in Note 8.
- C. The Company's time deposits that did not meet short-term cash commitments were classified as financial assets at amortised cost. Relevant information is provided in Note 6(3).

(2) Financial assets at fair value through profit or loss

Items	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Funds	\$ -	\$ 179,902
Stocks	-	345,181
Valuation adjustment	-	577,146
	\$ -	\$ 1,102,229

- A. The Company recognised net loss and net profit on financial assets measured at fair value through profit or loss amounting to net loss of \$578,343 thousand and net profit of \$571,383 thousand for the years ended December 31, 2022 and 2021, respectively.
- B. As of December 31, 2022, the Company sold financial assets at fair value through profit or loss. The fair value at the time of disposal was \$859,036 thousand, and the cumulative gain on disposal was \$320,543 thousand.
- C. The Company has no financial assets at fair value through profit or loss pledged to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits maturing in excess of three months	\$ 528,412	\$ 18,245
Restricted time deposits	813	806
Bonds sold under repurchase agreement	-	27,630
	\$ 529,225	\$ 46,681

- A. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$529,225 thousand and \$46,681 thousand, respectively.
- B. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Company's investments in certificates of deposit are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.



(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 8,529	\$ 14,879
Accounts receivable	\$ 154,143	\$ 240,151
Less: Allowance for bad debts	( 3,575)	( 4,575)
	<u>\$ 150,568</u>	<u>\$ 235,576</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 135,594	\$ 8,529	\$ 221,013	\$ 14,879
Up to 30 days	8,986	-	7,414	-
31 to 90 days	8,694	-	6,181	-
91 to 180 days	517	-	2,826	-
Over 180 days	352	-	2,717	-
	<u>\$ 154,143</u>	<u>\$ 8,529</u>	<u>\$ 240,151</u>	<u>\$ 14,879</u>

The above ageing analysis was based on past due date.

B. The Company signed a credit right sales contract relating to accounts receivable without recourse with CHANG HWA COMMERCIAL BANK, LTD. and MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. As of December 31, 2022 and 2021, the estimated amount of accounts receivable factoring (which was classified as financial assets at fair value through other comprehensive income) both amounted to \$0 thousand. Please refer to Note 6(5) for information on transfer of financial assets.

C. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$173,235 thousand and \$8,797 thousand, respectively.

D. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$8,529 thousand and \$14,879 thousand ; \$150,568 thousand and \$235,576 thousand, respectively.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Transfer of financial assets

Transferred financial assets that are derecognised in their entirety

A. On July 28, 2022, the Company terminated the international factoring and financing agreement with CHANG HWA COMMERCIAL BANK, LTD.

- B. On September 22, 2021, January 20, 2021 and January 14, 2021, the Company entered into an international factoring and financing agreement with CHANG HWA COMMERCIAL BANK, LTD. to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not provide collateral and does not have continuing involvement in the transferred accounts receivable. Thus, the Company derecognised the transferred accounts receivable.
- C. On April 1, 2021, the Company entered into a factoring agreement with MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. Under the agreement, when the Company sells accounts receivable to MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD., the Company can choose to advance received 80% of the amount from MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD., and MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. keeps another 20% of the amount to be paid to the Company after the bank collects the money. The Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not provide collateral and does not have continuing involvement in the transferred accounts receivable. Thus, the Company derecognised the transferred accounts receivable.
- D. As of December 31, 2022 and 2021, the Company has retention for the factoring of accounts receivable (shown as “Other receivables”) amounting to \$0 thousand and \$30,681 thousand, respectively. The accounts receivable factored and qualified for derecognition were reclassified to other receivables, and the amount advanced was shown as bank borrowings, and the related information is as follows:

December 31, 2021						
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate range (%)
CHANG HWA COMMERCIAL BANK, LTD.	<u>\$ 30,681</u>	<u>\$ 30,681</u>	GBP 1,000	<u>\$ -</u>	<u>\$ 30,681</u>	-

No such transaction on December 31, 2022.

(6) Inventories

	December 31, 2022		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 79,916	(\$ 4,876)	\$ 75,040
Work in progress	27,858	( 887)	26,971
Finished goods	145,008	( 9,685)	135,323
Merchandises	524	( 513)	11
	<u>\$ 253,306</u>	<u>(\$ 15,961)</u>	<u>\$ 237,345</u>

	December 31, 2021		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 122,578	(\$ 4,660)	\$ 117,918
Work in progress	21,617	( 229)	21,388
Finished goods	163,543	( 4,853)	158,690
Merchandises	994	( 632)	362
	<u>\$ 308,732</u>	<u>(\$ 10,374)</u>	<u>\$ 298,358</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2022	2021
Cost of goods sold	\$ 994,778	\$ 1,123,467
Loss on (gain from reversal of) slow-moving inventories and valuation loss	5,587	( 3,639)
Underapplied overhead	3,683	1,053
	<u>\$ 1,004,048</u>	<u>\$ 1,120,881</u>

As the Company sold some inventory with net realisable value lower than its cost, the allowance for inventory obsolescence and market price decline was reversed for the year ended December 31, 2022.

