# Honmyue Enterprise Co., Ltd.

Consolidated Financial Statements for the Years Ended

December 31, 2022 and 2021 and

Independent Auditors' Report

(Stock Code 1474)

Address: No. 60, Gongxi 1st Rd., Shengang Township, Changhua County 50971, Taiwan (R.O.C.)

Tel: (04)799-4888

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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# Honmyue Enterprise Co., Ltd.

## Declaration of Consolidated Financial Statements of Affiliated Companies

We hereby declare that for the fiscal year 2022 (covering the period from January 1, 2022 to December 31, 2022), the companies required to prepare consolidated financial statements for affiliated companies, as stipulated under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and International Financial Reporting Standard No. 10, are identical. In addition, the information that is required to be disclosed in the consolidated financial statements for affiliated companies has been comprehensively disclosed in the consolidated financial statements for parent and subsidiary companies. As such, we have determined that the preparation of separate consolidated financial statements for affiliated companies is not necessary.

Respectfully submitted,

YEH, MING-ZHOU

Chairman, Honmyue Enterprise Co., Ltd.
March 28, 2023

Independent Auditors' Report

(2023) Ministry of Finance approved No. 22005332

The Board of Directors and Shareholders

Honmyue Enterprise Co., Ltd.

**Opinion**

We have conducted an audit on the consolidated financial statements of Honmyue Enterprise Co., Ltd. and subsidiaries (referred to as the "Group") for the year ended December 31, 2022 and 2021, which include the consolidated statements of comprehensive income, statements of changes in equity, and statements of cash flows for the period from January 1 to December 31, 2022 and 2021. We have also reviewed the notes to the consolidated financial statements, which contain a summary of significant accounting policies.

In our opinion, the consolidated financial statements presented herein, which were prepared 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 as endorsed by the Financial Supervisory Commission, fairly present the consolidated financial position of the Group as of December 31, 2022 and 2021, as well as its consolidated financial performance and consolidated cash flows for the period from January 1 to December 31, 2022 and 2021, in all material respects.

**Basis for Opinion**

We conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the Generally Accepted Auditing Standards in the Republic of China (ROC GAAS). Our responsibility under these standards is explained further in the section titled "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements." Our firm's staff members subject to independence requirements comply with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China and have maintained their independence from the Group, fulfilling other ethical responsibilities as per the Codes. We are of the opinion that we have obtained sufficient and appropriate audit evidence to support our opinion.

**Key Audit Matter**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters refer to those matters that, in our professional judgment, were most significant in the audit of the Group's consolidated financial statements for the year 2022. These matters were addressed as part of our overall audit of the consolidated financial statements, and we do not express a separate opinion on them.

The key audit matters for the Group's consolidated financial statements for the year 2022 are as follows:

## Cutoff Point for Revenue Recognition

Description

For accounting policies on revenue recognition, please refer to Note 4(29) in the Consolidated Financial Statements. For statement of operating revenue, please refer to Note 6(20). The Group mainly engages in the manufacturing and sales of various cotton, wool, silk, and synthetic fiber textiles. Revenue from sales is recognized when control of the goods is transferred upon arrival at the destination port, based on the terms of the transaction, and is recognized at the end of each month through manual checking of the transaction date and the actual arrival date. This revenue recognition process involves many manual judgments and operations, which may result in revenue being recorded in the wrong period. Therefore, the cutoff date for revenue from sales is regarded as one of the key audit matters to be audited this year.

Audit Procedures Undertaken in Response to the Matter

Our auditor's main audit procedures performed on the specific aspects described in the key audit matter are as follows:

1. Obtain an understanding of and evaluated the sales transaction operation procedures and internal controls, and tested these controls to assess the effectiveness of management's control over the timing of the recognition of sales revenue.
2. Verify sales transactions for a certain period before and after the balance sheet date by checking the transaction documents to confirm that sales transactions were recorded in the appropriate period.

## Allowance for Inventory Valuation Losses

Description

Regarding the accounting policies for inventory valuation, please refer to Note 4(14) in the consolidated financial statements. For the significant accounting estimates and assumptions related to inventory valuation and their uncertainties, please refer to Note 5 in the consolidated financial statements. For the explanation of inventory provision for impairment, please refer to Note 6(4) in the consolidated financial statements. As of December 31, 2022, the inventory and allowance for inventory valuation losses of the Group amounted to NT$926,786 thousand and NT$111,926 thousand, respectively.

The Group mainly engages in the manufacturing and sales of various cotton, wool, silk, and synthetic fiber textiles. For inventory that has been held for a specific period of time or that has been identified as impaired, the Group measures the inventory at cost or net realizable value, whichever is lower, and provides for inventory write-downs based on the usability of inventory that has been identified as obsolete or damaged. Given that the provision for inventory valuation losses has a significant impact on the financial statements of the Group and that the valuation of inventory at net realizable value at the balance sheet date requires judgement and estimation, the assessment of the provision for inventory valuation losses is regarded as one of the key audit matters to be audited this year

Audit Procedures Undertaken in Response to the Matter

Our auditor's main audit procedures performed on the specific aspects described in the key audit matter are as follows:

1. Understand the operation and nature of the Group, evaluate the reasonableness of its inventory provision policy for assessing inventory impairment losses.
2. Review the annual inventory counting plan of the Group and participate in the annual inventory count to assess the effectiveness of management's segregation and control of obsolete inventory.
3. Review the supporting documents related to the inventory aging report to verify the dates of inventory movements, confirm the proper classification of inventory into aging categories, and recalculate the aging report in accordance with the Group's policies.
4. Obtain the net realizable value reports of all inventory items, verify that the calculation logic is consistently applied, test the basis for the estimation of the net realizable value of inventory, including checking supporting documents such as sales prices, purchase prices, etc. Re-calculate and evaluate the reasonableness of the inventory valuation.

## Other matter - Parent company only financial statements

Honmyue Enterprise Co., Ltd. has prepared the parent company only financial statements for the years 2022 and 2021, which have been audited by us and on which we have issued unmodified audit opinions. These reports are available for reference.

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

Management is responsible for preparing the consolidated financial statements in compliance 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 as endorsed by the Financial Supervisory Commission, and maintaining adequate internal controls related to the preparation of the consolidated financial statements to ensure that there are no significant misrepresentations due to fraud or error.

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

Those charged with governance (including the supervisory committee) of the Group are responsible for overseeing the financial reporting process.

**Responsibilities of the Auditor for the Audit of the Consolidated Financial Statements**

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance that they are free from material misstatement, whether caused by fraud or error, and to issue an audit report. Reasonable assurance is a high level of assurance, but it does not guarantee that the audit, performed in accordance with ROC GAAS, will always detect a material misstatement when one exists. Misstatements can result from fraud or error and are considered material if they could reasonably be expected, individually or in aggregate, to influence the economic decisions of users based on these financial statements.

As part of our audit in accordance with the ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the following procedures:

1. Identify and assess the risks of material misstatement in the consolidated financial statements, whether caused by fraud or error. We design and perform audit procedures that are appropriate to address those risks, and obtain sufficient and appropriate audit evidence to support our opinion. The risk of failing to detect a material misstatement due to fraud is higher than that of one due to error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Design appropriate audit procedures in the given circumstances, and obtain necessary understanding of internal control that is relevant to the audit. However, our objective is not to express an opinion on the effectiveness of the internal control of the Group.
3. Evaluate appropriateness of the accounting policies adopted by management, and the reasonableness of the accounting estimates and related disclosures
4. Assess the appropriateness of management's use of the going concern basis of accounting and determine whether any events or conditions exist that may cast significant doubt on the Group's ability to continue as a going concern, based on the audit evidence obtained. If we conclude that a material uncertainty exists, we will draw attention to the related disclosures in the financial statements in our audit report or modify our opinion if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, it should be noted that future events or conditions may lead to the Group's inability to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the related disclosures, and determine whether the consolidated financial statements provide a fair representation of the underlying transactions and events in a manner that is appropriate.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the group audit, and for

forming an opinion on the consolidated financial statements based on the results of our audit.
We communicate with the governance entity regarding various matters, such as the audit's planned scope and timeline, as well as significant audit findings, which may include significant deficiencies in internal control identified during the audit process.
We also provide those charged with governance with a declaration that the personnel of our accounting firm who are subject to independence requirements have complied with the Code of Ethics for CPAs in the Republic of China concerning independence, and communicate to them any relationships and other matters that may be perceived to affect our independence, as well as any relevant safeguards.
After communicating with those charged with governance, we determine the key audit matters that are of most significance in our audit of the Group’s consolidated financial statements for the year 2022. We disclose these matters in our audit report, unless it is prohibited by law or regulation or, in exceptional cases. We decide not to communicate a specific matter in our report due to the potential negative impact on the public interest outweighing the benefits of such communication.

PricewaterhouseCoopers Taiwan
Hung, Shu-Hua
CPA
Wang, Yu-Chuan

Former Securities Commission of the Ministry of Finance
Approval -certified No.: (85) Tai-Cai-Certificate (6) 68701
Financial Supervisory Commission
Approval -certified No.: Jin-Guan-Certificate No. 1020028992

March 28, 2023

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

| | Assets | Notes | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|---|
| | **CURRENT ASSET** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 630,487 | 16 | $ 604,986 | 14 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(1) | 9,127 | - | 13,504 | - |
| 1136 | Financial assets at amortized cost - current | 6(3), 8 | - | - | 53,580 | 1 |
| 1150 | Notes receivable | 6(4) | 76,085 | 2 | 194,509 | 5 |
| 1160 | Notes receivables - related parties | 7(2) | 296 | - | 1,302 | - |
| 1170 | Accounts receivable | 6(4) | 384,883 | 10 | 468,803 | 11 |
| 1180 | Accounts receivable - related parties | 7(2) | 40,681 | 1 | 122,958 | 3 |
| 1200 | Other receivables | | 34,084 | 1 | 32,000 | 1 |
| 130X | Inventories | 6(5) | 814,860 | 21 | 931,683 | 22 |
| 1410 | Prepayments | 6(6) | 149,755 | 4 | 133,483 | 3 |
| 1470 | Other current assets | | 3,285 | - | 4,604 | - |
| 11XX | **Total current asset** | | 2,143,543 | 55 | 2,561,412 | 60 |
| | **NONCURRENT ASSET** | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - noncurrent | 6(7) | 59,718 | 2 | 88,133 | 2 |
| 1535 | Financial assets carried at amortized cost - noncurrent | 6(3), 8 | 11,600 | - | 16,391 | - |
| 1550 | Investment accounted for using equity method | 6(8) | 128 | - | 128 | - |
| 1600 | Property, plant and equipment | 6(9), 8 | 1,492,068 | 38 | 1,433,967 | 34 |
| 1755 | Right-of-use assets | 6(10) | 70,076 | 2 | 68,858 | 2 |
| 1780 | Intangible assets | | 21,421 | 1 | 11,303 | - |
| 1840 | Deferred tax assets | 6(26) | 42,955 | 1 | 37,590 | 1 |
| 1900 | Other noncurrent assets | 8 | 41,069 | 1 | 45,017 | 1 |
| 15XX | **Total noncurrent asset** | | 1,739,035 | 45 | 1,701,387 | 40 |
| 1XXX | **TOTAL ASSET** | | $ 3,882,578 | 100 | $ 4,262,799 | 100 |

(Continued)

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

| | Liabilities and Equity | Note | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|---|
| | **CURRENT LIABILITIES** | | | | | |
| 2100 | Short-term borrowings | 6(11) | $ 238,361 | 6 | $ 491,879 | 12 |
| 2110 | Short-term notes and bills payable | 6(12) | - | - | 159,722 | 4 |
| 2130 | Current contract liabilities | 6(20) | 25,257 | 1 | 39,890 | 1 |
| 2150 | Notes payable | | 122,138 | 3 | 232,502 | 5 |
| 2160 | Notes payable - related parties | 7(2) | 22 | - | 3,144 | - |
| 2170 | Accounts payable | | 143,368 | 4 | 219,962 | 5 |
| 2180 | Accounts payable - related parties | 7(2) | 372 | - | 163 | - |
| 2200 | Other payables | 6(13), 7(2) | 208,318 | 5 | 224,966 | 5 |
| 2230 | Current income tax liabilities | 6(26) | 37,909 | 1 | 44,257 | 1 |
| 2320 | Long-term liabilities within one year or one business cycle | 6(15) | 170,666 | 4 | 117,000 | 3 |
| 2399 | Other current liabilities | 6(10), 9 | 28,794 | 1 | 3,001 | - |
| 21XX | **Total current liabilities** | | 975,205 | 25 | 1,536,486 | 36 |
| | **NONCURRENT LIABILITIES** | | | | | |
| 2530 | Bonds payable | 6(14) | 287,569 | 7 | - | - |
| 2540 | Long-term loan | 6(15) | 350,357 | 9 | 521,023 | 12 |
| 2570 | Deferred tax liabilities | 6(26) | 68,184 | 2 | 68,318 | 2 |
| 2600 | Other noncurrent liabilities | 6(10)(16) | 64,391 | 2 | 49,085 | 1 |
| 25XX | **Total noncurrent liabilities** | | 770,501 | 20 | 638,426 | 15 |
| 2XXX | **Total liabilities** | | 1,745,706 | 45 | 2,174,912 | 51 |
| | **EQUITIES** | | | | | |
| | **Equities attrib. to owner of the parent** | | | | | |
| | Share capital | 6(17) | | | | |
| 3110 | Common shares | | 1,298,970 | 33 | 1,298,970 | 31 |
| | Capital reserve | 6(18) | | | | |
| 3200 | Capital reserve | | 50,735 | 1 | 5,887 | - |
| | Retained earnings | 6(19) | | | | |
| 3310 | Legal reserve | | 231,804 | 6 | 217,652 | 5 |
| 3320 | Special reserve | | 182,752 | 5 | 182,752 | 4 |
| 3350 | Unappropriated retained earnings | | 419,140 | 11 | 423,103 | 10 |
| | Other equity interest | | | | | |
| 3400 | Other equity interest | | ( 68,169) | ( 2) | ( 58,977) | ( 1) |
| 31XX | **Equity attrib. to owners of the parent** | | 2,115,232 | 54 | 2,069,387 | 49 |
| 36XX | **Non-controlling interest** | | 21,640 | 1 | 18,500 | - |
| 3XXX | **Total equity** | | 2,136,872 | 55 | 2,087,887 | 49 |
| | Commitments and contingencies | 9 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 3,882,578 | 100 | $ 4,262,799 | 100 |

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

Chairman: Yeh, Ming-Zhou　　Manager: Kuo, Cheng-Pei　　Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)
(Except for earnings per share expressed in New Taiwan Dollar)

| | Item | Notes | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|---|
| 4000 | Operating Revenue | 6(20), 7(2) | $ 3,189,020 | 100 | $ 3,503,869 | 100 |
| 5000 | Operating costs | 6(5), 7(2) | ( 2,782,976) | ( 87) | ( 2,988,217) | ( 85) |
| 5900 | Operating margin | | 406,044 | 13 | 515,652 | 15 |
| | Operating expenses | 6(24)(25) | | | | |
| 6100 | Sales and marketing expenses | | ( 115,847) | ( 4) | ( 127,384) | ( 4) |
| 6200 | General and administrative expenses | | ( 171,075) | ( 5) | ( 175,263) | ( 5) |
| 6300 | Research and development expenses | | ( 62,250) | ( 2) | ( 76,634) | ( 2) |
| 6450 | Expected credit impairment loss | 12(2) | 2,017 | - | 4,442 | - |
| 6000 | Total Operating Expenses | | ( 347,155) | ( 11) | ( 374,839) | ( 11) |
| 6900 | Operating profit | | 58,889 | 2 | 140,813 | 4 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | | 5,403 | - | 6,456 | - |
| 7010 | Other income | 6(21), 7(2) | 58,313 | 2 | 37,704 | 1 |
| 7020 | Other gains and losses | 6(22) | 4,247 | - | 6,841 | - |
| 7050 | Finance costs | 6(23) | ( 22,186) | ( 1) | ( 14,090) | - |
| 7000 | Total non-operating income | | 45,777 | 1 | 36,911 | 1 |
| 7900 | **Pretax profit** | | 104,666 | 3 | 177,724 | 5 |
| 7950 | Income tax expense | 6(26) | ( 24,097) | ( 1) | ( 36,685) | ( 1) |
| 8200 | **Net profits** | | $ 80,569 | 2 | $ 141,039 | 4 |

(Continued)

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)
(Except for earnings per share expressed in New Taiwan Dollar)

| | Item | Notes | Year ended December 31 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|---|
| | **Other comprehensive income (net)** | | | | | |
| | **Not reclassified to profit or loss** | | | | | |
| 8311 | Measure on defined benefit plans | 6(16) | ($ 2,865) | - | ($ 680) | - |
| 8316 | Unrealized gains and losses on valuation of investment in equity instruments measured at fair value through other comprehensive income | 6(7) | ( 28,415) | ( 1) | 8,559 | - |
| 8349 | Income tax related to components that are not reclassified subsequently to profit or loss | 6(26) | 6,345 | - | ( 2,037) | - |
| 8310 | Total not reclassified to profit or loss | | ( 24,935) | ( 1) | 5,842 | - |
| | **Components that may be reclassified to profit or loss** | | | | | |
| 8361 | Exchange difference arising from translation of foreign operation financial statements | | 13,451 | 1 | ( 4,257) | - |
| 8399 | Income tax related to items not reclassified to profit or loss | 6(26) | - | - | 1,528 | - |
| 8360 | Total Items that may be reclassified to profit and loss | | 13,451 | 1 | ( 2,729) | - |
| 8300 | **Other comprehensive net gains/losses** | | ($ 11,484) | - | $ 3,113 | - |
| 8500 | **Total comprehensive gains/losses** | | $ 69,085 | 2 | $ 144,152 | 4 |
| | Profit, attrib. to: | | | | | |
| 8610 | Owners of the parent | | $ 77,429 | 2 | $ 143,963 | 4 |
| 8620 | Non-controlling interest | | 3,140 | - | ( 2,924) | - |
| | Total | | $ 80,569 | 2 | $ 141,039 | 4 |
| | Comprehensive income (loss) attrib. to: | | | | | |
| 8710 | Owners of the parent | | $ 65,945 | 2 | $ 147,076 | 4 |
| 8720 | Non-controlling interest | | 3,140 | - | ( 2,924) | - |
| | Total | | $ 69,085 | 2 | $ 144,152 | 4 |
| | Earnings per share | 6(27) | | | | |
| 9750 | Basic earnings per share | | $ 0.60 | | $ 1.11 | |
| 9850 | Diluted earnings per share | | $ 0.56 | | $ 1.10 | |

