

**NAN LIU ENTERPRISE CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

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

NAN LIU ENTERPRISE CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements under International Financial Reporting Standard No. 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare,

NAN LIU ENTERPRISE CO., LTD.

March 15, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Nan Liu Enterprise Co., Ltd.

Opinion

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

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. 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 for the Group's 2022 consolidated financial statements are stated as follows:

Appropriateness of inventory valuation

Description

Refer to Note 4(9) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimations and assumptions relating to inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2022, the carrying amount of inventories and allowance for inventory valuation loss are NT\$925,209 thousand and NT\$58,555 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. As the net realisable value of its inventories fluctuate based on market demand and sales strategy, there is a higher risk of incurring inventory valuation loss or having obsolete inventories. The Group's inventories are stated at the lower of cost and net realisable value. The Group also individually identifies the net realisable value of inventories that are over a certain age, obsolete or damaged and recognises related loss if any. As the amount of inventories is significant, the types of inventories are various and the valuation of the net realisable value involves a high degree of estimation uncertainty, the appropriateness of inventory valuation has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss.
2. Assessed the effectiveness of the management's inventory control, based on our understanding of the operations of the warehouse management, inspected the annual inventory taking plan and performed our observation.
3. Verified the appropriateness of the net realisable value of inventories and the logic in inventory ageing report which was used for valuation and discussed and checked the related supporting documents with the management to assess the adequacy of allowance for inventory valuation loss.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Nan Liu Enterprise Co., Ltd. as of and for the years ended December 31, 2022 and 2021.

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

Management is responsible for the preparation and fair presentation of the consolidated financial

statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Tzu-Shu

Independent Auditors

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan

Republic of China

March 15, 2023

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

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,522,409	15	\$ 1,777,362	17
1136	Financial assets at amortised cost - current	6(1)(2)	230,667	2	-	-
1150	Notes receivable, net	6(3)	40,075	1	58,422	1
1170	Accounts receivable, net	6(3)	1,185,421	11	1,342,758	13
1200	Other receivables		22,996	-	5,140	-
1220	Current income tax assets	6(25)	1,626	-	-	-
130X	Inventories	5(2) and 6(4)	866,654	8	862,302	8
1410	Prepayments		357,571	4	264,617	2
11XX	Total current assets		<u>4,227,419</u>	<u>41</u>	<u>4,310,601</u>	<u>41</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non- current	6(5)	84,130	1	84,130	1
1600	Property, plant and equipment	6(6)(8)(9) and 8	4,880,167	47	4,975,674	47
1755	Right-of-use assets	6(7)	525,475	5	543,762	5
1760	Investment property, net	6(6)(8)	29,814	-	30,427	-
1780	Intangible assets		1,415	-	165	-
1840	Deferred income tax assets	6(25)	91,008	1	55,318	-
1915	Prepayments for equipment	6(6)	446,061	4	376,585	4
1920	Guarantee deposits paid		47,539	-	71,889	1
1990	Other non-current assets	6(10)	86,530	1	101,416	1
15XX	Total non-current assets		<u>6,192,139</u>	<u>59</u>	<u>6,239,366</u>	<u>59</u>
1XXX	Total assets		<u>\$ 10,419,558</u>	<u>100</u>	<u>\$ 10,549,967</u>	<u>100</u>

(Continued)