(7) Other current assets

	December 31, 2022	December 31, 2021
Prepayments	\$ 19,532	\$ 68,227
Others	682	546
	<u>\$ 20,214</u>	<u>\$ 68,773</u>

(8) Property, plant and equipment

	Year ended December 31, 2022				
	Balance at beginning of year	Addition	Decrease	Transfers during the year	Balance at end of year
Cost					
Land	\$ 347,857	\$ -	\$ -	\$ -	\$ 347,857
Land improvements	2,519	-	-	-	2,519
Buildings and structures	411,991	684	-	-	412,675
Machinery and equipment	1,135,990	8,408	( 4,376)	89,684	1,229,706
Transportation equipment	4,524	907	( 992)	-	4,439
Office equipment	13,244	1,416	-	-	14,660
Other equipment	118,360	2,791	-	245	121,396
Unfinished construction/equipment under acceptance	205,355	224,970	-	( 89,929)	340,396
Total	<u>2,239,840</u>	<u>\$239,176</u>	<u>(\$ 5,368)</u>	<u>\$ -</u>	<u>2,473,648</u>
Accumulated depreciation					
Land improvements	(\$ 2,072)	(\$ 282)	\$ -	\$ -	(\$ 2,354)
Buildings and structures	( 143,351)	( 15,093)	-	-	( 158,444)
Machinery and equipment	( 892,306)	( 53,598)	4,234	-	( 941,670)
Transportation equipment	( 4,109)	( 89)	938	-	( 3,260)
Office equipment	( 10,118)	( 846)	-	-	( 10,964)
Other equipment	( 82,765)	( 8,251)	-	-	( 91,016)
	<u>( 1,134,721)</u>	<u>(\$ 78,159)</u>	<u>\$ 5,172</u>	<u>\$ -</u>	<u>( 1,207,708)</u>
	<u>\$ 1,105,119</u>				<u>\$ 1,265,940</u>

Year ended December 31, 2021

	Balance at beginning of year	Addition	Decrease	Transfers during the year	Balance at end of year
<b>Cost</b>					
Land	\$ 418,495	\$ -	\$ -	(\$ 70,638)	\$ 347,857
Land improvements	2,519	-	-	-	2,519
Buildings and structures	374,954	9,773	( 360)	27,624	411,991
Machinery and equipment	1,177,517	11,338	( 69,420)	16,555	1,135,990
Transportation equipment	4,524	-	-	-	4,524
Office equipment	12,280	964	-	-	13,244
Other equipment	105,552	7,245	-	5,563	118,360
Unfinished construction/equipment under acceptance	86,512	168,585	-	( 49,742)	205,355
<b>Total</b>	<u>2,182,353</u>	<u>\$197,905</u>	<u>(\$ 69,780)</u>	<u>(\$ 70,638)</u>	<u>2,239,840</u>
<b>Accumulated depreciation</b>					
Land improvements	(\$ 1,790)	(\$ 282)	\$ -	\$ -	(\$ 2,072)
Buildings and structures	( 129,640)	( 14,071)	360	-	( 143,351)
Machinery and equipment	( 877,566)	( 58,505)	43,765	-	( 892,306)
Transportation equipment	( 4,034)	( 75)	-	-	( 4,109)
Office equipment	( 9,395)	( 723)	-	-	( 10,118)
Other equipment	( 74,558)	( 8,207)	-	-	( 82,765)
	<u>( 1,096,983)</u>	<u>(\$ 81,863)</u>	<u>\$ 44,125</u>	<u>\$ -</u>	<u>( 1,134,721)</u>
	<u>\$ 1,085,370</u>				<u>\$ 1,105,119</u>

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Held for sale non-current assets

On December 23, 2021, the Company received a deposit of \$5,000 thousand for the sale of land (shown as other current liabilities) and reclassified the related assets as disposal group held for sale. On January 20, 2022, the Company's Board of Directors approved to sell the land, and the completion date for the transaction was set on April 19, 2022. The disposal group held for sale belongs to other segment, and the net amount of assets as at December 31, 2021 was \$70,638 thousand.

No such transaction on December 31, 2022.

(10) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for business facilities and construction	\$ 124,152	\$ 81,322
Guarantee deposits paid	9,543	18,799
Others	4,150	925
	<u>\$ 137,845</u>	<u>\$ 101,046</u>

(11) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wages and salaries payable	\$ 42,407	\$ 51,631
Freight payable	5,672	23,168
Accrued compensation due to directors	8,006	16,560
Payable on machinery and equipment	7,601	85,528
Other accrued expenses	14,287	30,909
	<u>\$ 77,973</u>	<u>\$ 207,796</u>

(12) Current provisions

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at beginning of year/balance at end of year	<u>\$ 3,227</u>	<u>\$ 3,227</u>

The Company's provision is mainly related to the quality of rubber products sold. Provision is estimated based on historical data of rubber products.

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings			
Secured borrowings	Borrowing period is from August 5, 2022 to April 15, 2025; interest payable monthly; principal is repayable monthly from May 15, 2023.	Machinery and equipment	\$ 133,000
Secured borrowings	Borrowing period is from August 5, 2022 to July 15, 2029; interest payable monthly; principal is repayable monthly from August 15, 2025.	Plant	<u>67,000</u>
			200,000
Less: Current portion			( 44,333)
			<u>\$ 155,667</u>

A. No such transaction on December 31, 2021.

B. Details of the Company's assets pledged as collateral for the purpose of long-term borrowings are provided in Note 8.

(14) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. In addition, 4% is allocated to the retirement fund for the appointed manager.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 16,821	\$ 21,353
Fair value of plan assets	( 18,811)	( 17,060)
Net defined benefit liability	(\$ 1,990)	\$ 4,293

(c) Movements in net defined benefit liabilities are as follows:

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 21,353	(\$ 17,060)	\$ 4,293
Interest expense (income)	149	( 120)	29
	<u>21,502</u>	<u>( 17,180)</u>	<u>4,322</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)			
Change in demographic assumptions	-	-	-
Change in financial assumptions	( 597)	-	( 597)
Experience adjustments	( 3,776)	( 1,256)	( 5,032)
	<u>( 4,373)</u>	<u>( 1,256)</u>	<u>( 5,629)</u>
Pension fund contribution	-	( 683)	( 683)
Pension payment	( 308)	308	-
At December 31	<u>\$ 16,821</u>	<u>(\$ 18,811)</u>	<u>(\$ 1,990)</u>
	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 21,245	(\$ 16,049)	\$ 5,196
Interest expense (income)	64	( 48)	16
	<u>21,309</u>	<u>( 16,097)</u>	<u>5,212</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)			
Change in demographic assumptions	16	-	16
Change in financial assumptions	( 701)	-	( 701)
Experience adjustments	729	( 244)	485
	<u>44</u>	<u>( 244)</u>	<u>( 200)</u>
Pension fund contribution	-	( 719)	( 719)
At December 31	<u>\$ 21,353</u>	<u>(\$ 17,060)</u>	<u>\$ 4,293</u>



- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2022	2021
Discount rate	1.20%	0.70%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 286)	\$ 294	\$ 249	(\$ 243)
	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 411)	\$ 424	\$ 364	(\$ 355)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once.