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

Chairman: Yeh, Ming-Zhou　　Manager: Kuo, Cheng-Pei　　Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

| | | Equity Attributable to Owners of the Parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital Surplus | | Retained Earnings | | | Other Equity Interest | | | | |
| | Notes | Share capital - common stock | Treasury stock transactions | Employ stock option | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences from translating foreign operating financial statements | Unrealized gains or losses on financial assets at fair value through other comprehensive income | Total | Non-controlling interest | Total equity |
| Year ended December 31, 2021 | | | | | | | | | | | | |
| Balance at January 1, 2021 | | $ 1,298,970 | $ 5,887 | $ - | $ 207,784 | $ 182,752 | $ 343,413 | ($ 45,514 ) | ($ 17,119 ) | $ 1,976,173 | $ 19,521 | $ 1,995,694 |
| Net income | | - | - | - | - | - | 143,963 | - | - | 143,963 | ( 2,924 ) | 141,039 |
| Other comprehensive income | 6(7) | - | - | - | - | - | ( 543 ) | ( 2,729 ) | 6,385 | 3,113 | - | 3,113 |
| Total comprehensive income | | - | - | - | - | - | 143,420 | ( 2,729 ) | 6,385 | 147,076 | ( 2,924 ) | 144,152 |
| Earnings allocation and distribution in 2020 | 6(19) | | | | | | | | | | | |
| Legal reserve | | - | - | - | 9,868 | - | ( 9,868 ) | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | ( 51,959 ) | - | - | ( 51,959 ) | - | ( 51,959 ) |
| Increase in non-controlling interests | 4(3) | - | - | - | - | - | ( 1,903 ) | - | - | ( 1,903 ) | 1,903 | - |
| Balance at December 31,2021 | | $ 1,298,970 | $ 5,887 | $ - | $ 217,652 | $ 182,752 | $ 423,103 | ($ 48,243 ) | ($ 10,734 ) | $ 2,069,387 | $ 18,500 | $ 2,087,887 |
| Year ended December 31, 2022 | | | | | | | | | | | | |
| Balance at January 1, 2022 | | $ 1,298,970 | $ 5,887 | $ - | $ 217,652 | $ 182,752 | $ 423,103 | ($ 48,243 ) | ($ 10,734 ) | $ 2,069,387 | $ 18,500 | $ 2,087,887 |
| Net income | | - | - | - | - | - | 77,429 | - | - | 77,429 | 3,140 | 80,569 |
| Other comprehensive income | 6(7) | - | - | - | - | - | ( 2,292 ) | 13,451 | ( 22,643 ) | ( 11,484 ) | - | ( 11,484 ) |
| Total comprehensive income | | - | - | - | - | - | 75,137 | 13,451 | ( 22,643 ) | 65,945 | 3,140 | 69,085 |
| Earnings allocation and distribution in 2020 | 6(19) | | | | | | | | | | | |
| Legal reserve | | - | - | - | 14,152 | - | ( 14,152 ) | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | ( 64,948 ) | - | - | ( 64,948 ) | - | ( 64,948 ) |
| Recognition of stock options as a component of equity due to the issuance of convertible bonds | 6(14)(18) | - | - | 44,848 | - | - | - | - | - | 44,848 | - | 44,848 |
| Balance at December 31, 2022 | | $ 1,298,970 | $ 5,887 | $ 44,848 | $ 231,804 | $ 182,752 | $ 419,140 | ($ 34,792 ) | ($ 33,377 ) | $ 2,115,232 | $ 21,640 | $ 2,136,872 |

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

Chairman: Yeh, Ming-Zhou　　Manager: Kuo, Cheng-Pei　　Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Pretax profit | | $ 104,666 | $ 177,724 |
| Adjustments | | | |
| Adjustments to reconcile profit(loss) | | | |
| Depreciation expense (investment properties and right-of-use assets) | 6(22)(24) | 110,654 | 111,243 |
| Amortization expense | 6(24) | 2,215 | 2,376 |
| Reversal of expected credit loss recognized in profit or loss | 12(2) | ( 2,017 ) | ( 4,442 ) |
| Net gain on financial assets or liabilities at fair value through profit or loss | 6(2)(22) | 6,165 | ( 1,889 ) |
| Gain on disposal or retirement of property, plant and equipment | 6(22) | ( 1,586 ) | ( 4,202 ) |
| Interest expense | 6(23) | 22,186 | 14,090 |
| Interest income | | ( 5,403 ) | ( 6,456 ) |
| Dividend income | 6(21) | ( 855 ) | ( 290 ) |
| Government grant income | 6(21) | ( 1,383 ) | ( 509 ) |
| Benefit from lease modification | 6(10) | ( 5 ) | ( 3 ) |
| Gain on disposal of investments | 6(22) | ( 965 ) | ( 1,805 ) |
| Unrealized foreign exchange loss | | 2,327 | 23,763 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets, net | | | |
| Notes receivable - net | | 120,279 | ( 59,461 ) |
| Notes receivable - related party, net | | 1,006 | ( 877 ) |
| Accounts receivable | | 86,745 | ( 25,245 ) |
| Accounts receivable - related parties | | 82,277 | ( 19,764 ) |
| Other receivables | | ( 1,507 ) | ( 1,260 ) |
| Inventories | | 119,647 | ( 26,182 ) |
| Prepayments | | ( 14,495 ) | ( 30,825 ) |
| Other current assets | | 1,319 | ( 410 ) |
| Other noncurrent assets | | 595 | ( 1,841 ) |
| Liabilities net change related to operation activities | | | |
| Contract liabilities - current | | ( 15,183 ) | 2,580 |
| Notes payable | | ( 110,364 ) | 70,206 |
| Notes payable - related parties | | ( 3,122 ) | ( 1,842 ) |
| Accounts payable | | ( 78,336 ) | ( 15,156 ) |
| Accounts payable - related parties | | ( 466 ) | ( 3,818 ) |
| Other payables | | ( 19,058 ) | 3,958 |
| Other current liabilities | | 35 | ( 124 ) |
| Other noncurrent liabilities | | 2,154 | ( 68 ) |
| Cash inflow from operation activities | | 407,525 | 199,471 |
| Interest received | | 855 | 290 |
| Dividends received | | 4,928 | 6,427 |
| Interest paid | | ( 14,783 ) | ( 13,903 ) |
| Income tax paid | | ( 31,067 ) | ( 17,635 ) |
| Income tax refunded | | 2,729 | - |
| Net cash flows from operating activities | | 370,187 | 174,650 |

(Continued)

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at fair value through profit or loss | | ($ 16,457 ) | ($ 6,491 ) |
| Disposal of financial assets at fair value through profit or loss | | 18,904 | 8,974 |
| Acquisition of financial assets at amortized cost | | ( 4,951 ) | ( 77,709 ) |
| Disposal of financial assets at amortized cost | | 60,021 | 32,991 |
| Acquisitions of property, plant and equipment | 6(28) | ( 156,293 ) | ( 350,427 ) |
| Disposal of property, facility and equipment | | 1,586 | 4,401 |
| Acquisition of intangible assets | | ( 11,180 ) | ( 7,017 ) |
| Decrease in refundable deposits | | 4,220 | ( 7,404 ) |
| Receipt of grants | | 25,370 | 10,180 |
| Net cash outflow from investing activities | | ( 78,780 ) | ( 392,502 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in short-term borrowings | | 969,210 | 1,673,908 |
| Decrease in short-term borrowings | | ( 1,228,693 ) | ( 1,760,208 ) |
| Increase in short-term notes and bills payables | | 235,000 | 730,000 |
| Decrease in short-term notes and bills payables | | ( 395,000 ) | ( 750,000 ) |
| Lease principal repayment | 6(29) | ( 2,113 ) | ( 1,881 ) |
| Issuance of corporate bonds | 6(29) | 321,827 | - |
| Outstanding Number of long-term borrowings | | - | 326,000 |
| Repayments of long-term borrowings | 6(29) | ( 117,000 ) | ( 72,541 ) |
| Increase in guarantee deposits received | 6(29) | 12,786 | 253 |
| Cash dividends paid | 6(29) | ( 64,948 ) | ( 51,959 ) |
| Net Cash outflow from financing activities | | ( 268,931 ) | 93,572 |
| Effects of foreign exchange rates | | 3,025 | ( 5,016 ) |
| Increase (decrease) in cash and cash equivalents | | 25,501 | ( 129,296 ) |
| Cash and cash equivalents, beginning of period | | 604,986 | 734,282 |
| Cash and cash equivalents, end of period | | $ 630,487 | $ 604,986 |

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

Chairman: Yeh, Ming-Zhou Manager: Kuo, Cheng-Pei Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

# Consolidated Financial Statement Notes

December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars unless otherwise specified)

1. The History of the Company

Established in September 1970, Honmyue Enterprise Co., Ltd. (hereafter referred to as "the Company") and its subsidiaries (hereafter collectively referred to as "the Group") mainly engage in the manufacturing, trading, domestic and international sales of various cotton, wool, silk, and synthetic fiber textiles.

2. Financial Statement Review Date and Procedures

The consolidated financial statements were released on March 28th, 2023, following approval by the Board of Directors.

3. Application of Newly Released and Revised Standards and Interpretations

(1) Impact of Newly Adopted and Effective International Financial Reporting Standards (IFRS) that are approved and published by the Financial Supervisory Commission (hereafter referred to as FSC)

The following table summarizes the new, amended, and revised International Financial Reporting Standards (IFRS) and Interpretations that were approved and published by the FSC and were applicable in 2022:

| Newly Released and Revised Standards and Interpretations | Effective date of IASB publications |
|---|---|
| Amendment to IFRS No. 3 “Indexes to Conceptual Framework” | January 1, 2022 |
| Amendment to IFRS No. 16 “Property, Plant and Equipment: Proceeds before Intended Use” | January 1, 2022 |
| Amendment to IFRS No. 37 “Loss-making contracts - Cost of fulfilling a contract” | January 1, 2022 |
| Annual improvement cycle for 2018-2020 | January 1, 2022 |

After evaluating the aforementioned standards and interpretations, the Group has determined that they have no significant impact on the Group’s financial condition and performance.

(2) Impact of New or Revised International Financial Reporting Standards not yet Adopted by the FSC

The following table summarizes the new, amended, and revised IFRS and Interpretations that were approved and published by the FSC and were applicable in 2023.

| Newly Released and Revised Standards and Interpretations | Effective date of IASB publications |
|---|---|
| Amendment to IFRS No. 1 “Disclosure of Accounting Policies” | January 1, 2023 |
| Amendment to IFRS No. 8 “Definition of Accounting Estimates” | January 1, 2023 |
| Amendment to IFRS No. 12 “Deferred income taxes related to assets and liabilities generated from a single exchange” | January 1, 2023 |

After evaluating the aforementioned standards and interpretations, the Group has determined that they have no significant impact on the Group's financial condition and performance.

(3) Impact of IFRS that have been issued by the International Accounting Standards Board (IMAB) but have not yet been recognized by the FSC

The following table summarized the new, revised, and amended standards and interpretations of IFRS that have been issued by the IASB but have not yet been adopted by the FSC.

| Newly Released and Revised Standards and Interpretations | Effective date of IASB publications |
|---|---|
| Amendment to IFRS No. 10"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | Pending decision by the IASB |
| Amendment to IFRS No. 16 "Lease liabilities in sale and leaseback arrangements" | January 1, 2024 |
| Amendment to IFRS No. 17 "Insurance contract" | January 1, 2023 |
| Amendment to IFRS No. 17 Revision of "Insurance contract" | January 1, 2023 |
| Amendment to IFRS No. 17 "Initial application of IFRS 17 and IFRS 9 - Comparative information" | January 1, 2023 |
| Amendment to IFRS No. 1 "Classification of liabilities as current or non-current" | January 1, 2024 |
| Amendment to IFRS No. 1 "Non-current liabilities with contractual terms" | January 1, 2024 |

After evaluating the aforementioned standards and interpretations, the Group has determined that they have no significant impact on the Group's financial condition and performance.

## 4. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted in the preparation of this consolidated financial statement. Unless otherwise stated, these policies have been consistently applied throughout all reporting periods.

(1) Compliance with Standards

This consolidated financial statements is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRSs), International Accounting Standards, Interpretations and Interpretive Releases that have been approved and issued by the Financial Supervisory Commission. It adheres to the effective.

(2) Basis of Preparation

1. The consolidated financial statements are prepared on a historical cost basis, except for the following significant items:
   - A. Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
   - B. Financial assets at fair value through other comprehensive income.
   - C. The net amount recognized for defined benefit liabilities, which is the aggregate of the fair value of plan assets and the present value of defined benefit obligations, reduced by the effect of any asset ceiling, is recognized in the balance sheet as a liability.
2. Preparation of financial statements in accordance with the International Financial Reporting Standards (IFRSs), International Accounting Standards, and Interpretations of IFRS that are approved and issued by the Financial Supervisory Commission requires the use of certain significant accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Such estimates and judgments involve items that are highly subjective or complex, or relate to significant assumptions and estimates used in the preparation of parent company only financial statements. Please refer to Note 5 for details.

## (3) Consolidation Basis

1. Consolidated Financial Reporting Principles:
   A. All subsidiaries controlled by the Group (including structured entities) are included in the consolidated financial statements. Control over a subsidiary is obtained when the Group has the power to influence the variable returns from its involvement with the subsidiary and is exposed to or has rights to those variable returns. Subsidiaries are included in the consolidated financial statements from the date control is obtained and are deconsolidated from the date control ceases.
   B. Intercompany transactions, balances and unrealized gains and losses within the Group are eliminated. The accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
   C. Components of profit or loss and other comprehensive income are attributed to the owners of the parent and to non-controlling interests; the total comprehensive income is also attributed to the owners of the parent and to non-controlling interests, even if this results in a deficit in the non-controlling interests.
   D. Changes in ownership interest in a subsidiary that do not result in loss of control (transactions with non-controlling interests) are accounted for as equity transactions, i.e. as transactions with the owners of the parent. The difference between the adjustment to the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity.
   E. When the Group loses control of a subsidiary, the remaining investment in the former subsidiary is remeasured to fair value and recognized as either the fair value of the asset when it was initially recognized, or the cost of the investment in an associate or joint venture, with any difference between the fair value and the carrying amount recognized in profit or loss. All amounts previously recognized in other comprehensive income relating to that former subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were directly disposed of, i.e. if previously recognized in other comprehensive income, then reclassified to profit or loss upon disposal of the related assets or liabilities.
2. Subsidiaries in Consolidated Financial Statements:

| | | | Percentage of Ownership | | |
|---|---|---|---|---|---|
| Investor | Subsidiary | Nature of Business | December 31, 2022 | December 31, 2021 | Notes |
| The Company | Hongyu Holding L.L.C. | Re-investment | 100% | 100% | |
| The Company | Wenfa Development L.L.C. | Professional Investment and Medical equipment retail | 100% | 100% | |
| The Company | Utex Innovation Co., LTD. | High-end woven fabric dyeing, finishing, and processing. | 86.67% | 86.67% | (2) |
| The Company | Jiujiang Deyu Textile Technology Co., Ltd. | High-end woven fabric dyeing, finishing, and processing. | 100% | 100% | (1) |
| Hongyu Holding L.L.C. | Hongyu Textile Zhejiang Co., Ltd. | Manufacturing and selling silk fiber products and finishing processes. | 100% | 100% | |
| Wenfa Development L.L.C. | Nuwa Enterprise Co., Ltd. | Outsourced processing and sales of finished fabrics. | 70% | 70% | |

Due to the overall operational development needs of the Group:

A. Investment in Jiujiang Deyu Textile Technology Co., Ltd.:

a、 A total of CNY 500 million (equivalent to NT$2.176 billion based on the exchange rate at the time of the transaction) was remitted for investment from May to November 2021. In June and July 2022, a total of CNY 200 million (equivalent to NT$892.5 million based on the exchange rate at the time of the transaction) was remitted for investment in Jiujiang Deyu Textile Technology Co., Ltd.

b、 As of December 31, 2022, the accumulated investment amount was CNY 1.15 billion.

B. Investment in Utex Innovation Co., LTD.:

a、 On March 29, 2021 and May 12, 2021, Utex Innovation Co., Ltd. and the Board of Directors of the Group respectively passed a resolution to increase capital by NT$300,000 thousand. As the Group did not subscribe to the full amount according to its shareholding ratio, its shareholding percentage increased to 86.67%. As the result, the retained earnings decreased by NT$1,903 thousand.

3. Subsidiaries not listed in Consolidated Financial Statements
   No such subsidiaries.
4. Adjustments and treatment for subsidiaries with different accounting periods
   No such subsidiaries.
5. Material Limitation
   No material limitation.
6. Subsidiaries with non-controlling interests that are significant to the Group
   No such subsidiaries.

(4) <u>Foreign Currency Translation</u>

Items enlisted in the financial statements of each entity within the Group are presented in the currency of the primary economic environment in which the entity operates (the functional currency"). The consolidated financial statements are presented in the functional currency of the Group, which is the New Taiwan Dollar.

1. Foreign Currency Transactions and Balances:

A. Foreign currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction date or measurement date. The resulting exchange differences are recognized in the current period's profit or loss.

B. Foreign currency monetary assets and liabilities are revalued at the exchange rates prevailing on the balance sheet date. The resulting exchange differences are recognized in the current period's profit or loss.

C. Foreign currency non-monetary assets and liabilities that are measured at fair value through profit or loss are revalued at the exchange rates prevailing on the balance sheet date. The resulting exchange differences are recognized in the current period's profit or loss. Those that are measured at fair value through other comprehensive income are recognized in other comprehensive income. Those that are not measured at fair value are translated using the historical exchange rates on the initial transaction date.

D. All exchange differences are presented in the consolidated statement of comprehensive income under the item "other income and expenses."

2. Foreign Operation Translation
   A. For all individual companies, related enterprises, and joint agreements whose functional currencies are different from the reporting currencies, the operating results and financial positions are converted into the reporting currencies using the following methods:
      a. Assets and liabilities presented in each balance sheet are converted using the closing exchange rate on the balance sheet date
      b. Revenues and expenses presented in each income statement are converted using the average exchange rate for the period
      c. All translation differences arising from translation are recognized in other comprehensive income
   B. Translation differences of net investments in foreign operations are recognized in other comprehensive income.
   C. When a partial disposal or sale of foreign operations occurs, the translation differences under other comprehensive income are proportionally reclassified to profit or loss as a component of the gain or loss on disposal

(5) <u>The Classification Criteria for Current and Non-current Assets and Liabilities</u>
1. Assets meeting any of the following criteria shall be classified as current assets:
   A. Assets expected to be realized in the normal operating cycle or intended to be sold or consumed.
   B. Assets held primarily for trading purposes.
   C. Assets expected to be realized within twelve months after the balance sheet date.
   D. Cash or cash equivalents, except for those with restrictions on exchange or use for settlement of liabilities for at least twelve months after the balance sheet date.

All assets that do not meet the above criteria are classified as non-current by the Group.

2. Liabilities meeting any of the following criteria shall be classified as current liabilities:
   A. Liabilities expected to be settled within the normal operating cycle.
   B. Liabilities held primarily for trading purposes.
   C. Liabilities expected to be settled within twelve months after the balance sheet date.
   D. Liabilities cannot be deferred unconditionally beyond twelve months after the balance sheet date, except for liabilities with terms that may be settled by issuing equity instruments at the option of the counterparty, which do not affect their classification.

All liabilities that do not meet the above criteria are classified as non-current by the Group.

(6) <u>Cash Equivalents</u>
Cash equivalents refer to short-term investments that are highly liquid and can be converted into a fixed amount of cash at any time, with minimal risk of value fluctuations. Time deposits that meet the aforementioned criteria and are held for the purpose of fulfilling short-term cash commitments in operations are classified as cash equivalents.

(7) <u>Financial Assets at Fair Value through Profit or Loss</u>
1. Refers to financial assets that are not measured at amortized cost or measured at fair value through other comprehensive income.
2. Trade date accounting for financial assets measured at fair value through profit or loss that meet customary trading criteria is used by the Group.
3. The group measures financial assets at fair value upon initial recognition, and recognizes transaction costs in profit or loss. Subsequently, any gains or losses on these financial assets are recognized in profit or loss.
4. The Group recognizes dividend income in profit or loss when the right to receive dividends is established, and the economic benefits related to dividends are likely to flow in, and the amount of dividends can be reliably measured.