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11) and 7	\$ 2,717,512	26	\$ 1,948,900	19
2110	Short-term notes and bills payable	6(12)	49,967	1	89,984	1
2130	Contract liabilities - current	6(18)	6,495	-	20,151	-
2150	Notes payable		340,958	3	555,074	5
2170	Accounts payable		523,381	5	556,834	5
2200	Other payables		187,213	2	298,440	3
2230	Current income tax liabilities	6(25)	21,158	-	26,930	-
2280	Lease liabilities - current	6(7)	10,487	-	10,384	-
2320	Long-term liabilities, current portion	6(13), 7 and 8	415,633	4	330,620	3
21XX	Total current liabilities		<u>4,272,804</u>	<u>41</u>	<u>3,837,317</u>	<u>36</u>
Non-current liabilities						
2540	Long-term borrowings	6(13), 7 and 8	2,185,517	21	2,787,601	26
2570	Deferred income tax liabilities	6(25)	63,361	1	10,964	-
2580	Lease liabilities - non-current	6(7)	367,118	3	378,587	4
2640	Net defined benefit liabilities - non-current	6(14)	27,530	-	45,515	1
2645	Guarantee deposits received		1,457	-	999	-
25XX	Total non-current liabilities		<u>2,644,983</u>	<u>25</u>	<u>3,223,666</u>	<u>31</u>
2XXX	Total liabilities		<u>6,917,787</u>	<u>66</u>	<u>7,060,983</u>	<u>67</u>
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(15)	726,000	7	726,000	7
3200	Capital surplus	6(16)	453,467	4	453,467	4
Retained earnings						
3310	Legal reserve	6(17)	641,211	6	629,412	6
3320	Special reserve		382,531	4	382,531	4
3350	Unappropriated retained earnings		1,641,984	16	1,673,403	16
3400	Other equity interest		(343,422)	(3)	(375,829)	(4)
3XXX	Total equity		<u>3,501,771</u>	<u>34</u>	<u>3,488,984</u>	<u>33</u>
Contingent Liabilities and Commitments						
7 and 9						
3X2X	Total liabilities and equity		<u>\$ 10,419,558</u>	<u>100</u>	<u>\$ 10,549,967</u>	<u>100</u>

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		Year ended December 31				
Items		Notes	2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18)	\$ 5,986,346	100	\$ 6,784,152	100
5000	Operating costs	6(4)(14)(23)(24)	(5,358,782)	(90)	(5,867,976)	(86)
5900	Net operating margin		<u>627,564</u>	<u>10</u>	<u>916,176</u>	<u>14</u>
	Operating expenses	6(14)(23)(24) and 12				
6100	Selling expenses		(284,588)	(5)	(367,393)	(5)
6200	General and administrative expenses		(255,219)	(4)	(251,453)	(4)
6300	Research and development expenses		(39,643)	-	(65,609)	(1)
6450	Expected credit gains		10,711	-	31,917	-
6000	Total operating expenses		<u>(568,739)</u>	<u>(9)</u>	<u>(652,538)</u>	<u>(10)</u>
6900	Operating profit		<u>58,825</u>	<u>1</u>	<u>263,638</u>	<u>4</u>
	Non-operating income and expenses					
7100	Interest income	6(2)(19)	28,970	-	10,215	-
7010	Other income	6(20)	31,967	1	42,343	1
7020	Other gains and losses	6(8)(21) and 12	123,428	2	(32,667)	-
7050	Finance costs	6(7)(22)	(54,356)	(1)	(33,292)	(1)
7000	Total non-operating income and expenses		<u>130,009</u>	<u>2</u>	<u>(13,401)</u>	<u>-</u>
7900	Profit before income tax		<u>188,834</u>	<u>3</u>	<u>250,237</u>	<u>4</u>
7950	Income tax expense	6(25)	(131,099)	(2)	(132,969)	(2)
8200	Profit for the year		<u>\$ 57,735</u>	<u>1</u>	<u>\$ 117,268</u>	<u>2</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains on remeasurements of defined benefit plans	6(14)	\$ 12,206	-	\$ 907	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(2,441)	-	(181)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		<u>32,407</u>	<u>1</u>	<u>(26,061)</u>	<u>(1)</u>
8300	Other comprehensive income (loss) for the year		<u>\$ 42,172</u>	<u>1</u>	<u>(\$ 25,335)</u>	<u>(1)</u>
8500	Total comprehensive income for the year		<u>\$ 99,907</u>	<u>2</u>	<u>\$ 91,933</u>	<u>1</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 57,735</u>	<u>1</u>	<u>\$ 117,268</u>	<u>2</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 99,907</u>	<u>2</u>	<u>\$ 91,933</u>	<u>1</u>
	Earnings per share (in dollars)	6(26)				
9750	Basic		<u>\$ 0.80</u>		<u>\$ 1.62</u>	
9850	Diluted		<u>\$ 0.80</u>		<u>\$ 1.61</u>	