The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$663 thousand.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 7 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,592
1-2 year(s)		1,507
3-5 years		6,183
Over 5 years		4,598
	\$	13,880

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021, were \$2,180 thousand and \$2,354 thousand, respectively.

(15) Share-based payment

A. For the years ended December 31, 2022 and 2021, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (shares in thousand)	Contract period	Vesting conditions
Employee stock options	2020.11.24	2,000	10 years	Note

Note: The lifetime of the issued employee stock options is 10 years. After 6 years from the date that employee stock options were granted, employees can exercise the options in accordance with the regulation.

B. Details of the share-based payment arrangements are as follows:

	2022		2021	
	No. of options (shares in thousand)	Weighted- average exercise price (in dollars)	No. of options (shares in thousand)	Weighted- average exercise price (in dollars)
Options outstanding at January 1	2,000	\$ -	2,000	\$ -
Options granted	-	-	-	-
Options outstanding at December 31	2,000		2,000	
Options exercisable at December 31	-		-	

C. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2020.11.24	82.6	82.6	20.1737% (Note)	8 years	-	0.2375%	19.1635

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

D. For the years ended December 31, 2022 and 2021, the compensation costs were both recognised amounting to \$6,385 thousand.

(16) Share capital

As of December 31, 2022, the Company's authorised capital was \$1,000,000 thousand, consisting of 100,000 thousand shares of ordinary stock, and the paid-in capital was \$779,918 thousand with a par value of \$10 (in dollars) per share. There was no change in the reporting period. All proceeds from shares issued have been collected.

The number of the Company's ordinary shares outstanding are as follows:

	2022	2021
At January 1	77,992	70,902
Capital increase out of earnings	-	7,090
At December 31	77,992	77,992

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that

the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	December 31, 2022	December 31, 2021
Share premium	\$ 225,374	\$ 225,374
Treasury share transactions	8,236	8,236
Employee stock options	13,417	7,032
Donated assets received	1,354	1,184
	<u>\$ 248,381</u>	<u>\$ 241,826</u>

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. As the Company is in the growth stage, and taking into consideration of shareholders' interest, the Company's financial structure and long-term development, total amount of bonus distributed to shareholders shall be over 20% of accumulated unappropriated earnings. The ratio of cash dividends shall be at least 10% of the total amount of bonus distributed to shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2021 and 2020 earnings as approved by the shareholders during their meeting on June 22, 2022 and June 7, 2021, respectively, are as follows:

	Year ended December 31			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 96,855		\$ 52,971	
Cash dividends	545,942	7.0	354,508	5.0
Stock dividends	-	-	70,902	1.0
	<u>\$ 642,797</u>		<u>\$ 478,381</u>	

F. The appropriation of 2022 earnings as approved by the Board of Directors during their meeting on March 22, 2023 are as follows:

	Year ended December 31, 2022	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 39,647	
Cash dividends	389,960	5.0
	<u>\$ 429,607</u>	

As of March 22, 2023, the appropriation of 2022 earnings has not yet been reported to the shareholders.

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(24).

(19) Operating revenue

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 1,845,955</u>	<u>\$ 1,937,193</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions:

	Year ended December 31, 2022				
	Northern America region	Europe region	Asia region	Other regions	Total
Revenue from external customer contracts					
Rubber products	<u>\$ 927,616</u>	<u>\$ 352,965</u>	<u>\$ 494,285</u>	<u>\$ 37,315</u>	<u>\$ 1,812,181</u>
Other products	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,774</u>	<u>\$ -</u>	<u>\$ 33,774</u>
Timing of revenue recognition					
At a point in time	<u>\$ 927,616</u>	<u>\$ 352,965</u>	<u>\$ 528,059</u>	<u>\$ 37,315</u>	<u>\$ 1,845,955</u>

	Year ended December 31, 2021				
	Northern America region	Europe region	Asia region	Other regions	Total
Revenue from external customer contracts					
Rubber products	<u>\$ 960,555</u>	<u>\$ 468,062</u>	<u>\$ 378,148</u>	<u>\$ 44,990</u>	<u>\$ 1,851,755</u>
Other products	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,438</u>	<u>\$ -</u>	<u>\$ 85,438</u>
Timing of revenue recognition					
At a point in time	<u>\$ 960,555</u>	<u>\$ 468,062</u>	<u>\$ 463,586</u>	<u>\$ 44,990</u>	<u>\$ 1,937,193</u>

B. Contract liability and refund liability (shown as other current liabilities)

The Company has recognised the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:			
Contract liabilities - advance sales receipts	\$ 47,104	\$ 28,022	\$ 53,420
Refund liability (that is cash discounts on sales discounts and allowances, shown as 'other current liabilities')	\$ 905	\$ 1,019	\$ 1,129
	<u>Year ended December 31</u>		
	<u>2022</u>	<u>2021</u>	
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ 26,719	\$ 53,084	

(20) Interest income

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 8,461	1,682
Interest income from financial assets at fair value through profit or loss	1,510	5,030
	<u>\$ 9,971</u>	<u>\$ 6,712</u>