(8) Financial Assets Measured at Amortized Cost

1. Refers to financial assets that meet both of the following conditions:
   A. Assets held under a business model whose objective is to collect contractual cash flows.
   B. The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. Trade date accounting to financial assets measured at amortized cost that meet trading customary trading criteria is used by the Group.
3. The Group holds short-term fixed deposits that do not qualify as cash equivalents and are measured at cost due to the short-term nature of the deposits and the immateriality of the effect of discounting.

(9) Financial Assets Measured at Fair Value through Other Comprehensive Income

1. Refers to a non-revocable choice made at the initial recognition to report the fair value changes of equity instruments that are not held for trading in other comprehensive income, or to debt instrument investments that meet both of the following conditions:
   A. Assets held under a business model whose objective is to collect contractual cash flows and to sell the asset.
   B. The contract terms of the financial asset give rise to cash flows on specific dates, consisting entirely of the repayment of principal and the payment of interest on outstanding principal.
2. Trade date accounting to financial assets measured at fair value through other comprehensive income that meet trading customary trading criteria is used by the Group.
3. When initially recognized, the Group measures equity instruments at their fair value plus transaction costs, and subsequently measures them at fair value:
   The fair value changes of equity instruments are recognized in other comprehensive income and are not reclassified to profit or loss when derecognized. Instead, they are transferred to retained earnings. When the right to receive dividends is established and the economic benefits related to dividends are likely to flow to the Group, and the dividend amount can be reliably measured, the Group recognizes dividend income in profit or loss.

(10) Accounts and Notes Receivable

1. Refer to the accounts and notes receivable that represent the right to receive payment for the consideration received from the transfer of goods or services, without any conditions attached.
2. For short-term accounts and notes receivable without interest, the impact of discounting is not significant, the Group measures them at the original invoice amount.

(11) Impairment of Financial Asset

The Group measures its financial assets at amortized cost on each balance sheet date, taking into consideration all reasonable and supportable information (including forward-looking information) related to credit risk, and recognizes an allowance for expected credit losses based on a 12-month expected credit loss amount for financial assets for which the credit risk has not increased significantly since initial recognition, and based on the lifetime expected credit loss amount for financial assets for which the credit risk has increased significantly since initial recognition. For trade receivables that do not contain a significant financing component, the Group recognizes an allowance for expected credit losses based on the lifetime expected credit loss amount.

(12) Derecognition of Financial Assets

When the Group's contractual rights to receive cash flows from a financial asset have expired, the financial asset is derecognized.

(13) Operating Leases - Lease Transactions of the Lessor

The lease income from operating leases, which is not contingent on any incentives granted to the lessee, is recognized on a straight-line basis as an expense in the statement of comprehensive income over the lease term.

(14) Inventories

Inventory is accounted for using the perpetual inventory system, with costs calculated using the weighted average method. Fixed manufacturing overhead is allocated based on the normal production capacity of the equipment, while any unallocated fixed manufacturing overhead is recognized as cost of goods sold in the period incurred. Inventory is measured at the lower of cost or net realizable value at the end of each period, with a comparison of the cost and net realizable value made using the individual-item approach. Net realizable value is estimated selling price in the ordinary course of business less estimated costs of completion, estimated selling expenses, and applicable taxes.

(15) Investments in Equity Method - Associated Companies

1. An associated company refers to an entity in which the Group has significant influence but not control, typically through direct or indirect ownership of more than 20% of the voting rights. The Group accounts for its investment in associated companies using the equity method and recognizes the investment at cost upon acquisition.
2. The Group recognizes its share of profit or loss of an associate in the income statement and its share of other comprehensive income of an associated company in other comprehensive income after its acquisition. If the Group's share of losses in an associate equals or exceeds its interest in that associate (including any other receivable that is not secured), the Group does not recognize further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
3. When there is an equity change in the associated company that is not related to profit or loss and does not affect the shareholding percentage in the associated company, the Group will recognize the equity change attributed to the Group's interest in the associated company in proportion to its shareholding as "Capital Surplus".
4. Unrealized gains and losses resulting from transactions between the Group and its affiliated companies have been eliminated based on their respective ownership interests in the affiliated companies, unless there is evidence that the transferred assets have been impaired. The affiliated companies' accounting policies have been adjusted as necessary to conform to the accounting policies used by the Group.
5. When the Group disposes of an associated enterprise and loses significant influence over it, all amounts previously recognized in other comprehensive income related to that associated enterprise shall be accounted for in the same manner as the disposal of assets or liabilities directly related to the Group's disposal, that is, any previously recognized gains or losses in other comprehensive income will be reclassified as income when the assets or liabilities are disposed of. If the group still has significant influence over the associated enterprise, the amounts previously recognized in other comprehensive income shall be reclassified proportionally in the manner described above.

(16) Property, Plant and Equipment

1. Property, plant, and equipment are recorded at acquisition cost and interest related to the acquisition or construction period is capitalized.
2. Subsequent costs are only included in the carrying amount of an asset or recognized as a separate asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part should be derecognized. All other maintenance costs are recognized in profit or loss when incurred.
3. Property, plant, and equipment are measured at cost model subsequently. They are depreciated using the straight-line depreciation method based on the estimated useful life, except for land, which is not depreciated. If a component of property, plant, and equipment is significant, it is separately depreciated.
4. The Group reviews the residual value, useful life, and depreciation method of each asset at the end of each financial year. If the expected residual value and useful life are different from previous estimates, or there has been a significant change in the expected consumption pattern of the future economic benefits of the asset, then the accounting estimates are adjusted in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The useful life of each asset is as follows:
   Buildings and structures: 2 to 50 years
   Machinery and equipment: 2 to 20 years
   Transportation equipment: 2 to 10 years
   Office equipment: 3 to 10 years
   Other assets: 2 to 20 years

(17) Leases - Right-of-Use Assets / Lease Liabilities for Lessees

1. When a leased asset becomes available for use by the Group, it is recognized as a right-of-use asset and a lease liability. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.
2. The lease liability is recognized on the lease commencement date as the present value of the remaining lease payments not yet paid, discounted at the incremental borrowing rate of the Group. Lease payments include fixed payments, net of any lease incentives that may be receivable.
   The subsequent measurement is based on the effective interest rate method and is measured using the amortized cost method. Interest expense is recognized during the lease term. When there is a change in the lease term or lease payments caused by a non-contractual modification, the lease liability is re-measured and the re-measurement amount is adjusted to the right-of-use asset.
3. The right-of-use asset is recognized at cost on the lease commencement date, which includes:
   A. The initial measurement of the lease liability.
   B. Lease payments made at or before the commencement date.
   C. Initial direct costs incurred; and
      Subsequently, the right-of-use asset is measured using the cost model, and depreciation expense is recognized over the asset's useful life or the lease term, whichever is shorter. When the lease liability is remeasured, the right-of-use asset is adjusted for any revaluation amount of the lease liability.
   D. For lease modifications that result in a reduction in the lease scope, the lessee shall reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between it and the amount of the lease liability remeasurement in profit or loss.

(18) Intangible Assets

1. Computer software is recognized at cost and is amortized on a straight-line basis over its estimated useful life of 2 to 5 years.
2. Pollution rights are recognized at cost and are amortized on a straight-line basis over their useful life of 20 years.

(19) Impairment of Non-financial Assets

The Group assesses, at each balance sheet date, whether there are any indicators of impairment for its assets, and estimates their recoverable amounts. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For assets that were previously impaired, if the circumstances that led to the impairment no longer exist or have improved, the impairment loss is reversed. However, the carrying amount of an asset after impairment reversal cannot exceed what the carrying amount would have been if no impairment loss had been recognized, net of any depreciation or amortization.

(20) Borrowings

The term "borrowings" refers to long-term or short-term funds borrowed from banks. The Group initially measures these borrowings at fair value less transaction costs. Subsequently, any differences between the carrying amount of the liability and the redemption amount are recognized as interest expense over the borrowing term using the effective interest method, which amortizes the difference between the proceeds and the redemption value over the period of the borrowing as a finance cost in the income statement.

(21) Accounts Payable and Notes Payable

1. Refers to liabilities incurred for the purchase of raw materials, goods, or services and for operating and non-operating expenses payable by notes.
2. Accounts payable and notes payable are short-term liabilities that do not have a significant impact from discounting, and are measured at their original invoice amounts by the Group.
   When the Group's rights to receive cash flows from a financial asset have expired, the asset is derecognized.

(22) Convertible Bonds Payable

Convertible bonds payable issued by the Group contain embedded conversion options (the bondholders have the right to convert the bonds into a fixed number of ordinary shares of the Group) as well as put and call options. The initial issuance price is classified as a financial asset, financial liability, or equity based on the terms of the issue. The approach taken in accounting for this is as follows:

1. Embedded put and call options are initially recognized at their fair value net of any transaction costs as "financial assets or liabilities at fair value through profit or loss". Subsequently, at each balance sheet date, they are measured at their fair value, and any changes are recognized in "gain or loss on financial assets or liabilities at fair value through profit or loss".
2. The main contract of the corporate bond is initially measured at fair value, and any difference between the redemption amounts is recognized as the discount on payables. Subsequently, the effective interest method is used to amortize the discount over the term of the bond, and the interest expense is recognized as an adjusting item of "financial costs" in the income statement.
3. The embedded conversion option (qualifying as equity) is initially recognized at the issuance date by deducting the fair value of the "financial asset or liability at fair value through profit or loss" and "payable bonds" from the issuance proceeds, and the remaining value is recorded as "capital surplus - stock options". Subsequently, no re-measurement is made.
4. The direct transaction costs incurred in the issuance are allocated to the respective components of liabilities and equity in proportion to their respective initial carrying amounts as described above.
5. When the holder exercises their right to convert, the liability component (including "payable convertible bonds" and "financial assets or liabilities measured at fair value through profit or loss") is processed according to its subsequent measurement method classification, and the book value of the liability component is added to the book value

of "capital surplus - stock subscription rights" to calculate the issuance cost of the exchanged common shares.

(23) De-recognition of Financial Liabilities

The financial liabilities shall be derecognized by the Company upon the fulfillment, cancellation, or expiration of the obligations specified in the contract.

(24) Offset of Financial Assets and Liabilities

When there is a legally enforceable right to offset the recognized amounts of financial assets and liabilities, and the intention to settle the asset and discharge the liability on a net basis or simultaneously, the financial assets and financial liabilities may be offset and presented on a net basis in the balance sheet.

(25) Employee Benefits

1. Short-term Employee Benefits

   Short-term employee benefits are measured at the undiscounted amount of expected payment and recognized as an expense when the related service is provided.

2. Pensions

   A. Defined Contribution Plan

      For a defined contribution plan, the amount of pension contribution that should be provided is recognized as the current period’s pension cost based on the principle of liability incurred. Prepaid contributions are recognized as assets within the scope of refundable cash or reduced future payment.

   B. Defined Benefit Plan

      a. The net obligation of defined benefit plans is measured by discounting the future benefit amounts earned by employees for services rendered in the current or prior periods, and reducing it by the fair value of plan assets at the balance sheet date. The net obligation of the defined benefit plan is calculated annually using the projected unit credit method by an actuary, and the discount rate is based on the market yield of government bonds (at the balance sheet date) that have the same currency and maturity as the benefit obligation of the defined benefit plan.

      b. The remeasurements of defined benefit plans are recognized in other comprehensive income in the period in which they arise and are presented in retained earnings.

      c. The related expenses of prior service cost are recognized immediately in profit or loss.

3. Severance Benefits

   Severance benefits are benefits provided to employees upon termination of their employment prior to their normal retirement date or when employees accept a company offer to terminate their employment in exchange for benefits. The Group recognizes the expense of severance benefits when it is no longer able to withdraw the offer of such benefits or when the recognition of related restructuring costs is earlier. Severance benefits that are not expected to be settled in full within 12 months after the balance sheet date should be discounted.

4. Employee, Director and Supervisor's Compensation
   Employees', directors', supervisors' compensation are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. Any difference between the estimated and actual amounts distributed by the Board of Directors is recognized as an accounting estimate change. In the case of stock-based employee compensation, the number of shares is calculated based on the closing price on the day prior to the Board of Directors' decision.

(26) Income Taxes

1. The income tax expense includes current and deferred taxes. Except for income taxes related to items recognized in other comprehensive income or directly in equity, income taxes are recognized in income.
2. The Group calculates current income tax based on the legislated tax rates in the countries where it operates and generates taxable income as of the balance sheet date. The management assesses the status of income tax filings in accordance with applicable tax laws and estimates the income tax liabilities based on the expected tax payments to tax authorities, as appropriate. The undistributed earnings are subject to income tax in accordance with the income tax law, and income tax expenses on undistributed earnings are recognized only after the annual general meeting approves the distribution of the actual earnings in the following year.
3. Deferred income tax is recognized based on the balance sheet method, which means that temporary differences between the tax base and the carrying amount of assets and liabilities in the consolidated balance sheet are recognized. If the deferred income tax arises from the initial recognition of an asset or liability in a transaction (excluding a business combination) that at the time of the transaction did not affect accounting profit or taxable income (tax loss), it shall not be recognized. If temporary differences arising from the subsidiary can be controlled by the Group as to the timing of reversal, and it is probable that such temporary differences will not reverse in the foreseeable future, they shall not be recognized. Deferred income taxes are measured based on the tax rates expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled, as of the balance sheet date.
4. Deferred tax assets are recognized for temporary differences that are very likely to be utilized to offset future taxable income within the scope of recognition. These deferred tax assets are re-evaluated at each balance sheet date for amounts not recognized and already recognized.
5. When there is a legal right to offset the recognized current income tax assets and liabilities and there is an intention to settle the net amount or simultaneously realize assets and settle liabilities on a net basis, then the current income tax assets and liabilities shall be offset. if there is a legal right to offset the current income tax assets and liabilities and there is an intention to settle the net amount on a net basis or simultaneously realize the asset and settle the liability, and the deferred income tax assets and liabilities are levied on income tax by the same tax authority as the same taxpayer, the deferred income tax assets and liabilities shall be offset.

(27) Share Capital

Common stock is classified as equity. The net amount after deducting income tax directly attributable to the increase in cost of issuing new shares or stock options is recorded as a deduction from equity in the statement of financial position.

(28) Dividend Distribution

The dividends distributed to the shareholders of the Company are recognized in the financial statements when they are approved by the Company's shareholders' meeting. Cash dividends are recognized as liabilities.

(29) Revenue Recognition

Sales of goods

1. The main business of the Group is the manufacturing, printing, dyeing, and processing of various cotton, wool, silk and synthetic fiber textiles for domestic and international sales. Revenue is recognized when control over the product is transferred to the customer, which occurs when the product is delivered to the customer. The customer has the discretion to determine the sales route and price of the product, and the Group has no remaining performance obligations that could affect the customer's acceptance of the product. When the product is shipped to the designated location, the risks of obsolescence, deterioration, and loss have been transferred to the customer, and the customer has accepted the product according to the sales contract, or there is objective evidence that all acceptance criteria have been met, the point of delivery has occurred.
2. Sales revenue is recognized as net of estimated sales returns and allowances based on the contract price. Payment terms for sales transactions typically range from 30 to 120 days after shipment. As the time period between transferring goods or services to customers and their payment does not exceed one year, the Group does not adjust transaction prices to reflect the time value of money.
3. The contract liability for customer prepayments in the sales contract of the Group is recognized as revenue when control of the product is transferred to the customer.

(30) Government Grants

Government grants are recognized at fair value when it is reasonably certain that the entity will comply with the conditions attached to the grant and that the grant will be received. If the nature of the government grant is to compensate the Group for expenses incurred, the grant is recognized as income in the statement of comprehensive income systematically on a basis consistent with the recognition of the related expenses.

(31) Operating Segments

The information of the operating segments of the Group provided to the primary operating decision-makers in the internal management report is reported consistently. The primary operating decision-makers are responsible for allocating resources to the operating segments and evaluating their performance.

5. Main Sources of Significant Accounting Judgments, Estimates, and Assumptions Uncertainty

When preparing the consolidated financial statements, the management of the Group has exercised judgment in determining the accounting policies to be adopted and has made accounting estimates and assumptions b based on reasonable expectations of future events as of the date of the balance sheet. The significant accounting estimates and assumptions made may differ from actual results, and such estimates and assumptions will be continually evaluated and adjusted in consideration of historical experience and other factors. These estimates and assumptions have the potential to cause significant adjustments to the carrying amounts of assets and liabilities in the next financial year. Please see below for a detailed explanation of the main sources of significant accounting judgments, estimates, and assumptions uncertainties:

Valuation of Inventory

Due to the inventory must be valued at the lower of cost or net realizable value, the Group needs to exercise judgment and estimation to determine the net realizable value of inventory as of the balance sheet date. The Group evaluates inventory as of the balance sheet date based on the amount that is expected to be realized from normal usage, obsolescence, or lack of market demand, and reduces the inventory cost to the net realizable value. The inventory valuation is mainly based on the estimation of product demand within a specific future period, and therefore, may involve significant changes.

As of December 31, 2022, the carrying amount of inventory was NT$814,860 thousand.

6. Explanation of Significant Accounting Items

(1) Cash and Cash Equivalents

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash on Hand and Working Capital | $ 4,995 | $ 3,117 |
| Checking Deposits and Current Deposits | 435,820 | 462,405 |
| Time Deposits | 189,672 | 139,464 |

| | | |
|---|---|---|
| Total | $ 630,487 | $ 604,986 |
| Interest Rate Range | | |
| Time Deposit | 1.20% to 4.35% | 1.60%~2.40% |

1. The financial institutions with which the Group has transactions have good credit quality, and the Group deals with multiple financial institutions to diversify credit risk. The likelihood of default is expected to be very low.
2. Time deposits with original maturities exceeding three months and time deposits that are restricted and do not meet the criteria for being classified by the Group as short-term cash commitments as "financial assets measured at amortized cost." The amounts as of December 31, 2022 and December 31, 2021 were NT$11,600 thousand and NT$69,971 thousand, respectively. Please refer to Note 6(3) for details.

(2) Financial Assets at Fair Value through Profit or Loss - Current

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current Assets: | | |
| Financial Assets at Fair Value through Profit or Loss Measured at Mandatory Basis | | |
| Listed Company Stock | $ 11,551 | $ 13,033 |
| Convertible Bonds Redemption Rights | 3,270 | - |
| Revaluation Adjustments | ( 5,694) | 471 |
| Subtotal | $ 9,127 | $ 13,504 |

1. Details of Financial Asset at Fair Value through Profit or Loss - current are recognized in the income statement as follows:

| | 2022 | 2021 |
|---|---|---|
| Financial Assets at Fair Value through Profit or Loss Measured at Mandatory Basis | ($ 6,165) | $ 1,889 |

2. The Group did not pledge any of its financial assets at fair value through profit or loss - current.

(3) Financial Assets at Amortized Cost

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current Assets: | | |
| Restricted time deposits | $ - | $ 48,812 |
| Time deposits with maturities over three months | - | 4,768 |
| | $ - | $ 53,580 |
| Non-current items: | | |
| Restricted bank deposits | $ 11,600 | $ 16,391 |

1. Assuming no collateral or other credit enhancements, the most representative financial assets at amortized cost held by the Group had maximum credit risk exposure of NT$11,600 thousand and NT$69,971 thousand as of December 31, 111 and December 31, 110, respectively.
2. Please refer to Note 8 for details regarding financial assets pledged as collateral by the Group.
3. Please refer to Note 12(2) for credit risk information related to financial assets measured at amortized cost. The counterparty of the Group's investment in time deposits is a financially sound institution, and the possibility of default is expected to be very low.