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent						Total equity
	Share capital— common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other Equity Interest Exchange differences on translation of foreign financial statements	
<u>For the year ended December 31, 2021</u>							
Balance at January 1, 2021	\$ 726,000	\$ 453,467	\$ 483,750	\$ 382,531	\$ 2,572,271	(\$ 349,768)	\$ 4,268,251
Profit for the year	-	-	-	-	117,268	-	117,268
Other comprehensive income (loss) for the year	-	-	-	-	726	(26,061)	(25,335)
Total comprehensive income (loss)	-	-	-	-	117,994	(26,061)	91,933
Distribution of 2020 net income							
Legal reserve	-	-	145,662	-	(145,662)	-	-
Cash dividends	6(17)	-	-	-	(871,200)	-	(871,200)
Balance at December 31, 2021	<u>\$ 726,000</u>	<u>\$ 453,467</u>	<u>\$ 629,412</u>	<u>\$ 382,531</u>	<u>\$ 1,673,403</u>	<u>(\$ 375,829)</u>	<u>\$ 3,488,984</u>
<u>For the year ended December 31, 2022</u>							
Balance at January 1, 2022	\$ 726,000	\$ 453,467	\$ 629,412	\$ 382,531	\$ 1,673,403	(\$ 375,829)	\$ 3,488,984
Profit for the year	-	-	-	-	57,735	-	57,735
Other comprehensive income for the year	-	-	-	-	9,765	32,407	42,172
Total comprehensive income	-	-	-	-	67,500	32,407	99,907
Distribution of 2021 net income							
Legal reserve	-	-	11,799	-	(11,799)	-	-
Cash dividends	6(17)	-	-	-	(87,120)	-	(87,120)
Balance at December 31, 2022	<u>\$ 726,000</u>	<u>\$ 453,467</u>	<u>\$ 641,211</u>	<u>\$ 382,531</u>	<u>\$ 1,641,984</u>	<u>(\$ 343,422)</u>	<u>\$ 3,501,771</u>

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 188,834	\$ 250,237
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gains	12	(10,711)	(31,917)
Provision (reversal of allowance) for inventory market price decline	6(4)	836	(5,323)
Depreciation	6(6)(7)(8)(23)	508,761	490,636
(Gain) loss on disposal of property, plant and equipment	6(21)	(7,463)	4
Amortisation	6(23)	263	159
Amortisation of other non-current assets		32,953	31,723
Unrealised exchange gains on long-term borrowings	6(28)	-	(16,929)
Interest income	6(19)	(28,970)	(10,215)
Interest expense	6(22)	54,356	33,292
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		19,588	17,279
Accounts receivable		166,481	150,199
Other receivables		(3,280)	(894)
Inventories		(5,746)	407,902
Prepayments		(92,954)	23,559
Changes in operating liabilities			
Contract liabilities - current		(13,656)	(30,993)
Notes payable		(218,318)	53,457
Accounts payable		(33,453)	79,218
Other payables		(55,046)	(67,991)
Net defined benefit liabilities - non-current		(5,779)	(20,837)
Cash inflow generated from operations		496,696	1,352,566
Interest received		24,294	10,336
Income tax paid		(124,231)	(404,119)
Net cash flows from operating activities		<u>396,759</u>	<u>958,783</u>

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NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost - current		(\$ 680,375)	(\$ 74,445)
Repayment of principal at maturity from financial assets at amortised cost - current		449,708	163,275
Cash paid for acquisition of financial assets at fair value through other comprehensive income	6(27)	-	(84,130)
Cash paid for acquisition of property, plant and equipment	6(27)	(115,440)	(206,142)
Proceeds from disposal of property, plant and equipment	6(27)	49,956	1,291
Acquisition of investment property	6(8)	(467)	-
Increase in intangible assets		(1,510)	-
Increase in prepayments for equipment		(466,816)	(496,719)
Decrease (increase) in guarantee deposit paid		24,350	(15,313)
Increase in other non-current assets		(17,398)	(20,904)
Net cash flows used in investing activities		(757,992)	(733,087)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interest paid		(51,483)	(32,956)
Increase in short-term borrowings	6(28)	768,612	281,900
(Decrease) increase in short-term notes and bills payable	6(28)	(40,017)	89,984
Payments of lease liabilities	6(28)	(11,366)	(11,069)
Increase in long-term borrowings	6(28)	2,479,429	1,625,685
Decrease in long-term borrowings	6(28)	(2,996,500)	(1,220,424)
Increase in guarantee deposits received	6(28)	441	-
Payment of cash dividends	6(17)	(87,120)	(871,200)
Net cash flows from (used in) financing activities		61,996	(138,080)
Effect of foreign exchange rate changes		44,284	778
Net (decrease) increase in cash and cash equivalents		(254,953)	88,394
Cash and cash equivalents at beginning of year	6(1)	1,777,362	1,688,968
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,522,409</u>	<u>\$ 1,777,362</u>