(21) Other income

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Dividend income	\$ 65,259	\$ 6,802
Other income, others	6,582	20,532
	<u>\$ 71,841</u>	<u>\$ 27,334</u>

(22) Other gains and losses

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Net (loss) gain on financial assets or liabilities at fair value through profit or loss	(\$ 257,800)	\$ 576,447
Gains (losses) on disposal of property, plant and equipment	39,995	( 25,655)
Foreign exchange gains (losses)	55,197	( 36,799)
Miscellaneous disbursements	-	( 5,040)
	<u>(\$ 162,608)</u>	<u>\$ 508,953</u>

(23) Expenses by nature

	Year ended December 31	
	2022	2021
Employee benefit expense	\$ 89,246	\$ 114,730
Depreciation charges on property, plant and equipment	78,159	81,863
Amortisation expense	6,021	13,663
Operating cost and operating expenses	<u>\$ 173,426</u>	<u>\$ 210,256</u>

(24) Employee benefit expense

	December 31, 2022		
	Cost	Expenses	Total
Wages and salaries	\$ 43,187	\$ 18,583	\$ 61,770
Employee stock options	3,384	3,001	6,385
Labour and health insurance fees	4,688	1,948	6,636
Pension costs	1,266	943	2,209
Directors' remuneration	-	8,976	8,976
Other personnel expenses	2,482	788	3,270
	<u>\$ 55,007</u>	<u>\$ 34,239</u>	<u>\$ 89,246</u>

	December 31, 2021		
	Cost	Expenses	Total
Wages and salaries	\$ 55,765	\$ 22,903	\$ 78,668
Employee stock options	3,384	3,001	6,385
Labour and health insurance fees	4,848	1,938	6,786
Pension costs	1,377	993	2,370
Directors' remuneration	-	17,351	17,351
Other personnel expenses	2,384	786	3,170
	<u>\$ 67,758</u>	<u>\$ 46,972</u>	<u>\$ 114,730</u>

- A. In accordance with the Articles of Incorporation of the Company, the profit before deducting tax and employees' compensation and directors' remuneration shall be used to offset operating losses. The remainder, if any, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. The accrued amounts of employees' compensation and directors' and supervisors' remuneration are as follows:

	Year ended December 31	
	2022	2021
Employees' compensation	\$ 10,675	\$ 22,080
Directors' and supervisors' remuneration	8,006	16,560
	<u>\$ 18,681</u>	<u>\$ 38,640</u>

The above-mentioned amounts were recognised in salary expenses.

For the years ended December 31, 2022 and 2021, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period, and the estimated and accrued ratios are as follows:

	Year ended December 31	
	2022	2021
Employees' compensation ratio	2.00%	2.00%
Directors' and supervisors' remuneration ratio	1.50%	1.50%

- C. Employees' compensation and directors' and supervisors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements, and the employees' compensation will be distributed in the form of cash.
- D. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- E. As of December 31, 2022 and 2021, the Company had 114 and 120 employees, both including 7 non-employee directors.
- F. Average employee benefit expense in current and previous year was \$750 thousand and \$862 thousand, respectively.
- G. Average employees salaries in current and previous year was \$637 thousand and \$753 thousand, respectively.
- H. Adjustments of average employees salaries was (15%).
- I. Supervisors' remuneration in current and previous year was \$0 thousand and \$255 thousand, respectively.
- J. The Company's remuneration policy is as follows:
- The directors', supervisors' and managers' remuneration are distributed in accordance with the Articles of Incorporation of the Company.
  - The correlation between the policy, procedures for paying managers' remuneration, operational performance and future risk is as follows: The manager's personal salary and remuneration is determined in accordance with the Company's relevant regulations, and the remuneration committee regularly evaluates the reasonableness of the salary and remuneration. Salary contains the monthly salary, employees' bonuses which are calculated and distributed every month according to the Company's budget achievement and employees' compensation which shall be distributed at least 2% of the current year's earnings in



accordance with the annual performance assessment policy.

(c) Directors' emoluments include remuneration and transportation allowance.

(d) Managers' and employees' emoluments include salaries, bonuses, employee compensation, employee stock option certification, etc.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 128,206	\$ 87,174
Tax on undistributed earnings	-	942
Prior year income tax underestimation (overestimation)	6,405	( 74)
Total current tax	134,611	88,042
Deferred tax:		
Origination and reversal of temporary differences	( 10,819)	8,906
Income tax expense	<u>\$ 123,792</u>	<u>\$ 96,948</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2022	2021
Present value of defined benefit obligations	<u>\$ 1,126</u>	<u>\$ 40</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 103,153	\$ 213,068
Expenses disallowed by tax regulation	114,890	-
Tax exempt income by tax regulation	( 89,661)	( 114,632)
Prior year income tax underestimation (overestimation)	6,405	( 74)
Effect from investment tax credits	( 1,033)	( 2,356)
Temporary differences not recognised as deferred tax assets	( 10,392)	-
Tax on undistributed earnings	-	942
Others	430	-
Income tax expense	<u>\$ 123,792</u>	<u>\$ 96,948</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2022			
	Balance at beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance at end of year
Temporary differences:				
—Deferred tax assets:				
Unrealised sales revenue	\$ -	\$ 15,003	\$ -	\$ 15,003
The amount of pension not actually appropriated	3,497	( 130)	-	3,367
Allowance for inventory valuation and obsolete and slow-moving inventories	2,074	1,117	-	3,191
Allowance for sales returns and discounts	646	-	-	646
Unrealised exchange loss	3,226	( 3,226)	-	-
Unrealised losses on valuation of financial assets	194	711	-	905
Others	664	( 249)	-	415
	<u>\$ 10,301</u>	<u>\$ 13,226</u>	<u>\$ -</u>	<u>\$ 23,527</u>
—Deferred tax liabilities:				
Land value increment tax	( 28,202)	-	-	( 28,202)
Unrealised exchange gain	-	( 2,407)	-	( 2,407)
Remeasurement of defined benefit obligations	( 1,460)	-	( 1,126)	( 2,586)
	<u>(\$ 29,662)</u>	<u>(\$ 2,407)</u>	<u>(\$ 1,126)</u>	<u>(\$ 33,195)</u>
		<u>\$ 10,819</u>	<u>(\$ 1,126)</u>	