(4) Accounts and Notes Receivable

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Account Receivable | $ 76,085 | $ 194,509 |
| Trade Receivable | $ 395,275 | $ 481,326 |
| Less: allowance for doubtful accounts | ( 10,392) | ( 12,523) |
| | $ 384,883 | $ 468,803 |

1. Accounts Receivable Aging Analysis:

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Account Receivable | Trade Receivable | Account Receivable | Trade Receivable |
| Not Overdue | $ 382,945 | $ 76,085 | $ 464,848 | $ 194,509 |
| 1-90 days | 6,434 | - | 10,582 | - |
| 91-180 days | 897 | - | 470 | - |
| Over 181 days | 4,999 | - | 5,426 | - |
| | $ 395,275 | $ 76,085 | $ 481,326 | $ 194,509 |

Aging analysis based on the number of days past due as above.

2. The balances of accounts receivable and notes receivable as of December 31, 2022 and December 31, 2021 were all generated from customer contracts. As of January 1, 2021, the balances of trade receivable and account receivable from customer contracts were NT$458,751 thousand and NT$82,512 thousand, respectively.
3. Assuming no collateral or other credit enhancements, the maximum credit risk exposure of the Group's accounts receivable from promissory notes was NT$76,085 thousand and NT$194,509 thousand as of December 31, 2022 and 2021, respectively. The maximum credit risk exposure of the Group's accounts receivable was NT$384,883 thousand and NT$468,803 thousand as of December 31, 2022 and 2021, respectively.
4. Related credit risk information on trade receivable and account receivable can be found in Note 12(2).

(5) Inventories

December 31, 2022

| | Cost | Allowance for Doubtful Accounts And Impairment Loss | Book Value |
|---|---|---|---|
| Raw Materials | $229,872 | ($ 12,993) | $ 216,879 |
| Material | 3,361 | - | 3,361 |
| Work in Process | 131,128 | ( 1,856) | 129,272 |
| Finishing Goods | 562,425 | ( 97,077) | 465,348 |
| Total | $ 926,786 | ($ 111,926) | $ 814,860 |

December 31, 2021

| | Cost | Allowance for Doubtful Accounts And Impairment Loss | Book Value |
|---|---|---|---|
| Raw Materials | $ 338,550 | ($ 12,959) | $ 325,591 |
| Material | 3,506 | - | 3,506 |
| Work in Process | 144,518 | ( 1,705) | 142,813 |
| Finishing Goods | 557,768 | ( 97,995) | 459,773 |
| Total | $ 1,044,342 | ($ 112,659) | $ 931,683 |

The Inventory Cost Recognized by the Group as Expenses in the Current Period:

| | 2022 | 2021 |
|---|---|---|
| Cost of Goods Sold | $ 2,787,576 | $ 3,011,639 |
| Unamortized Fixed Manufacturing Overhead | 19,494 | 15,819 |
| Inventory Write-Down and Reversal of Provisions for Inventory Obsolescence | ( 2,071) | ( 11,767) |
| Inventory Gain/Loss | ( 1,219) | 4,991 |
| Sales of Scraps | ( 20,804) | ( 32,465) |
| | $ 2,782,976 | $ 2,988,217 |

The inventory turnover benefit for the Group in 2022 and 2021 refers to the increase in net realizable value of inventory due to the disposal of inventory previously written down for losses.

(6) Prepayments

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Deferred Tax Assets | $ 93,898 | $ 81,259 |
| Advances to Suppliers | 36,816 | 29,539 |
| Other Prepaid Expenses | 19,041 | 22,685 |
| | $ 149,755 | $ 133,483 |

(7) Financial Assets at Fair Value through Other Comprehensive Income - Non-current

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Non-current Assets: | | |
| Equity Instruments | | |
| Non-publicly Traded Companies | $ 96,423 | $ 96,423 |
| Revaluation Adjustments of Financial Assets at Fair Value through Other Comprehensive Income | ( 36,705) | ( 8,290) |
| Total | $ 59,718 | $ 88,133 |

1. The Group has chosen to classify its stock investments, which are strategic or held for stable dividend income, as financial assets at fair value through other comprehensive income. The fair values of these equity instruments were NT$59,718 thousand and NT$88,133 thousand as of December 31, 2022 and 2021, respectively.
2. Recognition of financial assets at fair value through other comprehensive income in profit or loss and comprehensive income are as follows:

| | 2022 | 2021 |
|---|---|---|
| Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments | | |
| Recognized in Other Comprehensive Income for Fair Value Changes | ($ 22,643) | $ 6,385 |
| Recognized in Dividend Income in Profit or Loss Still Held at the End of the Period | $ 20 | $ 20 |

3. The Group did not provide any pledge for the financial assets at fair value through other comprehensive income - non-current.

(8) Investments Accounted using the Equity Method

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Honglongfa Development | $ 128 | $ 128 |
| Hongde Development | - | - |
| | $ 128 | $ 128 |

Individually insignificant affiliated companies of the Group is presented below:

| | | Shareholding % | |
|---|---|---|---|
| Company | Region | December 31, 2022 | December 31, 2021 |
| Honglongfa Development Co., Ltd. (Note 1) | Taiwan | 37.50% | 37.50% |
| Hongde Development Co., Ltd. (Note 2) | Hong Kong | 38.17% | 38.17% |

Note 1: approved for dissolution registration by the Ministry of Economic Affairs on July 30, 2021, but is still in the process of liquidation.

Note 2: The Group has recognized investment losses on affiliated companies up to the carrying amount of the investments accounted for using the equity method; therefore, no further losses are recognized.

(9) Property, Plant, and Equipment

2022

| | Beginning Balance | Increase | Decrease | Transfer | Exchange Rate Impact | Ending Balance |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Land | $ 363,610 | $ - | $ - | $ - | $ - | $ 363,610 |
| Building and Construction | 725,885 | 3,578 | - | 4,584 | 4,810 | 738,857 |
| Machinery and Equipment | 1,181,223 | 17,034 | (21,012) | (53,005) | 7,760 | 1,132,000 |
| Transportation and Equipment | 33,962 | 1,430 | - | (256) | 205 | 35,341 |
| Office Equipment | 14,775 | 540 | (264) | (429) | 54 | 14,676 |
| Other Equipment | 175,050 | 7,593 | (70) | (22,259) | 934 | 161,248 |
| Leased Assets | 38,000 | - | - | - | 612 | 38,612 |
| Idle Assets | 3,019 | - | - | 100,868 | (295) | 103,592 |
| Construction in Progress/ Equipment under Testing | 283,956 | 121,356 | - | (25,499) | 4,603 | 384,416 |
| | $ 2,819,480 | $ 151,531 | ($ 21,346) | $ 4,004 | $ 18,683 | $ 2,972,352 |
| Accumulated Depreciation | | | | | | |
| Building and Construction | ($ 401,389) | ($ 27,019) | $ - | $ - | ($ 2,624) | ($ 431,032) |
| Machinery and Equipment | (800,396) | (62,732) | 21,012 | 41,082 | (5,572) | (806,606) |
| Transportation and Equipment | (23,845) | (3,012) | - | 106 | (156) | (26,907) |
| Office Equipment | (10,264) | (1,065) | 264 | 418 | (48) | (10,695) |
| Other Equipment | (125,190) | (11,350) | 70 | 7,058 | (485) | (129,897) |
| Leased Assets | (21,410) | (1,857) | - | - | (340) | (23,607) |
| Idle Assets | (3,019) | - | - | (48,664) | 143 | (51,540) |
| | ($ 1,385,513) | ($ 107,035) | $ 21,346 | $ - | ($ 9,082) | ($ 1,480,284) |
| | $ 1,433,967 | | | | | $ 1,492,068 |

| 2021 | Beginning Balance | Increase | Decrease | Transfer | Exchange Rate Impact | Ending Balance |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Land | $ 363,610 | $ - | $ - | $ - | $ - | $ 363,610 |
| Building and Construction | 724,072 | 3,120 | - | 463 | ( 1,770) | 725,885 |
| Machinery and Equipment | 1,138,833 | 71,715 | ( 38,541) | 12,128 | ( 2,912) | 1,181,223 |
| Transportation and Equipment | 28,236 | 5,834 | ( 206) | 168 | ( 70) | 33,962 |
| Office Equipment | 14,751 | 498 | ( 457) | - | ( 17) | 14,775 |
| Other Equipment | 168,369 | 7,017 | ( 1,676) | 1,662 | ( 322) | 175,050 |
| Leased Assets | 38,226 | - | - | - | ( 226) | 38,000 |
| Idle Assets | 3,019 | - | - | - | - | 3,019 |
| Construction in Progress/ Equipment under Testing | 30,936 | 267,047 | - | ( 13,899) | ( 128) | 283,956 |
| | $ 2,510,052 | $ 355,231 | ($ 40,880) | $ 522 | ($ 5,445) | $ 2,819,480 |
| Accumulated Depreciation | | | | | | |
| Building and Construction | ($ 375,648) | ($ 26,642) | $ - | $ - | $ 901 | ($ 401,389) |
| Machinery and Equipment | ( 775,817) | ( 64,857) | 38,342 | - | 1,936 | ( 800,396) |
| Transportation and Equipment | ( 21,130) | ( 2,971) | 206 | - | 50 | ( 23,845) |
| Office Equipment | ( 9,761) | ( 977) | 457 | - | 17 | ( 10,264) |
| Other Equipment | ( 116,492) | ( 10,572) | 1,676 | - | 198 | ( 125,190) |
| Leased Assets | ( 19,704) | ( 1,823) | - | - | 117 | ( 21,410) |
| Idle Assets | ( 3,019) | - | - | - | - | ( 3,019) |
| | ($ 1,321,571) | ($ 107,842) | $ 40,681 | $ - | $ 3,219 | ($ 1,385,513) |
| | $ 1,188,481 | | | | | $ 1,433,967 |

1.

A. Starting from March 10, 2022, the Group recognizes its buildings and structures, machinery and equipment, transportation equipment, office equipment, and other equipment to rental assets based on their usage.

B. The Group reclassified the relevant leased assets for dyeing and finishing to buildings and structures and idle assets, respectively, in accordance with their nature, as the lease and use of such assets were ceased based on the local government's policy in December 2022.

C. The transfer in the current period is due to the transfer of prepaid equipment payment.

2. Please refer to Note 8 for details on information provided as collateral using real estate, factory buildings, and equipment.
3. The Group did not capitalize interest in 2022 and 2021.

(10) Lease Transactions - Lessee

1. The assets leased by the Group include land, buildings, and machinery and equipment, and the lease terms typically range from 2 to 46 years. The lease agreements are individually negotiated and include various different terms and conditions. There are no restrictions imposed other than that the leased assets may not be used as collateral for borrowings.
2. The information on the book value of the right-of-use assets and the related depreciation expense is as follows:

| | December 31, 2022 Book Value | December 31, 2021 Book Value |
|---|---|---|
| Land | $ 68,760 | $ 66,747 |
| Buildings | 1,307 | 1,989 |
| Machinery and Equipment | 9 | 122 |
| | $ 70,076 | $ 68,858 |

| | 2022 Depreciation Expense | 2021 Depreciation Expense |
|---|---|---|
| Land | $ 2,824 | $ 2,622 |
| Buildings | 682 | 661 |
| Machinery and Equipment | 113 | 118 |
| | $ 3,619 | $ 3,401 |

3. The increase in right-of-use assets of the Group was NT$5,270 thousand and NT$2,271 thousand for the years ended 2022 and 2021, respectively.
4. Information on income and expense items related to lease agreements is as follows:

| | 2022 | 2021 |
|---|---|---|
| Items affecting current period income and expenses: | | |
| Interest Expense on Lease Liabilities | $ 57 | $ 32 |
| Expense Related to Short-term Lease Agreements | $ 1,347 | $ 1,619 |
| Lease Modification Gain/Loss | $ 5 | $ 3 |

5. The total cash outflows for lease payments of the Group in 2022 and 2021 were NT$3,517 thousand and NT$3,532 thousand, respectively.
6. The current and non-current balances of lease liabilities of the Group are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Lease Liabilities - Current | $ 1,962 | $ 1,587 |
| Lease Liabilities - Non-current | $ 4,595 | $ 3,298 |

(11) Short-term Borrowings

| Loan Nature: | December 31, 2022 | December 31, 2021 |
| --- | --- | --- |
| Unsecured Loan | $ 140,703 | $ 470,037 |
| Secured Loan | 97,658 | 10,798 |
| Purchase Loan | - | 11,044 |
| | $ 238,361 | $ 491,879 |
| Range of interest rates for borrowing from financial institutions: | 1.40%~6.35% | 0.88%~1.83% |

1. Short-term loan of NT$3,000 thousand was borrowed by Utex Innovation Co., Ltd. on December 31, 2021, with the Small and Medium Enterprise Credit Guarantee Fund as the guarantor, without substantial collateral. The loan is categorized based on the guarantee regulations, with 70% or NT$2,100 thousand as secured loan and 30% or NT$900 thousand as unsecured loan.
2. Please refer to Note 8 for information on collateral provided for loans.

(12) Short-term Notes Payable

| | December 31, 2021 |
| --- | --- |
| Accounts Payable - Commercial Paper | $ 160,000 |
| Less: Discount on Accounts Payable - Commercial Paper | ( 278) |
| | $ 159,722 |
| Interest Rate Range | 1.03%~1.11% |

1. None such event occurred on December 31, 2022.
2. The above accounts payable commercial paper is guaranteed by Ta Ching Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Mega Bills Finance Corporation., Dah Chung Bills Finance Corporation, and Grand Bills Finance Corporation.

(13) Other Payables

| | December 31, 2022 | December 31, 2021 |
| --- | --- | --- |
| Accrued Salaries Payable | $ 86,536 | $ 94,045 |
| Accrued Processing Fees Payable | 26,786 | 40,127 |
| Accounts Payable for Construction and Equipment | 12,722 | 12,383 |
| Accounts Payable for Utilities | 11,926 | 9,865 |
| Accounts Payable for Repairs and Maintenance | 8,719 | 14,411 |
| Other | 61,629 | 54,135 |
| | $ 208,318 | $ 224,966 |

(14) Bonds Payable

| | December 31, 2022 |
| --- | --- |
| Payable Corporate Bonds | $ 300,000 |
| Plus: Interest Compensation | 1,375 |
| Less: Discount on Payable Corporate Bonds | ( 13,806) |
| | $ 287,569 |

1. None such event occurred on December 31, 2021.
2. Convertible corporate bonds issued by the Company domestically.
    A. The terms and conditions of the second unsecured convertible corporate bond issuance by the Company in the domestic market are as follows:
        a. The Company has been approved by the competent authority to raise and issue its second unsecured convertible corporate bonds in the domestic market. The total issuance amount is NT$300,000 thousand, with a coupon rate of 109.01% and a three-year maturity period. The circulation period runs from January 26, 2022 to January 26, 2025. The bonds will be redeemed at maturity at their face value plus 1.5075% interest compensation, payable in cash. The bonds were listed and traded on the Taipei Exchange (TPEx) on January 26, 2022.
        b. From three months after the issuance date of this convertible bond until the maturity date, the bondholders can request to convert this convertible bond into common stocks of the Company at any time, except for i) Suspension period of common shares transfer according to laws and regulations; ii) the period from fifteen business days before the ex-dividend date, ex-rights date or ex-bonus share date of the Company's stock until the record date; iii) the period from the reduction record date of the Company until the day before the start of trading of the new shares issued due to the reduction; iv) the period from the suspension of the conversion of stocks due to stock split to the day before the trading day of the new shares issued by the stock split. The bondholders can make the request through their securities broker and notify the Taiwan Depository & Clearing Corporation, which is the stock registrar of the Company, to convert the convertible bond into common stocks of the Company in accordance with this regulation. The rights and obligations of the common stocks obtained through the conversion shall be the same as those of the previously issued common stocks of the Company.
        c. The conversion price of this convertible corporate bond is determined according to the pricing model specified in the conversion rules. In case of anti-dilution provisions triggered by the Company, the conversion price will be adjusted based on the same pricing model. As of December 31, 2022, the conversion price of this convertible corporate bond is set at NT$15.3 per share.
        d. When the convertible bonds have been outstanding for three months from the date of issuance until 40 days prior to the end of the issuance period, if the closing price of the Company's common stock exceeds 130% of the then conversion price for thirty consecutive business days, or if the outstanding balance of the Convertible Bonds in circulation is less than 10% of the original issuance amount, the Company may, at any time thereafter, redeem all the Convertible Bonds in cash at their face value.
        e. According to the conversion rules, all redeemed (including those bought back by securities firms), repaid, or converted convertible bonds of the Company shall be cancelled and may not be resold or issued again, and their attached conversion rights shall also be extinguished.
    B. As of December 31, 2022, the principal amount of the convertible corporate bonds has not been converted into common shares.
3. When issuing convertible bonds, the Company separated the equity component of the conversion right and each liability component element in accordance with International Accounting Standard 32 "Financial Instruments: Presentation." As of December 31, 2022, the "Capital Surplus - Subscription Rights" was recorded as NT$44,848 thousand. The embedded call option was also separated from the host contract liability instrument in accordance with International Financial Reporting Standard 9 "Financial Instruments" as it was not closely related to the economic characteristics and risks of the host contract liability instrument. The net amount of the embedded call option was then recorded as "Financial Assets at Fair Value through Profit or Loss." The effective interest rate of the host contract liability instrument after separation was 2.3%.

(15) Long-term Borrowings

| Type of Borrowings | Borrowing Period | December 31, 2022 |
| --- | --- | --- |
| Secured Borrowings | From August 13, 2019 to August 13, 2024<br>Monthly interest payment<br>The principal be repaid in 12 installments starting from November 13, 2021 | $ 116,667 |
| | From November 20, 2019 to November 20, 2026<br>Monthly interest payment<br>The principal be repaid in 84 installments starting from December 20, 2019 | 83,928 |
| | From October 13, 2020 to October 13, 2025<br>Monthly interest payment<br>The principal be repaid in 12 installments starting from January 13, 2023 | 150,000 |
| | From May 20, 2021 to May 20, 2028<br>Monthly interest payment<br>The principal be repaid in 84 installments starting from June 20, 2021 | 154,762 |
| | From November 25, 2021 to November 25, 2026<br>Monthly interest payment<br>The principal be repaid in 48 installments starting from December 25, 2022 | 12,533 |
| Unsecured Borrowings | From November 25, 2021 to November 25, 2026<br>Monthly interest payment<br>The principal be repaid in 48 installments starting from December 25, 2022 | 3,133 |
| | | $ 521,023 |
| Less: Long-term borrowings due within one year | | ( 170,666) |
| | | $ 350,357 |
| Interest Rate Range | | 1.84%~2.23% |

(Intentionally left blank)

| Type of Borrowings | Borrowing Period | December 31, 2021 |
| --- | --- | --- |
| Secured Borrowings | From August 13, 2019 to August 13, 2024<br>Monthly interest payment<br>The principal be repaid in 12 installments starting from November 13, 2021 | $ 183,333 |
| | From November 20, 2019 to November 20, 2026<br>Monthly interest payment<br>The principal be repaid in 84 installments starting from December 20, 2019 | 105,357 |
| | From October 13, 2020 to October 13, 2025<br>Monthly interest payment<br>The principal be repaid in 12 installments starting from January 13, 2023 | 150,000 |
| | From May 20, 2021 to May 20, 2028<br>Monthly interest payment<br>The principal be repaid in 84 installments starting from June 20, 2021 | 183,333 |
| | From November 25, 2021 to November 25, 2026<br>Monthly interest payment<br>The principal be repaid in 48 installments starting from December 25, 2022 | 12,800 |
| Unsecured Borrowings | From November 25, 2021 to November 25, 2026<br>Monthly interest payment<br>The principal be repaid in 48 installments starting from December 25, 2022 | 3,200 |

| | |
|---|---|
| | $ 638,023 |
| Less: Long-term borrowings due within one year | ( 117,000) |
| | $ 521,023 |
| Interest Rate Range | 1.20%~1.60% |

1. As of December 31, 2022 and 2021, the long-term borrowings of Utex Innovation Co., Ltd. were NT$15,666 thousand and NT$16,000 thousand, respectively. These borrowings were guaranteed by the Small and Medium Enterprise Credit Guarantee Fund, and had no substantive collateral. Based on the proportion defined in the guarantee regulations, 80% of the borrowings were secured borrowings, and 20% were unsecured borrowings.
2. Please refer to Note 8 for details of the collateral for secured borrowings.