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. History and Organisation

(1) Nan Liu Enterprise Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on December 1, 1978. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. For the subsidiaries’ scope of business, refer to Note 4(3), ‘Basis of consolidation’.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since May 2013.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 15, 2023.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been 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 that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the financial assets at fair value through other comprehensive income and defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, 'Critical accounting judgements, estimates and key sources of assumption uncertainty'.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or

losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investors	Name of subsidiaries	Main business activities	Percentage owned by the Group (%)		Note
			December 31, 2022	December 31, 2021	
Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Samoa) Co., Ltd.	General investment	100.00	100.00	—
Nan Liu Enterprise Co., Ltd.	Ching-Tsun Biomedical Technology Co., Ltd.	Research and development of health care and hygiene products as well as sales of skin care products	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Manufacturing (India) Private Limited	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nan Fang Enterprise (India) Private Limited	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	—

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other gains and losses'.

B. Translation of foreign operations

The financial performance and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Notes and accounts receivable

- A. Notes and accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term notes and accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realisable value, the amount of any write-down of inventories is recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

(10) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the

derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset</u>	<u>Useful lives</u>		
Buildings (including auxiliary equipment)	2	~	50 years
Machinery	2	~	15 years
Utility equipment	2	~	15 years
Transportation equipment	2	~	5 years
Office equipment	2	~	5 years
Other equipment	2	~	15 years

(14) Leasing arrangements (lessee) – right-of-use assets / lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between the remeasured lease liability in profit or loss.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. It is depreciated on a straight-line basis over its estimated useful life of 20 years.

(16) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there

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

(18) Borrowings

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

(19) Notes and accounts payable

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

(20) Derecognition of financial liabilities

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the

currency and term of the employment benefit obligations.

- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

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

(22) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new

shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

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

(25) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells nonwoven, wet napkins and facial mask. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns and discounts. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(26) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the

chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

B. As of December 31, 2022, the carrying amount of inventories was \$866,654.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand and petty cash	\$ 2,415	\$ 3,596
Checking accounts and demand deposits	<u>809,190</u>	<u>1,208,258</u>
	<u>811,605</u>	<u>1,211,854</u>
Cash equivalents:		
Time deposits	<u>710,804</u>	<u>565,508</u>
	<u>\$ 1,522,409</u>	<u>\$ 1,777,362</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2022 and 2021 the Group's time deposits maturing between three months and one year were reclassified as 'Financial assets at amortised cost - current' in the amount of \$230,667 and \$—, respectively.

C. As of December 31, 2022 and 2021, the Group has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost - current

Items	December 31, 2022	December 31, 2021
Time deposits maturing over three months	\$ 230,667	\$ –

- A. The Group recognised interest income in profit or loss on financial assets at amortised cost amounting to \$6,215 and \$602 (listed as “Interest income”) for the years ended December 31, 2022 and 2021, respectively.
- B. As of December 31, 2022 and 2021, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was approximately its book value.
- C. The Group has no financial assets at amortised cost pledged to others as collateral as of December 31, 2022 and 2021.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), ‘Financial instruments’. The counterparties of the Group’s investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes receivable	\$ 40,611	\$ 60,199
Less: Allowance for uncollectible accounts	(536)	(1,777)
	\$ 40,075	\$ 58,422
Accounts receivable	\$ 1,205,898	\$ 1,372,379
Less: Allowance for uncollectible accounts	(20,477)	(29,621)
	\$ 1,185,421	\$ 1,342,758

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

	December 31, 2022		December 31, 2021	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 38,660	\$ 1,079,181	\$ 55,604	\$ 1,181,487
Up to 60 days	1,951	121,351	4,595	185,195
61 to 90 days	–	150	–	250
91 to 180 days	–	1,246	–	1,828
Over 180 days	–	8,465	–	8,114
	\$ 40,611	\$ 1,210,393	\$ 60,199	\$ 1,376,874

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,604,043.