	Year ended December 31, 2021			
	Balance at beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance at end of year
Temporary differences:				
—Deferred tax assets:				
Unrealised sales revenue	\$ 11,794	(\$ 11,794)	\$ -	\$ -
The amount of pension not actually appropriated	3,632	( 135)	-	3,497
Allowance for inventory valuation and obsolete and slow-moving inventories	2,801	( 727)	-	2,074
Allowance for sales returns and discounts	646	-	-	646
Unrealised exchange (gain) and loss	( 230)	3,456	-	3,226
Unrealised (gains) losses on valuation of financial assets	( 1,152)	1,346	-	194
Others	<u>1,716</u>	<u>( 1,052)</u>	<u>-</u>	<u>664</u>
	<u>\$ 19,207</u>	<u>(\$ 8,906)</u>	<u>\$ -</u>	<u>\$ 10,301</u>
—Deferred tax liabilities:				
Land value increment tax	( 28,202)	-	-	( 28,202)
Remeasurement of defined benefit obligations	<u>( 1,420)</u>	<u>-</u>	<u>( 40)</u>	<u>( 1,460)</u>
	<u>(\$ 29,622)</u>	<u>\$ -</u>	<u>(\$ 40)</u>	<u>(\$ 29,662)</u>
		<u>(\$ 8,906)</u>	<u>(\$ 40)</u>	

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(26) Earnings per share

	<u>Year ended December 31, 2022</u>		
	<u>Amount</u>	<u>Weighted</u>	<u>Earnings per</u>
	<u>after tax</u>	<u>average number</u>	<u>share (in dollars)</u>
		<u>of ordinary</u>	
		<u>shares outstanding</u>	
		<u>(share in thousands)</u>	
<u>Basic earnings per share</u>			
Profit for the year	<u>\$ 391,971</u>	<u>77,992</u>	<u>\$ 5.03</u>
<u>Diluted earnings per share</u>			
Profit for the year	\$ 391,971	77,992	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	316	
Employees' compensation	<u>-</u>	<u>148</u>	
Profit plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 391,971</u>	<u>78,456</u>	<u>\$ 5.00</u>

	<u>Year ended December 31, 2021</u>		
	<u>Amount</u>	<u>Weighted</u>	<u>Earnings per</u>
	<u>after tax</u>	<u>average number</u>	<u>share (in dollars)</u>
		<u>of ordinary</u>	
		<u>shares outstanding</u>	
		<u>(share in thousands)</u>	
<u>Basic earnings per share</u>			
Profit for the year	<u>\$ 968,394</u>	<u>77,992</u>	<u>\$ 12.42</u>
<u>Diluted earnings per share</u>			
Profit for the year	\$ 968,394	77,992	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	419	
Employees' compensation	<u>-</u>	<u>226</u>	
Profit plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 968,394</u>	<u>78,637</u>	<u>\$ 12.31</u>

- A. The diluted earnings per share computation shall assume that distribution will be in the form of stocks in the calculation of the weighted-average number of common shares outstanding during the current year, taking into account the dilutive effects of employees' compensation on potential common share.
- B. The abovementioned weighted average number of outstanding shares was retrospectively adjusted proportionately to the capitalised amount of earnings for the year ended December 31, 2021.

(27) Supplemental cash flow information

A. Investing activities with partial cash payments for property, plant and equipment:

	Year ended December 31	
	2022	2021
Purchase of property, plant and equipment	\$ 239,176	\$ 197,905
Add: Opening balance of payable on equipment	85,528	22,101
Less: Ending balance of payable on equipment	( 7,601)	( 85,528)
Add: Ending balance of prepayment for equipment and construction	124,152	81,322
Less: Opening balance of prepayment for equipment and construction	( 81,322)	( 93,318)
Cash paid during the year	<u>\$ 359,933</u>	<u>\$ 122,482</u>

B. Changes in liabilities from financing activities

	2022	
	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ -	\$ -
Changes in cash flow from financing activities	<u>200,000</u>	<u>200,000</u>
At December 31	<u>\$ 200,000</u>	<u>\$ 200,000</u>

There was no change in liabilities from financing activities for the year ended December 31, 2021.

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
CLEP ENTERPRISE CO., LTD.	The chairman of the entity is the second-degree relative of the chairman of the Company (other related party)

(2) Significant related party transactions

A. Purchases

	Year ended December 31	
	2022	2021
Raw materials purchased:		
CLEP ENTERPRISE CO., LTD.	<u>\$ 203,693</u>	<u>\$ 182,756</u>

The above price of purchase transactions is based on the market price in mutual agreement. The payment terms were approximately the same as those with general suppliers. The payment to the general suppliers is 60 to 95 days after monthly billings, L/C or T/T based on the different transaction terms.

B. Payables to related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes payable:		
CLEP ENTERPRISE CO., LTD.	\$ <u>54,846</u>	\$ <u>50,707</u>
Accounts payable:		
CLEP ENTERPRISE CO., LTD.	\$ <u>15,028</u>	\$ <u>15,904</u>

The payables to related parties arose mainly from purchase transactions.