(16) Pension

1.

A. The Company has established a retirement plan with defined benefits in accordance with the Labor Standards Act. The plan applies to the service years of all regular employees before the implementation of the Labor Pension Act on July 1, 2005, as well as the subsequent service years of employees who choose to continue to be subject to the Labor Standards Act. Retirement benefits are calculated based on years of service and the average salary in the last 6 months before retirement. For those with service years of 15 years or less, two months' basic salary is provided for each year of service. For those with service years exceeding 15 years, one month's basic salary is provided for each year of service, with a maximum of 45 months' basic salary. The Company contributes 2% of total salary as a monthly provision for retirement benefits, which is deposited in a special account in the name of the Labor Retirement Reserve Supervisory Committee at the Bank of Taiwan. In addition, the Company estimates the balance of the Labor Retirement Reserve account at the end of each fiscal year. If the balance is insufficient to cover the estimated retirement benefits for employees who are expected to retire in the following year, based on the above calculation, the Company will make up the difference by the end of March of the following year.

B. The amounts recognized in the balance sheet are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Present Value of Defined Benefit Obligation | $ 54,861 | $ 49,674 |
| Fair value of Pan Assets | ( 34,689) | ( 31,705) |
| Net Defined Benefit Lability | $ 20,172 | $ 17,969 |

C. Changes in Net Defined Benefit Liability:

| | Present Value of Defined Benefit Obligation | Fair Value of Plan Assets | Net Defined Benefit Liability |
|---|---|---|---|
| 2022 | | | |
| Balance as of Jan. 1 | $ 49,674 | ($ 31,705) | $ 17,969 |
| Current Service Cost | 271 | - | 271 |
| Interest Expense (Income) | 248 | ( 161) | 87 |
| | 50,193 | ( 31,866) | 18,327 |
| Remeasurement Items: | | | |
| Plan Asset Return (Excluding amounts included in interest income or expense) | - | ( 2,493) | ( 2,493) |
| Financial Assumption Change | 951 | - | 951 |
| Experience Adjustment | 4,407 | - | 4,407 |
| | 5,358 | ( 2,493) | 2,865 |
| Provision for Retirement Benefit | - | ( 1,020) | ( 1,020) |
| Payment of Retirement Benefit | ( 690) | 690 | - |

| | | | |
|---|---|---|---|
| Balance as of Dec. 31 | $ 54,861 | ($ 34,689) | $ 20,172 |

| | Present Value of Defined Benefit Obligation | Fair Value of Plan Assets | Net Defined Benefit Liability |
|---|---|---|---|
| 2021 | | | |
| Balance as of Jan. 1 | $ 48,403 | ($ 30,349) | $ 18,054 |
| Current Service Cost | 282 | - | 282 |
| Interest Expense (Income) | 363 | ( 240) | 123 |
| | 49,048 | ( 30,589) | 18,459 |
| Remeasurement Items: | | | |
| Plan Asset Return (Excluding amounts included in interest income or expense) | - | ( 285) | ( 285) |
| Financial Assumption Change | 965 | - | 965 |
| Experience Adjustment | - | - | - |
| | 965 | ( 285) | 680 |
| Provision for Retirement Benefit | - | ( 1,170) | ( 1,170) |
| Payment of Retirement Benefit | ( 339) | 339 | - |
| Balance as of Dec. 31 | $ 49,674 | ($ 31,705) | $ 17,969 |

D. The assets of Company's defined benefit retirement plan fund are entrusted to Taiwan Bank to operate according to the investment and utilization plan set for the fund year, based on the proportion and amount range of commissioned business items stipulated in Article 6 of the Regulations Governing Receipt and Utilization of Income and Expenditures of Labor Retirement Funds (depositing in domestic and foreign financial institutions, investing in domestic and foreign securities listed on stock exchanges, over-the-counter markets, or privately issued securities, and investing in securitized commodities of domestic and foreign real estate, etc.). The related utilization situation is supervised by the Labor Pension Fund Supervisory Committee. The minimum income distribution for the fund's operation and utilization each year shall not be less than the income calculated based on the two-year fixed deposit interest rate of the local bank. If there is any shortfall, it shall be supplemented by the National Treasury after approval by the competent authority. As the Company has no right to participate in the operation and management of the fund, it is unable to disclose the classification of the plan assets' fair value in accordance with paragraph 142 of International Accounting Standard No. 19. Please refer to the labor retirement fund utilization report for each year as announced by the government for the fair value of the total assets of the fund as of December 31, 2022 and December 31, 2021.

E. Summary of actuarial assumptions for retirement benefits:

| | 2022 | 2021 |
|---|---|---|
| Discount Rate | 1.25% | 0.50% |
| Future Salary Increase Rate | 3.00% | 2.00% |

The assumptions for future mortality rates for the years 2022 and 2021 are estimated based on the 2nd Life Table for Annuity Insurance of Taiwan Life Insurance Industry.

The analysis of the impact on the present value of the defined benefit obligation due to changes in the main actuarial assumptions adopted is as follows:

| | Discount Rate | | Future Salary Increase Rate | |
|---|---|---|---|---|
| | Increase by 0.25% | Decrease by 0.25% | Increase by 1 % | Decrease by 1% |
| Dec. 31, 2022 | | | | |
| Impact on the Present Value of Defined Benefit Obligations | ($ 936) | $ 966 | $ 4,024 | ($ 3,610) |

| | Discount Rate | | Future Salary Increase Rate | |
|---|---|---|---|---|
| | Increase by 0.25% | Decrease by 0.25% | Increase by 1 % | Decrease by 1% |
| Dec. 31, 2021 | | | | |
| Impact on the Present Value of Defined Benefit Obligations | ($ 964) | $ 998 | $ 4,239 | ($ 3,756) |

The sensitivity analysis presented above is based on the assumption that all other variables remain constant while only one variable changes. In practice, however, changes in one variable may be interrelated with changes in other variables. The sensitivity analysis is consistent with the method used to calculate the net retirement benefit liability in the balance sheet.

The methods and assumptions used in preparing the sensitivity analysis for the current period are consistent with those used in the previous period.

F. The Company anticipates making a contribution of NTD 1,020 million to the retirement plan in 2023.

G. As of December 31, 2022, the weighted average remaining service period of the retirement plan is 9.9 years.

2.

A. Since July 1, 2005, the Company has established a defined contribution retirement plan for its employees who are nationals of Taiwan, in accordance with the Labor Pension Act. Under this plan, the Company contributes 6% of each employee’s monthly salary to his/her individual account at the Bureau of Labor Insurance. Upon retirement, the employee may choose to receive monthly pension payments or a lump sum payment, based on the balance in his/her individual account and the accumulated investment income.

B. All subsidiaries of the Group in China contribute a certain percentage of the local employees’ total salaries each month to the pension insurance system in accordance with the regulations of the government of the People’s Republic of China. The contribution rates were 14% and 15% for the years 2022 and 2021, respectively. The retirement benefits of each employee are managed and arranged by the Chinese government, and the Group has no further obligations beyond the monthly contributions.

C. The retirement benefit costs recognized by the Group in accordance with the above-mentioned retirement benefit plan for the years 2022 and 2021 were NT$15,045 thousand and NT$16,450 thousand, respectively.

(17) Share Capital

1. As of December 31, 2022, the authorized capital of the Company was NT$1,838,311 thousand, and the paid-in capital was NT$1,298,970 thousand, with a par value of NT$ 10 per share.
2. The number of outstanding common shares of the Company was adjusted as follows at the beginning and end of the period:

Unit: Thousand Shares

| | 2022 | 2021 |
|---|---|---|
| Beginning Share (Ending Share) | 129,897 | 129,897 |

(18) Capital Surplus

According to the Company Law, the capital surplus obtained from issuing stocks above par value and the capital surplus obtained from receiving gifts shall, except for offsetting losses, be distributed as new shares or cash to shareholders in proportion to their original shareholding when the Company has no accumulated losses. In addition, according to relevant regulations of the Securities and Exchange Act, when the above-mentioned capital surplus is allocated to capital, the total amount shall not exceed 10% of the paid-in capital each year. If the Company still has insufficient funds to cover the capital deficiency after using the legal reserve, it may not use the capital surplus to make up for the shortfall.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Can be used to offset losses, distribute cash, or allocate to share capital | | |
| Treasury Stocks Transaction | $ 5,887 | $ 5,887 |
| Cannot be used to offset losses, distribute cash, or allocate to share capital | | |
| Recognition of equity component resulting from the issuance of convertible corporate bonds | $ 44,848 | $ - |

(19) Retained Earnings

1. According to the Company Act, after deducting the losses from previous years, 10% of the remaining balance of the Company's after-tax profits must be set aside as a legal reserve. The rest of the balance, together with the accumulated undistributed profits from the previous year, shall be considered as distributable profits. The legal reserve may only be used to offset the Company's losses or to increase its capital. However, when increasing the capital, the legal reserve shall not exceed 25% of the paid-in capital, and only half of the reserve may be used.
2. If there is a net profit in the annual financial statements of the Company, taxes and other dues shall be paid in accordance with the law, and 10% of the balance, after offsetting accumulated losses, shall be appropriated as the legal reserve. However, when the legal reserve has reached the Company's paid-in capital, no further appropriation is required. The remaining balance shall be appropriated or transferred to the special surplus reserve in accordance with relevant laws and regulations. If there is still a balance, it shall be combined with the accumulated undistributed profits and proposed by the Board of Directors for approval at the Shareholders' Meeting for the distribution of dividends to shareholders.
   The distribution of dividends to the shareholders is based on both stock dividends and cash dividends. For the next year, the cash dividends shall not be less than 10% of the total amount of dividends. The actual distribution ratio is subject to the authorization of the Board of Directors based on the Company's financial condition and capital budget.
3. When distributing profits, this company must first allocate a portion to the special reserve for undistributed earnings, which is derived from the debit balance in other equity items as of the year-end balance sheet date in accordance with relevant laws and regulations. Only after this reserve is set up can profits be distributed. If the debit balance in other equity items is reversed in the future, the amount of the reversal can be included in the distributable profits.

4. The dividend distributions for the year 2021 and 2020, which was approved by the shareholders' meetings on June 21, 2022, and August 27, 2021, respectively, are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Amount | Dividend per Share (NT$) | Amount | Dividend per Share (NT$) |
| Legal Reserve | $ 14,152 | | $ 9,868 | |
| Cash Dividend | 64,948 | $ 0.50 | 51,959 | $ 0.40 |
| Total | $ 79,100 | | $ 61,827 | |

5. The dividend distribution proposal for the year 2022, proposed by the Board of Directors on March 28, 2023, is as follows:

| | 2022 | |
|---|---|---|
| | Amount | Dividend per Share (NT$) |
| Legal Reserve | $ 7,514 | |
| Cash Dividend | 51,959 | $ 0.40 |
| Total | $ 59,473 | |

Above proposal is still pending approval by the shareholders' meeting as of March 28, 2023.

6. Please refer to Note 6(25) for information regarding employee compensation and director and supervisor remuneration.

(20) Operating Revenue

1. Breakdown of customer contract revenue.

The Group's revenue is derived from the transfer of goods at a certain point in time.

2022

| | Honmyue | | | | Hongyu Zhejiang | | Nuwa | | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Asia | Europe | America | Other | Asia | America | Asia | America | Asia | |
| Contract Revenue | $2,230,664 | $18,722 | $86,047 | $1,739 | $567,651 | $2,523 | $220,955 | $873 | $59,846 | $3,189,020 |

2021

| | Honmyue | | | | Hongyu Zhejiang | | Nuwa | | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Asia | Europe | America | Other | Asia | America | Asia | America | Asia | |
| Contract Revenue | $2,178,049 | $15,604 | $87,806 | $2,191 | $1,030,856 | $116 | $133,796 | $1,117 | $54,334 | $3,503,869 |

2. Contract Liabilities

The Group recognizes the following contract liabilities related to customer contract revenue:

| | Dec. 31, 2022 | Dec. 31, 2021 | Jan. 1, 2021 |
|---|---|---|---|
| Contract Liabilities - Advance from Customers | $ 25,257 | $ 39,890 | $ 37,602 |

3. Beginning contract liabilities and revenue recognized in the current period are as follows:

| | 2022 | 2021 |
|---|---|---|
| Beginning Contract Liabilities and Revenue Recognized this period | $ 34,726 | $ 35,373 |

(21) Other Income

| | 2022 | 2021 |
|---|---|---|
| Rental Income | $ 36,509 | $ 14,869 |
| Government Grands Income | 2,888 | 13,949 |
| Dividend Income | 855 | 290 |
| Other Income - Miscellaneous | 18,061 | 8,596 |
| | $ 58,313 | $ 37,704 |

1. On February of 2019, Jiujiang Deyu Textile Technology Co., Ltd. signed a government subsidy contract with the De'an County of the People's Republic of China. The subsidy of NT$25,451 thousand for the infrastructure construction was recognized as deferred income (recorded as other current liabilities and other non-current liabilities) in three phases. The income was recognized annually over a land use right of 50 years. As of December 2021, Deyu has received the first phase of subsidy of NT$10,180 thousand. As of December 2022, the balances of deferred income and subsidy income were NT$23,972 thousand and NT$1,383 thousand, respectively.
2. The government grands income for the year 2022 and 2021 were from the Conventional Industry Technology Development (CITD) and A-Plus Innovation and Development program subsidized by the Ministry of Economic Affairs.

(22) Other Gains and Losses

| | 2022 | 2021 |
|---|---|---|
| Net Foreign Exchange Gain/Loss | $ 10,589 | $ 3,019 |
| Gain on Disposal of Property, Plant, and equipment | 1,586 | 4,202 |
| Gain on Disposal of Investments | 965 | 1,805 |
| Depreciation Expense on Leased Assets | - | ( 1,823) |
| Gain/Loss on Financial Assets at Fair Value through P/L | ( 6,165) | 1,889 |
| Other Income - Miscellaneous | ( 2,728) | ( 2,251) |
| | $ 4,247 | $ 6,841 |

(23) Financial Costs

| | 2022 | 2021 |
|---|---|---|
| Interest Expense | $ 14,809 | $ 14,058 |
| Interest Expense on Bonds Payable | 7,320 | - |
| Interest Expense on Lease Liabilities | 57 | 32 |
| | $ 22,186 | $ 14,090 |

(24) Additional Information about the Nature of Expenses

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Employee Benefits Expenses | $ | 481,807 | $ | 510,266 |
| Depreciation Expenses for Property, Plant, and Equipment | | 107,035 | | 106,019 |
| Depreciation Expenses for Right-of-use Assets | | 3,619 | | 3,401 |
| Amortization Expenses for Intangible Assets | | 2,215 | | 2,376 |
| | $ | 594,676 | $ | 622,062 |

(25) Employee Benefits Expense

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Salary expense | $ | 414,817 | $ | 441,169 |
| Labor and Health Insurance Expenses | | 31,033 | | 30,073 |
| Pension Expenses | | 15,403 | | 16,855 |
| Other Employee Benefits Expenses | | 20,554 | | 22,169 |
| | $ | 481,807 | $ | 510,266 |

1. According to the Company's Articles of Incorporation, if the Company generates profits in any fiscal year, at least 2% of the profits shall be allocated as employee compensation and distributed as cash or stock dividends by resolution of the Board of Directors, and the distribution shall include eligible employees of subsidiary companies meeting certain conditions. In addition, the Company may allocate up to 5% of the profits by resolution of the Board of Directors as director compensation. However, if the Company has accumulated losses, the amount necessary to offset the losses shall be reserved in advance, and employee compensation and director compensation shall be allocated in accordance with the aforementioned ratio.
2. Current audit committee was established after the election of the Board of Directors in August 2021, and is without supervisors.
3. The estimated amounts of employee and director/supervisor remuneration for the Company in 2022 and 2021 are as follows:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Employee Remuneration | $ | 3,349 | $ | 5,947 |
| Director/Supervisor Remuneration | | 3,349 | | 5,947 |
| | $ | 6,698 | $ | 11,894 |

   The aforementioned amounts are recorded under the salary expense account. Employee and director/supervisor remuneration for both 2022 and 2021 were estimated at 3% based on the earnings up to the respective periods, as determined by the Board of Directors.
4. The amounts recognized for employee remuneration and director/supervisor remuneration in year 2021, as approved by the Board of Directors, were consistent with the amounts recognized in the financial statements for year 2021.
5. The information related to employee and director/supervisor remuneration approved by the Board of Directors can be found on the Market Observation Post System.