C. Without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was approximately its book value.

D. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(4) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 5,870	(\$ 1,761)	\$ 4,109
Raw materials	364,324	(8,103)	356,221
Raw materials in transit	22,560	-	22,560
Supplies	56,317	(2,063)	54,254
Work in progress	5,351	(2,054)	3,297
Finished goods	470,787	(44,574)	426,213
	<u>\$ 925,209</u>	<u>(\$ 58,555)</u>	<u>\$ 866,654</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 13,767	(\$ 5,060)	\$ 8,707
Raw materials	332,924	(16,875)	316,049
Raw materials in transit	25,729	-	25,729
Supplies	72,466	(2,548)	69,918
Work in progress	8,413	(4,723)	3,690
Finished goods	466,164	(27,955)	438,209
	<u>\$ 919,463</u>	<u>(\$ 57,161)</u>	<u>\$ 862,302</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 5,223,135	\$ 5,713,580
Under-applied fixed manufacturing overhead	184,088	192,871
Provision (reversal of allowance) for inventory market price decline (Note)	836 (5,323)
Loss on scrapped inventories	15,577	18,250
Gain on physical inventory	(14,044) (380)
Income from sale of scraps	(50,810) (51,022)
	<u>\$ 5,358,782</u>	<u>\$ 5,867,976</u>

(Note) For the year ended December 31, 2021, the Group reversed a previous inventory write-down as a result of subsequent sales and scraps of inventories which were previously provided with allowance.

(5) Financial assets at fair value through other comprehensive income - non-current

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instruments		
Unlisted stocks	\$ <u>84,130</u>	\$ <u>84,130</u>

- A. The subsidiary - Nanliu Enterprise (Samoa) Co., Ltd. participated in the capital increase of Principle & Will Co., Ltd. as a specific person. The effective date was December 31, 2020 and the maturity date of the shares' payment was January 6, 2021. As of December 31, 2022, the additional investment of the subsidiary of \$84,130 has been paid.
- B. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$93,756 and \$85,026 as of December 31, 2022 and 2021, respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as of December 31, 2022 and 2021.

(6) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>January 1, 2022</u>									
Cost	\$ 61,490	\$ 1,625,700	\$ 4,834,255	\$ 426,361	\$ 83,489	\$ 22,857	\$ 266,253	\$ 1,130,340	\$ 8,450,745
Accumulated depreciation	-	(448,765)	(2,632,811)	(195,578)	(50,679)	(19,638)	(117,787)	-	(3,465,258)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 61,490</u>	<u>\$ 1,167,122</u>	<u>\$ 2,201,444</u>	<u>\$ 230,783</u>	<u>\$ 32,810</u>	<u>\$ 3,219</u>	<u>\$ 148,466</u>	<u>\$ 1,130,340</u>	<u>\$ 4,975,674</u>
<u>For the year ended December 31, 2022</u>									
At January 1	\$ 61,490	\$ 1,167,122	\$ 2,201,444	\$ 230,783	\$ 32,810	\$ 3,219	\$ 148,466	\$ 1,130,340	\$ 4,975,674
Additions-cost	-	3,299	20,018	17,843	547	418	7,925	10,538	60,588
Transfers from Prepayments for equipment	-	359,198	295,317	129,376	4,386	-	33,299	(424,236)	397,340
Depreciation	-	(68,080)	(343,965)	(37,834)	(10,783)	(960)	(26,154)	-	(487,776)
Disposals-cost	-	-	(10,780)	(24)	(869)	(536)	(99)	(47,274)	(59,582)
-accumulated depreciation	-	-	5,689	23	869	514	94	-	7,189
Net exchange differences	-	(11,383)	(4,823)	908	(131)	32	2,051	80	(13,266)
At December 31	<u>\$ 61,490</u>	<u>\$ 1,450,156</u>	<u>\$ 2,162,900</u>	<u>\$ 341,075</u>	<u>\$ 26,829</u>	<u>\$ 2,687</u>	<u>\$ 165,582</u>	<u>\$ 669,448</u>	<u>\$ 4,880,167</u>
<u>December 31, 2022</u>									
Cost	\$ 61,490	\$ 1,980,613	\$ 5,152,862	\$ 576,153	\$ 87,878	\$ 22,878	\$ 310,129	\$ 669,448	\$ 8,861,451
Accumulated depreciation	-	(520,644)	(2,989,962)	(235,078)	(61,049)	(20,191)	(144,547)	-	(3,971,471)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 61,490</u>	<u>\$ 1,450,156</u>	<u>\$ 2,162,900</u>	<u>\$ 341,075</u>	<u>\$ 26,829</u>	<u>\$ 2,687</u>	<u>\$ 165,582</u>	<u>\$ 669,448</u>	<u>\$ 4,880,167</u>