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 12,076	\$ 20,904
Post-employment benefits	<u>32</u>	<u>32</u>
	<u>\$ 12,108</u>	<u>\$ 20,936</u>

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Property, plant and equipment	\$ 427,132	\$ 432,808	Long-term and short-term borrowings
Registered non-negotiable certificates of deposit (Shown as financial assets at amortised cost)	<u>813</u>	<u>806</u>	Guarantees for construction
	<u>\$ 427,945</u>	<u>\$ 433,614</u>	

The Company's long-term and short-term borrowings have been fully repaid, but property, plant and equipment pledged as collateral have not been written off.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$ <u>157,899</u>	\$ <u>453,514</u>

B. The Company signs purchase contracts with specific suppliers on a quarterly basis, and the purchase price of each product and the total purchase quantity are in agreement. When the purchase quantity stipulated in the contract is fully purchased in advance, the contract needs to be renewed; When the Company's product formula changes, specific suppliers need to redeploy the shipment according to the new formula, and the agreed price shall be adjusted.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 1,102,229
Financial assets at amortised cost		
Cash and cash equivalents	1,185,269	587,190
Current financial assets at amortised cost	529,225	46,681
Notes receivable	8,529	14,879
Accounts receivable	150,568	235,576
Other receivables	6,447	44,058
Guarantee deposits paid	9,543	18,799
	<u>\$ 1,889,581</u>	<u>\$ 2,049,412</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable (including related parties)	\$ 84,762	\$ 159,526
Accounts payable (including related parties)	39,607	67,650
Other payables	77,973	207,796
Long-term borrowings	200,000	-
Guarantee deposits received	100	100
	<u>\$ 402,442</u>	<u>\$ 435,072</u>

## B. Financial risk management policies

- (a) The Company's daily sales expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units and chairman's office, and implements in accordance with the Company's internal management regulation and internal control system. The process and results of the implementation shall comply with the regulations of the law.

The board of directors of the Company supervises the management's compliance with financial risk policies and procedures, and reviews the appropriateness of the Company's financial risk framework. Internal auditors assist the board of directors of the Company in its supervisory role by conducting regular and exception reviews and reporting the results to the board of directors.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Exchange rate risk

- i The Company sells internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, GBP, JPY, AUD and EUR. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii Management has set up a policy to require the Company to manage its foreign exchange risk against its functional currency. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of sales revenue.
- iii The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:



December 31, 2022

**(Foreign  
currency:  
functional  
currency)**

	<u>Sensitivity analysis</u>					
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY:NTD	\$ 197,089	0.23	\$ 45,409	1%	\$ 454	-
USD:NTD	13,628	30.66	417,834	1%	4,178	-
EUR:NTD	1,207	32.52	39,252	1%	393	-
AUD:NTD	170	20.73	3,524	1%	35	-
GBP:NTD	847	36.89	31,246	1%	312	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 348	30.66	\$ 10,670	1%	\$ 107	-

December 31, 2021

**(Foreign  
currency:  
functional  
currency)**

	<u>Sensitivity analysis</u>					
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY:NTD	\$ 160,664	0.24	\$ 38,559	1%	\$ 386	-
USD:NTD	11,286	27.63	311,832	1%	3,118	-
EUR:NTD	4,211	31.12	131,046	1%	1,310	-
AUD:NTD	4,515	19.98	90,210	1%	902	-
GBP:NTD	1,069	37.10	39,660	1%	397	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 636	27.63	\$ 17,573	1%	\$ 176	-

- iv The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to gain of \$55,197 thousand and loss of (\$36,799) thousand, respectively.

Price risk

- i The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii The Company's investments in equity securities comprise domestic and foreign funds and shares. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$0 thousand and \$8,818 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(b) Credit risk

- i Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii The Company is in line with credit risk management procedure to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were highly unrecoverable, there has been a significant increase in credit risk on that instrument since initial recognition, and the specific identification was adopted.
- iv The Company classifies customer's accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision matrix to estimate the expected credit loss.

- v The Company first evaluates and recognises impairment losses for individual receivables that have objective evidence that they cannot be collected. For the rest of receivables, the loss rate is established based on historical and timely information for a specific period, and future forward-looking considerations are made to assess the loss allowance for receivables. As of December 31, 2022 and 2021, the accumulated amount of loss allowance for the above-mentioned individual provision for receivables was \$352 thousand and \$1,488 thousand, respectively. The rest of receivables were assessed using expected loss approach, the accumulated loss allowance amounted to \$3,223 thousand and \$3,087 thousand, respectively.
- vi Movements in relation to the Company applying the modified approach to provide loss allowance for receivables are as follows:

	2022	2021
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 4,575	\$ 8,185
Reversal of impairment loss	( 1,000)	( 1,000)
Write-offs during the year	<u>-</u>	<u>( 2,610)</u>
At December 31	<u>\$ 3,575</u>	<u>\$ 4,575</u>

(c) Liquidity risk

- i Cash flow forecasting is performed in the operating segments of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2022

	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Notes payable	\$ 29,916	\$ -	\$ -	\$ -	\$ 29,916
Notes payable to related parties	54,846	-	-	-	54,846
Accounts payable	24,579	-	-	-	24,579
Accounts payable to related parties	15,028	-	-	-	15,028
Other payables	69,967	8,006	-	-	77,973
Guarantee deposits received	-	-	-	100	100
Long-term borrowings	-	44,333	129,146	26,521	200,000

Non-derivative financial liabilities

December 31, 2021

	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Notes payable	\$ 108,819	\$ -	\$ -	\$ -	\$ 108,819
Notes payable to related parties	50,707	-	-	-	50,707
Accounts payable	51,746	-	-	-	51,746
Accounts payable to related parties	15,904	-	-	-	15,904
Other payables	191,236	16,560	-	-	207,796
Guarantee deposits received	-	-	-	100	100

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in domestic and foreign funds and shares is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, net, accounts receivable, net, other receivables, guarantee deposits paid, notes payable (including related parties), accounts payable (including related parties), other payables and guarantee deposits received are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

(a) No such transaction on December 31, 2022.