(26) Income Tax

1. Income Tax Expense

A. Components of income tax expense:

| | 2022 | 2021 |
|---|---|---|
| Current Income Tax | | |
| Income Tax Expense for the Current Year | $ 26,212 | $ 33,393 |
| Over-provision of Income Tax in Prior Year | ( 2,961) | ( 3,242) |
| | 23,251 | 30,151 |
| Deferred Income Tax | | |
| Origination and Reversal of Temporary Differences | 846 | 6,534 |
| Total | $ 24,097 | $ 36,685 |

B. Income tax related to other comprehensive income:

| | 2022 | 2021 |
|---|---|---|
| Changes in Fair Value of Financial Assets at Fair Value through Other Comprehensive Income | ($ 5,772) | $ 2,174 |
| Foreign Exchange Differences Related to Foreign Operations | - | ( 1,528) |
| Remeasurements of Defined Benefit Obligations | ( 573) | ( 137) |
| | ($ 6,345) | $ 509 |

2. The Relationship between Income Tax Expense and Accounting Profit.

| | 2022 | 2021 |
|---|---|---|
| Income Tax Calculated Based on Statutory Tax Rate on Pre-tax Income | $ 21,092 | $ 36,165 |
| Deductible Amounts as Stipulated by Tax Regulation | 1,001 | 3,482 |
| Exempt Income as Stipulated by Tax Regulation | ( 2,289) | ( 2,716) |
| Unrecognized Deferred Tax Assets Due to Temporary Differences | 6,078 | 39 |
| Unrecognized Deferred Tax Liabilities Due to Temporary Differences | - | ( 4,048) |
| Realizability Assessment Changes in Deferred Tax Assets | ( 1,581) | 1,845 |
| Deferred Tax Assets for Tax Loss Carryforwards not Recognized | 2,480 | 4,890 |
| Over-provision of Income Tax in Prior Year | ( 2,961) | ( 3,242) |
| Other | 277 | 270 |
| Total | $ 24,097 | $ 36,685 |

3. The amounts of deferred tax assets or liabilities arising from temporary differences are as follows:

2022

| | Jan. 1 | Recognized in Profits or Loss | Recognized In Other Comprehensive Income | Dec. 31 |
|---|---|---|---|---|
| Temporary Differences: | | | | |
| -Deferred Tax Assets: | | | | |
| Allowance for Doubtful Accounts - Out of Adjustment | $ 3,964 | $ 148 | $ - | $ 4,112 |
| Inventory Write-down | 20,129 | ( 460) | - | 19,669 |
| Remeasurement of Defined Benefit Obligations | 5,708 | - | 573 | 6,281 |
| Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income | 1,212 | - | 5,772 | 6,984 |
| Other | 6,577 | ( 668) | - | 5,909 |
| Subtotal | $ 37,590 | ($ 980) | $ 6,345 | $ 42,955 |
| -Deferred Tax Liabilities | | | | |
| Provision for Land Value Increment Tax | ($ 67,569) | $ - | $ - | ($ 67,569) |
| Unrealized Gains on Foreign Currency Translation | ( 749) | 164 | - | ( 585) |
| Other | - | ( 30) | - | ( 30) |
| Total | ($ 68,318) | $ 134 | $ - | ($ 68,184) |

2021

| | Jan. 1 | Recognized in Profits or Loss | Recognized In Other Comprehensive Income | Dec. 31 |
|---|---|---|---|---|
| Temporary Differences: | | | | |
| -Deferred Tax Assets: | | | | |
| Allowance for Doubtful Accounts - Out of Adjustment | $ 4,542 | ($ 578) | $ - | $ 3,964 |
| Inventory Write-down | 26,784 | ( 6,655) | - | 20,129 |
| Remeasurement of Defined Benefit Obligations | 5,571 | - | 137 | 5,708 |
| Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income | 3,386 | - | ( 2,174) | 1,212 |
| Other | 13,972 | ( 7,395) | - | 6,577 |
| Subtotal | $ 54,255 | ($ 14,628) | ($ 2,037) | $ 37,590 |
| -Deferred Tax Liabilities | | | | |
| Provision for Land Value Increment Tax | ($ 67,569) | $ - | $ - | ($ 67,569) |
| Unrealized Exchange Gain on Investment using Equity Method | ( 3,200) | 3,200 | - | - |
| Unrealized Gains on Foreign Currency Translation | ( 5,643) | 4,894 | - | ( 749) |
| Other | ( 1,528) | - | 1,528 | - |
| Total | ($ 77,940) | $ 8,094 | $ 1,528 | ($ 68,318) |

4. The unused tax losses and related amounts of unrecognized deferred tax assets of the Group are as follows:

December 31, 2022

| Company | Year | Filing/Approved Amount | Original Offset Amount | Unutilized Offset Amount | Amount of Unrecognized Deferred Tax Amount | Final Offset Year |
|---|---|---|---|---|---|---|
| Utex Innovation | 2022 | Estimated Filing Amount | $ 12,402 | $ 12,402 | $ 12,402 | 2032 |
| Utex Innovation | 2021 | Filing Amount | 24,451 | 24,451 | 24,451 | 2031 |
| Utex Innovation | 2020 | Filing Amount | 36,581 | 36,581 | 36,581 | 2030 |
| Utex Innovation | 2019 | Approved Amount | 53,240 | 53,240 | 53,240 | 2029 |
| Utex Innovation | 2018 | Approved Amount | 20,311 | 20,311 | 20,311 | 2028 |

December 31, 2021

| Company | Year | Filing/Approved Amount | Original Offset Amount | Unutilized Offset Amount | Amount of Unrecognized Deferred Tax Amount | Final Offset Year |
|---|---|---|---|---|---|---|
| Utex Innovation | 2021 | Estimated Filing Amount | $ 24,451 | $ 24,451 | $ 24,451 | 2031 |
| Utex Innovation | 2020 | Filing Amount | 36,581 | 36,581 | 36,581 | 2030 |
| Utex Innovation | 2019 | Approved Amount | 53,240 | 53,240 | 53,240 | 2029 |
| Utex Innovation | 2018 | Approved Amount | 20,311 | 20,311 | 20,311 | 2028 |
| Nuwa Enterprise | 2019 | Approved Amount | 875 | 875 | 875 | 2029 |
| Nuwa Enterprise | 2018 | Approved Amount | 7,189 | 7,189 | 7,189 | 2028 |
| Nuwa Enterprise | 2017 | Approved Amount | 3,428 | 1,107 | 1,107 | 2027 |

5. Unrecognized temporary differences that are not deductible for deferred tax assets:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Deductible temporary differences | $ 174,598 | $ 144,210 |

6. The annual corporate income tax of the Company and domestic subsidiaries, as determined by the tax authority, is listed in the following table:

| Company | Approved Year |
|---|---|
| Honmyue Enterprise Co., Ltd. | 2020 |
| Utex Innovation Co., Ltd. | 2019 |
| Wenfa Development L.L.C | 2020 |
| Nuwa Enterprise Co., Ltd. | 2021 |

(27) Earnings per Share

2022

| | Amount after Tax | Weighted Average Outstanding Shares (in Thousands) | Earnings per Share (in NT$) |
|---|---|---|---|
| Basic Earnings per Share | | | |
| Net Profit Attributable to Owners of the Parent Company for the Period | $ 77,429 | 129,897 | $ 0.60 |
| Diluted Earnings per Share | | | |
| Net Income Attributable to Shareholders of the Parent Company's Common Stock | $ 77,429 | 129,897 | |
| Effect of Dilutive Potential Ordinary Shares: | | | |
| Employee Compensation | - | 453 | |
| Convertible Bonds | 5,856 | 19,608 | |
| Net Profit Attributable to Owners of the Parent Company for the Period, Adjusted for the Effect of Dilutive Potential Ordinary Shares | $ 83,285 | 149,958 | $ 0.56 |

2021

| | Amount after Tax | Weighted Average Outstanding Shares (in Thousands) | Earnings per Share (in NT$) |
|---|---|---|---|
| Basic Earnings per Share | | | |
| Net Profit Attributable to Owners of the Parent Company for the Period | $ 143,963 | 129,897 | $ 1.11 |
| Diluted Earnings per Share | | | |
| Net Income Attributable to Shareholders of the Parent Company's Common Stock | $ 143,963 | 129,897 | |
| Effect of Dilutive Potential Ordinary Shares: | | | |
| Employee Compensation | - | 453 | |
| Net Profit Attributable to Owners of the Parent Company for the Period, Adjusted for the Effect of Dilutive Potential Ordinary Shares | $ 143,963 | $ 130,350 | $ 1.10 |

In calculating diluted earnings per share, it is assumed that the employee compensation is fully distributed in the form of stock options. When such potential common shares have a dilutive effect, they are included in the weighted average number of shares outstanding.

(28) Supplementary Cash Flow Information

Partial cash payment for investing activities:

| | 2022 | 2021 |
|---|---|---|
| Acquisition of Property, Plant and Equipment | $ 155,535 | $ 355,753 |
| Add: Beginning Balance of Payable for Construction and Equipment | 12,383 | 3,298 |
| Less: Ending Balance of Payable for Construction and Equipment | ( 12,722) | ( 12,383) |
| Less: Beginning Balance of Advances to Construction Contractors | ( 10,340) | ( 6,581) |
| Add: Ending Balance of Advances to Construction Contractors | 11,437 | 10,340 |
| Cash Paid during the Period | $ 156,293 | $ 350,427 |

(Intentionally left blank)

(29) Changes in Liabilities from Financing Activities

| | Short-term Borrowings | Short-term Notes Payable | Lease Liabilities | Bonds Payable | Long-term Borrowings (including those due within one year) | Deposit Received for Guarantee | Dividends Payable | Total Liabilities from Financing Activities |
|---|---|---|---|---|---|---|---|---|
| Jan. 1, 2022 | $ 491,879 | $ 159,722 | $ 4,885 | $ - | $ 638,023 | $ 3,384 | $ - | $ 1,297,893 |
| Changes in Cash Flows from Financing Activities | ( 259,483) | ( 160,000) | ( 2,113) | 321,827 | ( 117,000) | 12,786 | ( 64,948) | ( 268,931) |
| Effect of Exchange Rate Changes | 5,965 | - | - | - | - | - | - | 5,965 |
| Other Non-cash Changes | - | 278 | 3,785 | ( 34,258) | - | - | 64,948 | 34,753 |
| Dec. 31, 2022 | $ 238,361 | $ - | $ 6,557 | $ 287,569 | $ 521,023 | $ 16,170 | $ - | $ 1,069,680 |

| | Short-term Borrowings | Short-term Notes Payable | Lease Liabilities | Bonds Payable | Long-term Borrowings (including those due within one year) | Deposit Received for Guarantee | Dividends Payable | Total Liabilities from Financing Activities |
|---|---|---|---|---|---|---|---|---|
| Jan. 1, 2021 | $ 562,230 | $ 179,882 | $ 4,733 | $ - | $ 384,564 | $ 3,131 | $ - | $ 1,134,540 |
| Changes in Cash Flows from Financing Activities | ( 86,300) | ( 20,000) | ( 1,881) | - | 253,459 | 253 | ( 51,959) | 93,572 |
| Effect of Exchange Rate Changes | 15,949 | - | - | - | - | - | - | 15,949 |
| Other Non-cash Changes | - | ( 160) | 2,033 | - | - | - | 51,959 | 53,832 |
| Dec. 31, 2021 | $ 491,879 | $ 159,722 | $ 4,885 | $ - | $ 638,023 | $ 3,384 | $ - | $ 1,297,893 |

## 7. Related Party Transactions

### (1) Name and Relationship of Related Parties

| Name of Related Parties | Relationship with the Group |
|---|---|
| Yeh, Ming-Zhou | Key management personnel of the Group |
| Yeh, Jun-Lin | Other related parties of the Group |
| Zhejiang Yaoliang Textile Co., Ltd (Zhejiang Yaoliang) | Affiliated companies of the Group |
| He Guan Textile Co., Ltd. | Other related parties of the Group |
| Yunite Textile International Co., Ltd. | Other related parties of the Group |
| Cyun Yu International Co., Ltd. | Other related parties of the Group |
| Zhen Hong Investment Co., Ltd. | Other related parties of the Group |
| Yeh-Meng Metal Ind. Co., Ltd. | Other related parties of the Group |
| Li Cheng Venture Capital Co., Ltd. | Other related parties of the Group |

### (2) Significant Transactions with Related Parties

1. Operating Revenue

| | 2022 | 2021 |
|---|---|---|
| Sales of Goods | | |
| Zhejiang Yaoliang | $ 93,140 | $ 239,042 |
| Other Related Parties | 15,696 | 12,922 |
| Total | $ 108,836 | $ 251,964 |

The aforementioned sales transactions are priced in accordance with our general pricing policies and are subject to a 90-day credit term for collection. It should be noted that our collection period for general customers ranges from 30 to 120 days.

2. Purchase

| | 2022 | 2021 |
|---|---|---|
| Purchase of Goods | | |
| Other Related Parties | $ 8,044 | $ 18,633 |
| Labor (Processing Fees) | | |
| Other Related Parties | - | 225 |
| Total | $ 8,044 | $ 18,858 |

The aforementioned purchase transactions are conducted under the same conditions as those with general suppliers, with payment terms of 30 to 60 days after the end of the month. The payment period for our general suppliers ranges from 30 to 120 days.

3. Rental Income (listed under other income)

2022

| Lessee | Rented Property | Rental Income | Collection Method |
|---|---|---|---|
| Zhejiang Yaoliang | Property, Plant and Equipment | $ 21,018 | Based on actual circumstance |

On March 10, 2022, the Group rented out land, buildings, machinery and equipment, transportation equipment, office equipment, and other equipment to related parties for a period of 3 years. The rental price was determined by referencing the rental prices of adjacent areas at the time of the rental and the rented area. As per the agreement between both parties, the lessee was required to maintain a minimum amount of CNY 2 million (approximately NT$9,017 thousand) in a designated bank account. On September 26, 2022, in order to comply with local government policies regarding the closure and elimination of industrial capacity in the printing and dyeing industry, the Group signed an agreement with the related party to terminate the lease agreement earlier, on December 31, 2022.

4. Accounts Receivable from Related Parties

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| A. Accounts Receivable and Noted Receivable | | | | |
| Zhejiang Yaoliang | $ | 40,580 | $ | 121,098 |
| Other Related Parties | | 397 | | 3,162 |
| | $ | 40,977 | $ | 124,260 |

Accounts receivable and notes receivable mainly arise from sales transactions. The aging and amount of overdue accounts are as follows:

| | Overdue Aging | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|
| Zhejiang Yaoliang | 30 to 120 days | $ | 30,237 | $ | 5,246 |

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| B. Other Receivable | | | | |
| Zhejiang Yaoliang | $ | 12,074 | $ | - |

The other receivables represent the expenses paid on behalf of Zhejiang Yaoliang, including electricity and natural gas fees.

5. Accounts Payable to Related Parties

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| Notes Payable | | | | |
| Other Related Parties | $ | 22 | $ | 3,144 |
| Accounts Payable | | | | |
| Other Related Parties | $ | 372 | $ | 163 |

(3) Key Management Compensation

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Short-term Employee Benefits | $ | 27,626 | $ | 25,265 |
| Post-Employment Benefits | | 714 | | 589 |
| Total | $ | 28,340 | $ | 25,854 |

1. Short-term employee benefits comprise salaries, paid annual leave, and the Company's portion of labor and health insurance premiums for employees in service.
2. Post-employment benefits comprise to retirement benefits expenses borne by the Company.

8. Pledged Assets

The details of assets pledged by the Company as collateral are as follows:

| | Book Value | | |
|---|---|---|---|
| Assets | December 31, 2022 | December 31, 2021 | Purpose of Collateral |
| Real Estate, Plant and Equipment | | | |
| Land | $ 324,388 | $ 324,388 | Long-term/short-term borrowings |
| Building and Constructions | 170,590 | 180,878 | Long-term/short-term borrowings |
| Financial Assets at Amortized Cost - Current | - | 48,812 | Accepted bill payable |
| Financial Assets at Amortized Cost - Non-current | 11,600 | 16,391 | Natural gas and steam used for production and operation |
| Deposit for guarantee (Presented under Other Non-current Assets) | 2,287 | - | Product Warranty Guarantees |
| | $ 508,865 | $ 570,469 | |

9. Material Contingent Liabilities and Unrecognized Contractual Commitments

(1) Contingencies:

There are no such contingencies.

(2) Commitments:

1. Capital expenditures that have been contracted but not yet incurred.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Property, Plant, and Equipment | $ 76,506 | $ 136,106 |
| Intangible Assets | 14,286 | 24,762 |
| Total | $ 90,792 | $ 160,868 |

2. In September 2022, Hongyu Textile Zhejiang Co., Ltd. signed an agreement with Jiaxing Xiuzhou Photovoltaic Town Development and Construction Co., Ltd., commissioned by the People's Government of Jiaxing City, to stop and eliminate the capacity of its printing and dyeing business. The Group is required to cease production of dyeing and finishing capacity and clear the dyeing and finishing equipment by December 31, 2022 and June 30, 2023, respectively. The related equipment, relocation expenses, and compensation for suspended operations and losses in the amount of NT$65,816 thousand will be paid in three installments. In addition, the contract includes an early incentive clause to encourage corporate cooperation. As of December 31, 2022, the Group has received the first installment of compensation of NT$19,745 thousand and an advance signing bonus of NT$5,625 thousand, therefore recognized a deferred income (recorded as other current liabilities) of NT$25,370 thousand.

10. Significant Disaster Loss

No significant disaster loss.

11. Significant Subsequent Events

No significant subsequent events.

12. Other

(1) Capital Management

The capital management objective of the Group is to ensure the continued operation of the Group, maintain an optimal capital structure to reduce funding costs, and provide returns to shareholders. To maintain the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares to reduce debt. The Group uses the debt-to-asset ratio to monitor its capital, which is calculated by dividing the total amount of debt by the total amount of assets.

During the year 2022, the Group continued to pursue the same strategy as in year 2021, focusing on reducing the debt-to-asset ratio to a reasonable level of risk. As of December 31, 2022 and December 31, 2021, the Group's debt-to-asset ratios were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Total Liabilities | $ 1,745,706 | $ 2,174,912 |
| Total Assets | $ 3,882,578 | $ 4,262,799 |
| Debt-to-asset Ratio | 45% | 51% |

(2) Financial Instrument

1. Types of Financial Instruments

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial Assets | | |
| Financial Assets at Fair Value through Profit or Loss | | |
| Financial Assets mandatorily measured at Fair Value through Profit or Loss | $ 9,127 | $ 13,504 |
| Financial assets at fair value through other comprehensive income | | |
| Investment in designated equity instruments | 59,718 | 88,133 |
| Financial Assets at Amortized Cost | | |
| Cash and Cash Equivalents | 630,487 | 604,986 |
| Financial Assets at Amortized Cost | 11,600 | 69,971 |
| Notes Receivable (Including Related Parties) | 76,381 | 195,811 |
| Accounts Receivable (Including Related Parties) | 425,564 | 591,761 |
| Other Receivables | 34,084 | 32,000 |
| Deposits Paid as Collateral | 14,443 | 18,663 |
| | $ 1,261,404 | $ 1,614,829 |

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial Liabilities | | |
| Financial Liabilities at Amortized Cost | | |
| Short-term Borrowings | $ 238,361 | $ 491,879 |
| Notes Payable - Short-term | - | 159,722 |
| Notes Payable – Trade (Including Related Parties) | 122,160 | 235,646 |
| Accounts Payables (Including Related Parties) | 143,740 | 220,125 |
| Other Payables | 208,318 | 224,966 |
| Bonds Payable | 287,569 | - |
| Long-term Borrowings (due within one year or operating cycle) | 521,023 | 638,023 |
| Deposits Received | 16,170 | 3,384 |
| | $ 1,537,341 | $ 1,973,745 |
| Lease Liabilities (due within one year or one operating cycle) | $ 6,557 | $ 4,885 |

2. Risk Management Policy
   A. The daily operations of the Group are subject to various financial risks, including market risk (including currency risk, interest rate risk, and price risk), credit risk, and liquidity risk.
   B. The management of financial risks is carried out by the Company's finance department in accordance with the policies approved by the Board of Directors. The finance department closely collaborates with the various business units and the Office of the Chairman to identify, assess and mitigate financial risks. The execution of financial risk management is carried out in accordance with the Company's internal management rules and internal control systems. The process and results of its execution shall comply with legal regulations.
   The Board of Directors of the Group oversees the adherence to the financial risk policies and procedures by the management, and reviews the adequacy of the framework for managing the relevant financial risks. The internal audit personnel assist the Board of Directors in its supervisory role by conducting regular and ad hoc reviews, and reporting the results to the Board.
3. Nature and Extent of Significant Financial Risks
   A. Market Risk
   Currency Risk
      a. The Group operates globally and is therefore exposed to foreign exchange risk arising from transactions in functional currencies different from that of the Company and its subsidiaries, mainly the US dollar and Chinese Renminbi. The related foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
      b. The management of the Group has established policies governing the management of the foreign exchange risk with respect to its functional currencies. Each company within the Group is required to manage its overall foreign exchange risk through the Group's finance department. The measurement of foreign exchange risk is based on the expected transactions of highly probable outflows in US dollars and Chinese Renminbi.

c. The Group's operations involve several non-functional currencies (the functional currencies of the Company and certain subsidiaries are New Taiwan Dollar, Renminbi and US Dollar), and are therefore subject to the impact of exchange rate fluctuations. The significant foreign currency assets and liabilities that are affected by exchange rate fluctuations are as follows:

December 31, 2022

| (Foreign Currency: Functional Currency) | Foreign Currency Amount (thousands) | Exchange Rate | Book Value (TWD in thousand) | Sensitivity Fluctuation Range | Sensitivity Impact on Profit and Loss | Sensitivity Impact on Other Comprehensive Income |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Monetary items | | | | | | |
| USD:TWD | $ 7,350 | 30.71 | $ 225,723 | 1% | $ 2,257 | $ - |
| RMB:TWD | 52,321 | 4.41 | 230,947 | 1% | 2,309 | - |
| Financial Liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:RMB (Note) | $ 1,000 | 6.9574 | $ 30,703 | 1% | $ 307 | $ - |

December 31, 2021

| (Foreign Currency: Functional Currency) | Foreign Currency Amount (thousands) | Exchange Rate | Book Value (TWD in thousand) | Sensitivity Fluctuation Range | Sensitivity Impact on Profit and Loss | Sensitivity Impact on Other Comprehensive Income |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Monetary items | | | | | | |
| USD:TWD | $ 4,741 | 27.68 | $ 131,232 | 1% | $ 1,312 | $ - |
| RMB:TWD | 84,527 | 4.34 | 367,077 | 1% | 3,671 | - |
| Financial Liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:RMB (Note) | $ 9,000 | 6.37 | $ 245,960 | 1% | $ 2,460 | $ - |

Note: As some of the functional currencies of the entities included in the consolidation are not New Taiwan Dollar, this has also been taken into consideration in the disclosure.

The overall exchange gain/loss (realized and unrealized) recognized in the year 2022 and 2021 related to the significant impact of exchange rate fluctuations on the monetary items of the Group amounted to a net gain of NT$10,589 thousand and a net gain of NT$3,019 thousand, respectively.

Price Risk

a. The equity instruments exposed to price risk are the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. In order to manage the price risk of equity instrument investments, the Group diversifies its investment portfolio in accordance with the limits set by the Group.

b. The Group mainly invests in equity instruments issued by domestic companies, the prices of which are affected by the uncertainty of the future value of the investment target. If the prices of these equity instruments rise or fall by 1% while all other factors remain unchanged, the post-tax net profit for the years 2022 and 2021 will increase or decrease by NT$73 thousand and NT$108 thousand, respectively, due to the gains or losses from equity instruments measured at fair value through profit or loss. The gains or losses from equity investments measured at fair value through other comprehensive income will increase or decrease by NT$478 thousand and NT$705 thousand, respectively.

Cash Flow and Fair Value Interest Rate Risk

a. The Group's interest rate risk arises primarily from short-term borrowings, short-term notes payable, and long-term borrowings issued at floating rates, which expose the Group to cash flow interest rate risk. In 2022 and 2021, the Group's borrowings issued at floating rates were primarily denominated in New Taiwan Dollars and US Dollars.

b. If the borrowing interest rate increases or decreases by 0.1%, while all other factors remain constant, the after-tax net profit for the years 2022 and 2021 will increase or decrease by NT$608 thousand and NT$1,032 thousand, respectively. This is mainly due to the variability of interest expense resulting from the floating-rate borrowings.

B. Credit Risk

a. The credit risk of the Group arises from the risk of financial loss due to counterparties' failure to fulfill their contractual obligations in transactions with customers or financial instruments. This risk mainly comes from counter parties' inability to settle receivables according to the payment terms.

b. The Group examines the creditworthiness of banks and financial institutions with which it deals and accepts them as counterparties only after assessing their credit quality to be satisfactory. In accordance with the internally established credit policy, each operating entity within the Group and each new customer must undergo management and credit risk analysis before the terms and conditions of payment and delivery are established. Internal risk management is achieved by evaluating the credit quality of customers through consideration of their financial condition, past experience, and other factors. Individual risk limits are established by the Board of Directors based on internal or external ratings, and the use of credit limits is monitored regularly.

c. The Group adopts a credit risk management procedure to assess whether there has been a significant increase in credit risk for financial instruments since their initial recognition. When contractually due payments are past due for more than 90 days, it is considered that the credit risk of the financial asset has significantly increased since its initial recognition, and individual assessment is applied.

d. The Group classifies its trade receivables and contract assets by customer credit ratings, and uses a simplified approach based on the loss rate method to estimate expected credit losses.

e. The Group first evaluates and recognizes impairment losses for individual receivables for which objective evidence indicates that they cannot be collected. For other receivables, the Group estimates expected credit losses using a simplified approach based on the loss rate method, which is established based on historical and current information over a specific period and with future forward-looking considerations. As of December 31, 2022 and 2021, the accumulated impairment loss amount for individually assessed receivables was NT$7,464 thousand and NT$8,465 thousand, respectively. The Group estimates the impairment loss for other receivables by adjusting the loss rate established based on historical and current information over a specific period with future forward-looking considerations, and the accumulated impairment loss amount was NT$2,928 thousand and NT$4,058 thousand for 2021 and 2022, respectively. The provision matrix is presented as follows:

| | Not Overdue | 1 to 90 days | 91 to 180 days | Over 180 days | Total |
|---|---|---|---|---|---|
| Dec. 31, 2022 | | | | | |
| Expected Loss Rate | 0%-1% | 1%-10% | 20%-40% | 60%-100% | |
| Total Book Value | $ 398,014 | $ 6,434 | $ 897 | $ 2,272 | $ 407,617 |
| Loss Allowance | ( 1,038) | ( 223) | ( 259) | ( 1,408) | ( 2,928) |

| | Not Overdue | 1 to 90 days | 91 to 180 days | Over 180 days | Total |
|---|---|---|---|---|---|
| Dec. 31, 2021 | | | | | |
| Expected Loss Rate | 0%-1% | 1%-15% | 19%-42% | 71%-100% | |
| Total Book Value | $ 565,317 | $ 10,582 | $ 470 | $ 3,042 | $ 579,411 |
| Loss Allowance | ( 1,321) | ( 395) | ( 95) | ( 2,247) | ( 4,058) |

f. The table below shows the changes in the allowance for doubtful accounts using the simplified approach for the Group:

| | 2022 Receivable | 2021 Receivable |
|---|---|---|
| Jan. 1 | $ 12,523 | $ 17,025 |
| Reversal of Impairment Losses | ( 2,017) | ( 4,442) |
| Exchange Rate Impact | ( 114) | ( 60) |
| Dec. 31 | $ 10,392 | $ 12,523 |

C. Liquidity risk

a. The finance department of the Group monitors the forecast of the Group's liquidity needs to ensure that it has sufficient funds to support its operations and maintains adequate unused borrowing commitments at all times to avoid violating relevant borrowing limits or terms.

b. The following table shows the non-derivative financial liabilities of the Group grouped by the relevant maturity date, and the contractual cash flow amounts disclosed in the table are undiscounted, analyzed based on the remaining period from the balance sheet date to the contract maturity date.

c. Details of the unused loan facilities of the Group are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Floating Rate | | |
| Due within One Year | $ 1,808,957 | $ 1,353,622 |
| Due after One Year | - | - |
| Fixed Interest Rate | | |
| Due within One Year | - | 50,000 |
| Due after One Year | - | - |
| | $ 1,808,957 | $ 1,403,622 |

(Intentionally left blank)

d. The table below provides a breakdown of the Group's financial liabilities, both derivative and non-derivative, that are settled either on a net or gross basis, categorized according to their respective maturity periods. Non-derivative financial liabilities are analyzed based on the remaining time from the balance sheet date to their contractual maturity date, while derivative financial liabilities are analyzed based on their remaining time from the balance sheet date to their expected maturity date. Please note that the cash flow amounts disclosed in the table are not discounted.

Non-derivative Financial Liabilities

| Dec. 31, 2022 | Less than 3 Months | 3 Months to 1 Year | 1 to 2 Years | 2 to 5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|---|
| Short-term Borrowing | $ 100,228 | $ 139,349 | $ - | $ - | $ - | $ 239,577 |
| Notes Payable (Including Related Parties) | 122,160 | - | - | - | - | 122,160 |
| Accounts Payable (Including Related Parties) | 143,740 | - | - | - | - | 143,740 |
| Other Payables | 208,318 | - | - | - | - | 208,318 |
| Lease Liabilities | 523 | 1,542 | 1,997 | 2,639 | - | 6,701 |
| Bond Payable | - | - | - | 304,523 | - | 304,523 |
| Long-term Borrowing (Including those due within one year) | 43,510 | 134,119 | 158,345 | 188,406 | 11,940 | 536,320 |
| Deposits Received for Guarantee | - | - | - | - | 16,170 | 16,170 |

Non-derivative Financial Liabilities

| Dec. 31, 2021 | Less than 3 Months | 3 Months to 1 Year | 1 to 2 Years | 2 to 5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|---|
| Short-term Borrowing | $ 220,311 | $ 273,531 | $ - | $ - | $ - | $ 493,842 |
| Short-term Notes Payable | 160,000 | - | - | - | - | 160,000 |
| Notes Payable (Including Related Parties) | 235,646 | - | - | - | - | 235,646 |
| Accounts Payable (Including Related Parties) | 220,125 | - | - | - | - | 220,125 |
| Other Payables | 224,966 | - | - | - | - | 224,966 |
| Lease Liabilities | 393 | 1,180 | 1,469 | 1,934 | - | 4,976 |
| Long-term Borrowing (Including those due within one year) | 30,283 | 91,421 | 177,126 | 315,481 | 40,810 | 655,121 |
| Deposits Received for Guarantee | - | - | - | - | 3,384 | 3,384 |

(3) Fair Value Information

1. The definitions of each level of valuation techniques used to measure the fair value of financial and non-financial instruments are as follows:

Level 1: The fair value of assets or liabilities measured on the reporting date is based on quoted prices (unadjusted) for identical assets or liabilities in an active market. An active market is a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the listed equity investments held by the Group belongs to this level.

Level 2: The fair value of assets or liabilities is determined using directly or indirectly observable inputs, but not including quoted prices included in Level 1. Non-listed equity investments held by the Group belong to this level.

Level 3: The fair value of assets or liabilities is determined using unobservable inputs. The redemption feature of convertible bonds issued by the Group and equity instruments without an active market held by the Group belong to this level.

2. Financial Instruments not Measured at Fair Value

A. The financial instruments of this Group that are not measured at fair value (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable (including related parties), accounts receivable (including related parties), other receivables, deposits received, short-term borrowings, short-term notes payables, commercial papers payable (including related parties), accounts payable (including related parties), other payables, long-term borrowings (including those due within one year or one operating cycle), deposits received from customers, and lease liabilities (including those due within one year or one operating cycle)) are reasonably approximated at fair value by their carrying amounts , except for those listed in the following table:

| December 31, 2022 | | | Fair Value | |
|---|---|---|---|---|
| | Carrying Amount | Level 1 | Level 2 | Level 3 |
| Financial Liabilities: | | | | |
| Bonds Payable | $ 287,569 | $ - | $ 287,580 | $ - |

As of December 31, 2021, the Company did not hold such financial instrument.

B. The methods and assumptions used to estimate fair value are as follows:
The bonds payable are measured at the present value of expected future cash flows using market interest rates as of the balance sheet date.

3. The financial and non-financial instruments measured at fair value by the Group are classified based on the nature, characteristics, risk, and fair value hierarchy of the assets and liabilities. The relevant information is as follows:

A. The instruments are classified by the Group based on the nature of the assets and liabilities, and the information is presented below:

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring Fair Value | | | | |
| Financial Assets at Fair Value through Profit or Loss: | | | | |
| -Stocks | $ 8,947 | $ - | $ - | $ 8,947 |
| -Convertible Bonds Redemption Rights | - | - | 180 | 180 |
| Financial Assets at Fair Value through Other Comprehensive Income: | | | | |
| -Unlisted Company Stocks | - | 4,575 | 55,143 | 59,718 |
| | $ 8,947 | $ 4,575 | $ 55,323 | $ 68,845 |

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring Fair Value | | | | |
| Financial Assets at Fair Value through Profit or Loss: Stocks | $ 13,504 | $ - | $ - | $ 13,504 |
| Financial Assets at Fair Value through Other Comprehensive Income: | - | 4,300 | 83,833 | 88,133 |

| | | | | |
|---|---|---|---|---|
| Unlisted Company Stocks | | | | |
| | $ 13,504 | $ 4,300 | $ 83,833 | $ 101,637 |

B. The methods and assumptions used by the Group to measure fair value are described as follows:

a. The Group uses market quotes as fair value input for Level 1 instruments, classified by instrument type as follows:

| | Listed Equity Securities |
|---|---|
| Market Quotes | Closing Price |

b. The investment in Changhua Golf Club Co., Ltd. by the Group is valued using publicly quoted member certificate prices as the input for fair value measurement (Level 2).

c. The output of the valuation models is an estimated fair value, which may not reflect all relevant factors of the financial and non-financial instruments held by the Group. Therefore, the estimated fair value is appropriately adjusted based on additional parameters, such as model risk or liquidity risk. According to the Group's fair value measurement policies and related control procedures, the management believes that such adjustments are necessary and appropriate to reasonably represent the fair values of the financial and non-financial instruments in the consolidated balance sheet. The pricing information and parameters used in the valuation process are prudently evaluated and appropriately adjusted based on current market conditions, in accordance with the Group's fair value measurement policies.

d. The Group incorporates credit risk adjustments into the fair value measurement of financial and non-financial instruments to reflect both counterparty credit risk and the Company's own credit quality.

4. There were no transfers between Level 1 and Level 2 during years 2022 and 2021.
5. The following table shows the changes in Level 3 as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Beginning Balance | $ 83,833 | $ 75,500 |
| Additions during the Period | 3,270 | - |
| Gain or Loss Recognized in P/L | | |
| Recognized as Non-operating Income or Expense | ( 3,090) | - |
| Gain or Loss recognized in other comprehensive income | ( 28,690) | 8,333 |
| Ending Balance | $ 55,323 | $ 83,833 |

6. The Group's valuation process for Level 3 investments of illiquid equity instruments involves independent fair value verification by the Group's finance department, using independent sources of data to ensure that the valuation results are consistent with market conditions and represent executable prices. The process includes regular calibration of valuation models, back-testing, updating of model inputs and data, and any other necessary fair value adjustments to ensure that the valuation results are reasonable. The fair value of the bonds payable and convertible bonds redemption rights is valued by external valuers.

7. The quantitative information of significant unobservable input used in the valuation model for Level 3 fair value measurement items and sensitivity analysis of significant unobservable input changes are described as follows: :

| | Fair Value at Dec. 31, 2022 | Valuation Technique | Significant Unobservable Inputs | Range (Weighted Average) | Relationship between Inputs and Fair Value |
|---|---|---|---|---|---|
| Non-derivative Equity Instruments | | | | | |
| Equity Instruments of Non-listed Companies | $ 72 | Comparable Company Analysis | Price-to-Book Ratio | 0.11~0.45 | Higher multiplier premiums lead to higher fair values. |
| Equity Instruments of Non-listed Companies | 54,671 | Net Asset Value Method | Not Applicable | - | Not Applicable |
| Redemption Rights of Convertible Bonds | 180 | Binomial Tree Pricing Model | Stock Price Volatility | 20.6% | Higher stock price volatility leads to higher fair values. |

| | Fair Value at Dec. 31, 2021 | Valuation Technique | Significant Unobservable Inputs | Range (Weighted Average) | Relationship between Inputs and Fair Value |
|---|---|---|---|---|---|
| Non-derivative Equity Instruments | | | | | |
| Equity Instruments of Non-listed Companies | $ 298 | Comparable Company Analysis | Price-to-Book Ratio | 0.13~0.57 | Higher multiplier premiums lead to higher fair values. |
| Equity Instruments of Non-listed Companies | 83,535 | Net Asset Value Method | Not Applicable | - | Not Applicable |

8. The Group has carefully assessed the selection of valuation models and parameters. However, the use of different valuation models or parameters may result in different valuation results. For financial assets and liabilities classified as Level 3, changes in valuation parameters would impact the current period's profit or loss or other comprehensive income as follows:

| | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|
| | | | Recognized in Profit or Loss | | Recognized in other Comprehensive Income | |
| | Input Value | Change | Favorable Impact | Unfavorable Impact | Favorable Impact | Unfavorable Impact |
| Financial Assets | | | | | | |
| Equity Instruments | Price-to-Book Ratio | ±5% | $ - | $ - | $ 24 | ($ 24) |
| Convertible Bonds Redemption Option | Volatility | ±5% | 360 | - | - | - |
| | | | $ 360 | $ - | $ 24 | ($ 24) |

| | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|
| | | | Recognized in Profit or Loss | | Recognized in other Comprehensive Income | |
| | Input Value | Change | Favorable Impact | Unfavorable Impact | Favorable Impact | Unfavorable Impact |
| Financial Assets | | | | | | |
| Equity Instruments | Price-to-Book Ratio | ±5% | $ - | $ - | $ 15 | ($ 15) |

(4) Other Matters

In response to the outbreak of COVID-19, the government has implemented various measures to prevent the spread of the virus. The operations of the Group have not been materially affected by the pandemic and related measures. In addition, measures have been taken to prevent the spread of the virus and to manage related matters.

## 13. Disclosures

(1) Significant transaction-related information:

1. Loans to others: Please refer to Table 1 for details.
2. Endorsement or guarantees for others: There is no such item.
3. Holdings of securities at the end of the period (excluding investments in subsidiaries, affiliated enterprises, and joint control): Please refer to Table 2 for details.
4. Cumulative purchase or sale of the same securities reaches NT$300 million or 20% of the paid-in capital: There is no such item.
5. Acquisition of real estate reaches NT$300 million or 20% of the paid-in capital: There is no such item.
6. Disposal of real estate reaches NT$300 million or 20% of the paid-in capital: There is no such item.
7. Sales or purchases of goods or services to related parties reach NT$100 million or 20% of the paid-in capital: There is no such item.
8. Receivables from related parties reach NT$100 million or 20% of the paid-in capital: Please refer to Table 1 for details.
9. Derivative transactions: There is no such item.
10. Business relationships and significant transactions between the parent company and its subsidiaries and between the subsidiaries, and the amounts involved: Please refer to Table 3 for details.

(2) Information on Investment in Subsidiary/Affiliate Companies

Name and location of the invested companies (excluding companies invested in Mainland China): Please refer to Table 4 for details.

(3) Mainland China Investment Information

1. Basic information: please refer to Table 5 for details.
2. Significant transactions occurred between the invested companies in Mainland China and the Company through a third-party entity or a direct/indirect investment: please refer to Note 13(1) for details on significant transaction information.

(4) Information on Major Shareholders

Information on major shareholders: please refer to Table 6 in the attached notes.

## 14. Segment Information

(1) General Information

The management of the Group has identified reportable segments based on the information used by the chief operating decision maker in making decisions and has organized its business units into subsidiaries, including Honmyue Enterprise Co., Ltd., Hongyu Textile (Zhejiang) Co., Ltd., Nuwa Enterprise Co., Ltd., and other segments. The reportable segments of the Group are classified based on the operating companies.