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
- Funds	\$ 184,433	\$ -	\$ -	\$ 184,433
- Stocks	<u>917,796</u>	<u>-</u>	<u>-</u>	<u>917,796</u>
	<u>\$ 1,102,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,102,229</u>

(c) The methods and assumptions the Company used to measure fair value are as follows:

The instruments the Company used market quoted prices as their fair values (that is, Level 1), according to the characteristics of the instruments, open-end funds are net value and listed and foreign shares are closing price.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 1.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): None.

(3) Information on investments in Mainland China

A. Basic information: None.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 3.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. Business organisation is divided into rubber products and other segments based on the products. There is no material change in the basis for formation of entities and division of segments in the Company or in the measurement basis for segment information during this period.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of the operating segments based on income/(loss) before tax.

(3) Information about segment profit or loss, assets and liabilities

A. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

<u>Year ended December 31, 2022</u>	<u>Rubber products</u>	<u>Other products</u>	<u>Total</u>
Revenue from external customers	\$ 1,812,181	\$ 33,774	\$ 1,845,955
Segment income (loss) before tax	\$ 607,100	(\$ 10,289)	\$ 596,811
<u>Year ended December 31, 2021</u>	<u>Rubber products</u>	<u>Other products</u>	<u>Total</u>
Revenue from external customers	\$ 1,851,755	\$ 85,438	\$ 1,937,193
Segment income (loss) before tax	\$ 529,860	(\$ 7,411)	\$ 522,449

B. The Company's reportable operating segments are the result of the organisation divided by products.

C. The Company generates revenue primarily by manufacturing and selling rubber products.

D. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4. Segment (profit) loss refers to the profit or loss of each segment, excluding allocated interest income, other income, other expenditures, profit or loss from outside investments, currency exchange gains (losses) and gains (losses) on disposal of property, plant and equipment. The income/(loss) before tax is used as a basis for the Company

in assessing the performance of the operating segments.

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A. The total revenue for the years ended December 31, 2022 and 2021 is the same as the total revenue of continuing operating segments, and there is no reconciling items.

	Year ended December 31	
	2022	2021
Revenue of reportable operating segments	\$ 1,845,955	\$ 1,937,193

B. A reconciliation item of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2022 and 2021 is provided as follows:

	Year ended December 31	
	2022	2021
Reportable segments income/(loss)		
before tax	\$ 596,811	\$ 522,449
Interest income	9,971	6,712
Other income	71,841	27,334
Other expenditures	( 252)	( 5,146)
Non-industry investment profit or loss	( 257,800)	576,447
Currency exchange gains (losses)	55,197	( 36,799)
Gains (losses) on disposal of property, plant and equipment	39,995	( 25,655)
The total profit from the continuing operations in the current year	\$ 515,763	\$ 1,065,342

(5) Information on products

The Company's business segment mainly engaged in manufacturing, processing and sales of rubber conveyor belt, rubber sheet, oil resistant, acid resistant, heat resistant packer elements and other rubber products. Since the operating revenue, operating profit and identifiable assets used by the segment account for more than 90% of the total operating revenue, total operating profit and total assets, it belongs to one single industry.

(6) Geographical information

Revenue is calculated based on geographic location of customers. Non-current assets are classified based on geographic location of assets and included property, plant and equipment, intangible asset and other non-current asset, but exclude financial instruments, guarantee deposits paid and deferred tax assets. Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Northern America	\$ 927,616	\$ -	\$ 960,555	\$ -
Asia	528,059	1,397,880	463,586	1,192,661
Europe	352,965	-	468,062	-
Other location	37,315	-	44,990	-
	<u>\$ 1,845,955</u>	<u>\$ 1,397,880</u>	<u>\$ 1,937,193</u>	<u>\$ 1,192,661</u>

(7) Major customer information

Major customer information of the Company for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31			
	2022		2021	
	Revenue	Segment	Revenue	Segment
A	\$ 310,183	Rubber product	\$ 246,658	Rubber product
B	246,334	Rubber product	312,887	Rubber product
D	191,436	Rubber product	251,039	Rubber product
	<u>\$ 747,953</u>		<u>\$ 810,584</u>	



Hsin Yung Chien Co., Ltd.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2022

Statement 1

Expressed in thousands of NTD; shares in thousand

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2022		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
HSIN YUNG CHIEN CO., LTD.	Common Stock of EVERGREEN MARINE CORPORATION (TAIWAN) LTD.	Financial assets at fair value through profit or loss - current	-	-	2,130	\$ 103,670	-	\$ -	2,130	\$ 340,534	\$ 103,670	\$ 236,864	-	\$ -
HSIN YUNG CHIEN CO., LTD.	Common Stock of YANG MING MARINE TRANSPORT CORPORATION	Financial assets at fair value through profit or loss - current	-	-	2,530	139,215	-	-	2,530	185,220	139,215	46,005	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for using the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Hsin Yung Chien Co., Ltd.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

Statement 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
HSIN YUNG CHIEN CO., LTD.	CLEP ENTERPRISE CO., LTD.	Other related parties	Purchases	\$ 203,693	28.61%	60 to 95 days after monthly billings	Note 3	Note 3	\$ 69,874	56.18%	

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

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

Note 3: Please refer to Note 7(2) for purchase transaction information with Hsin Yung Chien Co., Ltd.

Hsin Yung Chien Co., Ltd.  
Major shareholders information  
December 31, 2022

Statement 3

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
CHI KAUN INVESTMENT CO., LTD	8,392,907	10.76%
JI UO INVESTMENT CO., LTD	5,723,349	7.33%
Lin, Chi-Chin	5,403,005	6.92%
Lin, Pei-Chang	4,003,508	5.13%

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 1

Item	Description	Amount
Cash on hand		\$ 571
Notes issued under repurchase agreement		20,021
Cash in banks:		
Checking accounts		29,386
Demand deposits		32,405
Time deposits		764,644
Foreign currency time deposit - AUD	(AUD 80 thousand at exchange rate 20.73)	1,658
Foreign currency time deposit - USD	(USD 6,649 thousand at exchange rate 30.66)	203,854
Foreign currency deposits - USD	(USD 3,269 thousand at exchange rate 30.66)	100,231
Foreign currency deposits - EUR	(EUR 2 thousand at exchange rate 32.52)	71
Foreign currency deposits - GBP	(GBP 520 thousand at exchange rate 36.89)	19,198
Foreign currency deposits - AUD	(AUD 1 thousand at exchange rate 20.73)	28
Foreign currency deposits - JPY	(JPY 57,299 thousand at exchange rate 0.23)	13,202
		<u>\$1,185,269</u>

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST-CURRENT  
DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

Table 2

Name	Description	Shares	Face Value	Total Amount	Interest Rate	Carrying Amount	Accumulated Impairment	Note
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The relevant information about ‘financial assets measured at amortized cost - current’ is provided in Note 6(3).

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Table 3

Item	Description	Amount		Note
		Cost	Market Value	
Raw materials and supplies		\$ 79,916	\$ 80,725	Replacement cost
Work in progress		27,858	74,553	Net realisable value
Finished goods		145,008	247,680	Net realisable value
Merchandise		524	524	Net realisable value
		253,306	<u>\$ 403,482</u>	
Less: Allowance for loss on slow-moving inventories and valuation loss		( 15,961)		
		<u>\$ 237,345</u>		

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF CHANGES IN COST OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 4

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Collateral</u>	<u>Note</u>
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The relevant information about 'property, plant and equipment' is provided in Note 6(8).

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HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND  
EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 5

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Collateral</u>	<u>Note</u>
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The relevant information about 'property, plant and equipment' is provided in Note 6(8).

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HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 6

Creditor	Description	Amount	Contract Period	Interest Rate	Collateral	Note
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The relevant information about 'long-term borrowings' is provided in Note 6(13).

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

Table 7

Item	Volume	Unit	Amount	Note
Rubber product	11,512	Thousand kilograms	\$ 1,823,179	
Others product	40	Thousand kilograms	34,133	
			<u>1,857,312</u>	
Less: Sales returns			( 38)	
Sales discounts and allowances			<u>( 11,319)</u>	
			<u>\$ 1,845,955</u>	

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 8

Item	Amount	Note
Cost of goods sold from manufacturing		
Beginning raw materials and supplies	\$ 122,578	
Add: Raw materials purchased	685,107	
Less: Ending raw materials and supplies	( 79,916)	
Transferred to related expenses	( 4,498)	
Raw materials sold	( 4,253)	
Raw materials used for the year	719,018	
Add: Direct labour	39,712	
Manufacturing expense	197,212	
Less: Unamortised manufacturing expenses	( 3,683)	
Manufacturing cost	952,259	
Add: Beginning work in progress	21,617	
Less: Ending work in progress	( 27,858)	
Transferred to related expenses	( 96)	
Cost of finished goods	945,922	
Add: Beginning finished goods	163,543	
Less: Ending finished goods	( 145,008)	
Transferred to related expenses	( 1,274)	
Cost of goods manufactured and sold	963,183	
Cost of goods sold from purchase		
Beginning merchandises	994	
Add: Net purchase for the year	26,872	
Less: Ending merchandise inventory	( 524)	
Cost of purchasing and selling	27,342	
Cost of sales	990,525	
Cost of raw materials sold	4,253	
Add: Unamortised manufacturing expenses	3,683	
Gain on reversal of decline in market value	5,587	
Operating costs	<u>\$ 1,004,048</u>	

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF MANUFACTURING EXPENSES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 9

Item	Description	Amount	Note
Depreciation expense		\$ 72,714	
Electricity bill		30,294	
Repairs and maintenance expense		16,333	
Fuel expense		14,758	
Packaging expense		10,549	
Other expenses		52,564	Balance of each client has not exceeded 5% of total account
		<u>\$ 197,212</u>	

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 10

Item	Description	Amount	Note
Export expense		\$ 168,234	
Other expenses		<u>25,278</u>	Balance of each client has not exceeded 5% of total account
		<u>\$ 193,512</u>	

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 11

Item	Description	Amount	Note
Wages and salaries		\$ 13,339	
Directors' and supervisors' remuneration		8,006	
Donation expense		3,421	
Depreciation expense		3,384	
Miscellaneous expenses		2,578	
Other expenses		<u>14,099</u>	Balance of each client has not exceeded 5% of total account
		<u>\$ 44,827</u>	

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 12

Item	Description	Amount	Note
Service expense		\$ 2,585	
Mold expense		1,738	
Test expense		1,544	
Wages and salaries		866	
Other expenses		1,024	Balance of each client has not exceeded 5% of total account
		<u>\$ 7,757</u>	

HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF NET AMOUNT OF OTHER REVENUES AND GAINS AND EXPENSES AND  
LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 13

Item	Description	Amount	Note
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The relevant information about 'other gains and losses' is provided in Note 6(22).

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HSIN YUNG CHIEN CO.,LTD.  
STATEMENT OF FINANCIAL COST  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Table 14

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense		<u>\$ 252</u>	

HSIN YUNG CHIEN CO.,LTD.  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY  
FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

Table 15

Year ended December 31, 2022			Year ended December 31, 2021		
Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total

The relevant information about ‘summary statement of current period employee benefits, depreciation, depletion and amortisation expenses by function’ is provided in Note 6(23)(24).

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