(2) Measurement of Segment Information

The Group evaluates the performance of its operating segments based on adjusted pre-tax income, which excludes the impact of non-recurring expenses within the operating segments.

(3) Information on the Profit or Loss, Assets, and Liabilities of Operating Segments

1. The segment information provided to the primary operating decision-maker regarding the reportable segments for year 2022 is as follows:

| 2022 | Honmyue | Hongyu Zhejiang | Nuwa | Total |
|---|---|---|---|---|
| Revenue | | | | |
| From External Customers | $ 2,337,172 | $ 570,174 | $ 221,828 | $ 3,129,174 |
| From Internal Customers | 147,640 | - | 8,949 | 156,589 |
| Total Revenue | $ 2,484,812 | $ 570,174 | $ 230,777 | $ 3,285,763 |
| Segment P/L | $ 134,435 | ($ 23,245) | $ 18,106 | $ 129,296 |
| Segment P/L includes | | | | |
| Interest Income | $ 3,603 | $ 463 | $ 54 | $ 4,120 |
| Interest Expense | $ 18,417 | $ 3,413 | $ - | $ 21,830 |
| Depreciation and Amortization | $ 48,715 | $ 51,913 | $ - | $ 100,628 |
| Income Tax Expense | $ 27,504 | ($ 5,376) | $ 2,126 | $ 24,254 |

(Intentionally left blank)

2. The segment information provided to the primary operating decision-maker regarding the reportable segments for year 2021 is as follows:

| 2021 | Honmyue | Hongyu Zhejiang | Nuwa | Total |
|---|---|---|---|---|
| Revenue | | | | |
| From External Customers | $ 2,283,650 | $ 1,030,972 | $ 134,913 | $ 3,449,535 |
| From Internal Customers | 332,908 | - | 3,132 | 336,040 |
| Total Revenue | $ 2,616,558 | $ 1,030,972 | $ 138,045 | $ 3,785,575 |
| Segment P/L | $ 154,599 | $ 30,889 | $ 1,908 | $ 187,396 |
| Segment P/L includes | | | | |
| Interest Income | $ 4,481 | $ 261 | $ 3 | $ 4,745 |
| Interest Expense | $ 10,264 | $ 3,622 | $ - | $ 13,886 |
| Depreciation and Amortization | $ 43,516 | $ 57,645 | $ 7 | $ 101,168 |
| Income Tax Expense | $ 32,698 | $ 3,646 | $ - | $ 36,344 |

3. The main source of revenue for the Group is the manufacturing, subcontracting, trading, printing, dyeing, finishing, and processing of various cotton, wool, silk, and synthetic fiber fabrics for domestic and international sales.
4. The Group has not allocated the income tax expense to the reporting segments. The amount reported is consistent with the information used by the operating decision-makers.

(4) Adjustment Information for Segment Income Statement:

1. Adjustments to continuing operating segment revenues for the current period are as follows:

| | 2022 | 2021 |
|---|---|---|
| Reportable Segment Revenue | $ 3,285,763 | $ 3,785,575 |
| Other Segment Revenue | 121,212 | 103,709 |
| Total Operating Segment Revenue | $ 3,406,975 | $ 3,889,284 |
| Elimination of Intersegment Revenue | ( 217,955) | ( 385,415) |
| Consolidated Revenue | $ 3,189,020 | $ 3,503,869 |

2. Adjustments to the current period's operating segment profit/loss that should be reported are as follows:

| | 2022 | 2021 |
|---|---|---|
| Reportable Segment Pre-tax Income | $ 129,296 | $ 187,396 |
| Other Segment Pre-tax Income | ( 24,630) | ( 9,672) |
| Total Reportable Segments Pre-tax Income | $ 104,666 | $ 177,724 |
| Elimination of Intersegment Income | - | - |
| Consolidated Pre-tax Income of Operating Segments | $ 104,666 | $ 177,724 |

(5) Information on Product and Service Segment

External customer revenue is mainly derived from the manufacturing and sales of cotton, wool, silk, and synthetic fiber textiles for domestic and international markets. The detailed composition of the revenue balance is as follows:

| | 2022 | 2021 |
|---|---|---|
| Product Sales Revenue | $ 3,189,020 | $ 3,503,869 |

(6) Information on Geographic Segment

Geographic information for the years 2022 and 2021 by location of customers for revenue and by location of assets for non-current assets are presented as follows for the Group:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Revenue | Non-current Assets | Revenue | Non-current Assets |
| Taiwan | $ 1,819,464 | $ 938,136 | $ 1,626,072 | $ 902,994 |
| China (Including H.K.) | 796,738 | 672,055 | 1,439,183 | 637,488 |
| Other | 572,818 | - | 438,614 | - |
| Total | $ 3,189,020 | $ 1,610,191 | $ 3,503,869 | $ 1,540,482 |

Non-current assets refer to property, plant and equipment, lease assets, intangible assets, and other non-current assets, but exclude financial instruments, deposits paid and deferred tax assets.

(7) Information on Major Customers

The Group does not have any single customer whose sales revenue accounts for more than 10% of the total operating revenue in the consolidated income statement.

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# HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

## Loan to Others

January 1 to December 31, 2022

Table 1

(In Thousands of New Taiwan Dollars unless otherwise specified)

| No. (Note 1) | Lender | Borrower | Trancsaction Item | Related Parties | Current Maximum Amount | Ending Balance | Actual Disbursement Amount | Interest Rate Range | Nature of Fund Lending (Note 2) | Business Transaction Amount | Reason for Short-term Financing | Allowance for Doubtful Amount | Collateral Item | Collateral Value | Limit on funds loaned to individual parties (Note 3) | Total credit limit for funds lent (Note 3) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | The Company | Hongyu Zhejiang Textile Co., Ltd. | Other Receivable - Related Parties | Yes | $ 158,750 | $ 53,550 | $ 67,750 | 1.8%-2.5% | 2 | $ - | Operating Turnover and Repayment of External Debt | $ - | - | $- | $ 211,523 | $ 846,093 | Note 4 |
| 0 | The Company | Jiujiang Deyu TextileTechnology Co., Ltd | Other Receivable - Related Parties | Yes | 158,750 | 53,550 | - | 1.8%-2.5% | 2 | - | Operating Turnover | - | - | - | 211,523 | 846,093 | Note 4 |
| 0 | The Company | Utex Innovation Co., Ltd. | Other Receivable - Related Parties | Yes | 30,000 | 0,000 | - | 1.20% | 2 | - | Operating Turnover | - | - | - | 211,523 | 846,093 | Note 4 |

Note 1: Numbering sequence are as follows:

(1) The Company is shown as ‘0’.

(2) The Subsidiaries are numbered in numerical order starting from ‘1’.

Note 2: The instructions for filling in the nature of the funds loaned are as follows:

(1) For those with business dealings, please refer to 1.

(2) For those with a necessary need for short-term working capital, please refer to 2.

Note 3:

(1) The total amount of funds lent by the Company shall not exceed 40% of the Company's net worth, except for short-term funding necessary between companies or banks, which shall not exceed 10% of the Company's net worth.

(2) The total amount of funds lent to individual entities shall not exceed 10% of the Company's net worth.

(3) For foreign companies where the Company holds 100% of the voting rights directly or indirectly, the amount of funds lent shall not exceed 40% of the Company's net worth.

(4) For companies or banks with business transactions with the Company, the individual lending amount shall not exceed the amount of business transactions between the two parties, whichever is higher. The amount of business transactions refers to the higher amount of purchases or sales between the two parties.

Note 4:

On March 22, 2022, the Board of Directors approved the funding loans to Hongyu Textile Zhejiang Co., Ltd., Jiujiang Deyu Textile Technology Co., Ltd., and Utex Innovation Co., Ltd., in the amounts of USD 5,000 thousand, USD 5,000 thousand, and TWD 30,000 thousand, respectively. (Calculated based on the spot buying and selling exchange rate of USD to TWD on December 31, 2022, which was 30.71).

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
End-of-Period Holdings of Marketable Securities
(Excluding Investments in Subsidiaries, Associated Companies, and Joint Ventures)

December 31, 2022

Table 2

(In Thousands of New Taiwan Dollars unless otherwise specified)

| Investee Company | Type and Name of Securities Held | Relationship with the Issuer of the Securities Held | Accounting Category | End-of-Period | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares (Thousands) | Carrying Amount | Equity Ownership | Fair Value | |
| Wenfa Development L.L.C. | Stock/China Petrochemical Development Corp. | No | Fair value adjustments for financial assets at fair value through profit or loss - current | 421 | $ 5,700 | - | $ 4,160 | |
| Wenfa Development L.L.C. | Stock/K Laser Technology Inc. | No | Fair value adjustments for financial assets at fair value through profit or loss - current | 180 | 3,872 | - | 3,321 | |
| Wenfa Development L.L.C. | Stock/Mobiletron Electronics Co., Ltd. | No | Fair value adjustments for financial assets at fair value through profit or loss - current | 30 | 1,979 | - | 1,466 | |
| | | | Valuation Adjustment | | ( 2,604) | | | |
| | | | | | $ 8,947 | | | |
| Honmyue Enterprise Co., Ltd. | Stock/Grand and Great Corporation Limited | No | Fair value adjustments for financial assets at fair value through other comprehensive income - non-current | 3,000 | $ 91,603 | 9.52 | $ 54,671 | |
| Honmyue Enterprise Co., Ltd. | Stock/Changhua Golf Club Co., Ltd. | No | Fair value adjustments for financial assets at fair value through other comprehensive income - non-current | 60 | 3,820 | 0.16 | 4,575 | |
| Honmyue Enterprise Co., Ltd. | Stock/Yuan Ta Fiber Co., Ltd. | No | Fair value adjustments for financial assets at fair value through other comprehensive income - non-current | - | 1,000 | 10.00 | 472 | |
| Hongyu Holdings L.L.C. | AKKO Global Stock Ledger | No | Fair value adjustments for financial assets at fair value through other comprehensive income - non-current | - | - | - | - | |
| | | | Valuation Adjustment | | ( 36,705) | | | |
| | | | | | $ 59,718 | | | |

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Significant Transactions with and Among Subsidiaries

January 1 to December 31, 2022

Table 3

(In Thousands of New Taiwan Dollars unless otherwise specified)

| No. (Note 1) | Company | Counterparty | Relationship (Note2) | Business Transactions: Account | Business Transactions: Amount (Note 4and Note5) | Business Transactions: Transaction Terms | Business Transactions: Ratio to Total Consolidated Revenue or Total Assets (Note 3) |
|---|---|---|---|---|---|---|---|
| 0 | Honmyue Enterprise Co., Ltd. | Hongyu Textile Zhejiang Co., Ltd. | 1 | Sales | $ 50,886 | Monthly settlement with 90-day T/T collection | 1.60% |
| 0 | Honmyue Enterprise Co., Ltd. | Hongyu Textile Zhejiang Co., Ltd. | 1 | Accounts Receivable | 22,207 | Monthly settlement with 90-day T/T collection | 0.57% |
| 0 | Honmyue Enterprise Co., Ltd. | Hongyu Textile Zhejiang Co., Ltd. | 1 | Other Receivable | 67,750 | In accordance with the mutually agreed terms and conditions. | 1.75% |
| 0 | Honmyue Enterprise Co., Ltd. | Nuwa Enterprise Co., Ltd. | 1 | Sales | 91,703 | Monthly settlement with 90-day T/T collection | 2.88% |
| 0 | Honmyue Enterprise Co., Ltd. | Nuwa Enterprise Co., Ltd. | 1 | Accounts Receivable | 12,273 | Monthly settlement with 90-day T/T collection | 0.32% |
| 0 | Honmyue Enterprise Co., Ltd. | Utex Innovation Co., Ltd. | 1 | Processing Fees | 58,027 | Monthly settlement with 90-day T/T payment | 1.82% |

Note 1: Numbering sequence for parent company and subsidiaries are as follows:
(1) The Company is shown as ‘0’.
(2) The Subsidiaries are numbered in numerical order starting from ‘1’.

Note 2: The relationship with the trading party can be categorized as follows:
(1) The parent company to a subsidiary.
(2) A subsidiary to the parent company.
(3) A subsidiary to another subsidiary.
(4) The parent company to an equity method investee.

Note 3: For the calculation of the ratio of transaction amount to total revenue or total assets, if it is an item of assets and liabilities, the calculation is based on the end-of-period balance as a percentage of total assets. If it is an item of income and expenses, the calculation is based on the accumulated amount as a percentage of total revenue at the end of the interim period.

Note 4: Transactions with an amount less than NTD 10 million do not require disclosure.

Note 5: Transactions have been offset in the consolidated financial statements.

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Information on Investee Company

January 1 to December 31, 2022

Table 4

(In Thousands of New Taiwan Dollars unless otherwise specified)

| Investor | Investee | Location | Main Business Activities | Initial Investment Amount | | Shares Held at Dec. 31, 2021 | | | Investee's Net Income for the Period | Recognized Investment Gain/Loss for the Period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance at End of 2022 | Balance at End of 2021 | Number of Shares (Thousands) | Equity Ownership (%) | Carrying Amount | | | |
| Honmyue Enterprise Co., Ltd. | Hongyu Holdings L.L.C. | U.S.A. | Professional Investment | $ 681,716 | $ 681,716 | - | 100.00 | $ 473,327 | ($ 17,869) | ($ 17,869) | Subsidiary (Note1) |
| Honmyue Enterprise Co., Ltd. | Wenfa Development L.L.C. | Taiwan | Professional Investment and Medical Equipment Retail Industry | 60,000 | 60,000 | - | 100.00 | 69,467 | 9,937 | 9,937 | Subsidiary (Note1) |
| Honmyue Enterprise Co., Ltd. | Utex Innovation Co., Ltd. | Taiwan | Weaving, Dyeing, and Finishing of High-End Fabric | 178,000 | 178,000 | 13,000 | 86.67 | 54,727 | ( 12,402) | ( 10,748) | Subsidiary |
| Hongyu Holdings L.L.C. | Hongde Development Co., Ltd. | H.K. | Professional Investment | 60,580 | 60,580 | - | 38.17 | - | - | - | Equity method valuation (Note1) |
| Wenfa Development L.L.C. | Nuwa Enterprise Co., Ltd. | Taiwan | Outsourced Fabric Manufacturing and Sales | 28,000 | 28,000 | 2,800 | 70.00 | 30,848 | 15,979 | 11,185 | Subsidiary |
| Wenfa Development L.L.C. | Honglongfa Development Co., Ltd. | Taiwan | Professional Investment | 188 | 188 | 19 | 37.50 | 128 | - | - | Equity method Valuation |

Note 1: As a limited company, the Company does not have a share count.

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Information of Mainland China Investments

January 1 to December 31, 2022

Table 5

(In Thousands of New Taiwan Dollars unless otherwise specified)

| Investee in Mainland China | Main Business Activities | Paid-in Capital (Note) | Investment Method (Note 1) | Accumulated Investment Amount Transferred from Taiwan at Jan. 1 2022 | Investment Outflow or Inflow in the Period | | Accumulated InvestmentAamount Transferred from Taiwan at the Dec. 31, 2022 (Note 7). | Investee's Net Income (Loss) for the Period | Equity Ownership (%) | Recognized Investment Gain or Loss for the Period | Investment Carrying Amount at the Dec. 31, 2022 | Cumulative Investment Returns Repatriated as of Dec. 31, 2022 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| Hongyu Textile Zhejiang Co., Ltd. | Manufacturing and sales of cotton silk fiber products and finishing processing. | $ 525,141 | 2 | $ 536,721 | $ - | $ - | $ 536,721 | ($ 17,869) | 100.00 | ($ 17,869) | $ 473,448 | $ - | Note 3 and 6 |
| Zhejiang Yaoliang Textile Co., Ltd. | Weaving, dyeing, and finishing processing of high-end textile fabrics. | 52,207 | 2 | 65,692 | - | - | 65,692 | - | 38.17 | - | - | - | Note 4 |
| Jiujiang Deyu Textile Technology Co., Ltd. | Manufacturing and sales of cotton silk fiber products and finishing processing. | 507,610 | 1 | 408,340 | 89,250 | - | 497,590 | ( 10,822) | 100.00 | ( 10,822) | 483,305 | - | Note 5 |

Note 1:

(1) Direct investment in mainland China.

(2) Investment in mainland China through a third-party company, Hongyu Holdings L.L.C.

(3) Other methods

Note 2: The relevant figures in this table involve foreign currencies and are converted to New Taiwan Dollars at the exchange rates on the balance sheet date.

Note 3: The actual paid-in capital is USD 17,100 thousand. The accumulated outbound investment amount is USD 14,242 thousand and JPY 299,876 thousand.

Note 4: The actual paid-in capital is USD 1,700 thousand. The accumulated outbound investment amount is USD 2,000 thousand.

Note 5: The actual paid-in capital is RMB 115,000 thousand, and the accumulated outbound investment amount is RMB 115,000 thousand.

Note 6: The investment income or loss recognized in this period is audited by the accounting firm of the Taiwan parent company.

Note 7: The accumulated outbound investment amount from Taiwan at the end of this period is converted at the original investment exchange rate.

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Information of Mainland China Investments

January 1 to December 31, 2022

Table 5

(In Thousands of New Taiwan Dollars unless otherwise specified)

| Company | Accumulated Investment Amount Transferred from Taiwan at Dec. 31, 2022 | Investment Amount Approved by the Investment Commission, Ministry of Economic Affairs | Investment Limit to China according to the regulations of Investment Commission, Ministry of Economic Affairs |
|---|---|---|---|
| Honmyue Enterprise Co., Ltd. | $ 1,076,093 | $ 1,281,068 | $ 1,269,139 |

Note 1: The relevant figures in this table involve foreign currencies and are converted to New Taiwan Dollars at the exchange rates on the balance sheet date.

Note 2: The investment limit in mainland China is calculated in accordance with the principles for the examination of investment or technical cooperation in mainland China established by the Ministry of Economic Affairs (60% of the net amount).

Note 3: The cumulative amount of investment transferred from Taiwan to mainland China at the end of this period is US$16,242 thousand, JPY 299,876 thousand, and RMB 115,000 thousand. The approved investment amount by the Investment Commission of the Ministry of Economic Affairs is US$41,715 thousand, with exchange rates of 30.71 for USD, 0.2324 for JPY, and 4.4140 for RMB.

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Information on Major Shareholders

January 1 to December 31, 2022

Table 6

| Shareholder | Shares | |
|---|---|---|
| | Number of Shares (Thousands) | Equity Ownership (%) |
| Zhen Hong Investment Co., Ltd. | 8,485 | 6.53 |

If the Company obtains this table information from Taiwan Depository & Clearing Corporation (TDCC), the following notes should be provided:

Note 1:

The major shareholder information in this table is calculated by TDCC based on the total number of ordinary and preferred shares (including treasury stocks) that shareholders have completed transfer without physical registration as of the last business day of each quarter and have reached 5% or more. The actual number of shares issued and outstanding disclosed in the Company's financial report may differ due to different calculation bases.

Note 2:

If the above data is related to shares held under trust, it will be disclosed in individual trust accounts opened by the trustee. As for the reporting of internal shareholding exceeding 10% of the total shares outstanding according to securities laws and regulations, it includes the shares held by the person and those entrusted to them with the decision-making power over trust property. Relevant information on internal shareholding reporting can be found on the Public Information Observation System.