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
<u>January 1, 2021</u>									
Cost	\$ 57,310	\$ 1,540,903	\$ 4,753,528	\$ 395,057	\$ 80,120	\$ 22,303	\$ 233,577	\$ 845,481	\$ 7,928,279
Accumulated depreciation	-	(393,853)	(2,349,069)	(167,643)	(43,613)	(18,788)	(95,707)	-	(3,068,673)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 57,310</u>	<u>\$ 1,137,237</u>	<u>\$ 2,404,459</u>	<u>\$ 227,414</u>	<u>\$ 36,507</u>	<u>\$ 3,515</u>	<u>\$ 137,870</u>	<u>\$ 845,481</u>	<u>\$ 4,849,793</u>
<u>For the year ended December 31, 2021</u>									
At January 1	\$ 57,310	\$ 1,137,237	\$ 2,404,459	\$ 227,414	\$ 36,507	\$ 3,515	\$ 137,870	\$ 845,481	\$ 4,849,793
Additions-cost	-	5,385	48,946	19,810	4,300	552	23,139	120,457	222,589
Reclassification (Note)	4,180	84,400	96,982	18,683	4,350	123	10,880	179,191	398,789
Depreciation	-	(56,722)	(342,548)	(34,507)	(12,239)	(955)	(23,293)	-	(470,264)
Disposals-cost	-	(1,151)	(3,826)	(6,451)	(5,089)	(76)	(1,054)	-	(17,647)
-accumulated depreciation	-	674	3,513	6,032	5,042	74	1,017	-	16,352
Net exchange differences	-	(2,701)	(6,082)	(198)	(61)	(14)	(93)	(14,789)	(23,938)
At December 31	<u>\$ 61,490</u>	<u>\$ 1,167,122</u>	<u>\$ 2,201,444</u>	<u>\$ 230,783</u>	<u>\$ 32,810</u>	<u>\$ 3,219</u>	<u>\$ 148,466</u>	<u>\$ 1,130,340</u>	<u>\$ 4,975,674</u>
<u>December 31, 2021</u>									
Cost	\$ 61,490	\$ 1,625,700	\$ 4,834,255	\$ 426,361	\$ 83,489	\$ 22,857	\$ 266,253	\$ 1,130,340	\$ 8,450,745
Accumulated depreciation	-	(448,765)	(2,632,811)	(195,578)	(50,679)	(19,638)	(117,787)	-	(3,465,258)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	<u>\$ 61,490</u>	<u>\$ 1,167,122</u>	<u>\$ 2,201,444</u>	<u>\$ 230,783</u>	<u>\$ 32,810</u>	<u>\$ 3,219</u>	<u>\$ 148,466</u>	<u>\$ 1,130,340</u>	<u>\$ 4,975,674</u>

(Note) Transferred \$413,732 from “Prepayments for equipment” and transferred \$14,943 to “Investment property, net”.

- A. As of December 31, 2022 and 2021, the Group's property, plant and equipment are all for own use.
- B. There was no capitalization of borrowing costs for the years ended December 31, 2022 and 2021.
- C. For more information regarding the Group's property, plant and equipment pledged to others as of December 31, 2022 and 2021, refer to Note 8, 'Pledged assets'.
- D. Impairment information about the property, plant and equipment is provided in Note 6(9), 'Impairment of non-financial assets'.

(7) Leasing arrangements — lessee

- A. The Group leases various assets including land and transportation equipment. Rental contracts are typically made for periods of 1 to 99 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but the Group may not sublease or transfer leased assets in whole or in part without permission from a lessor.
- B. Short-term leases with a lease term of 12 months or less comprise trucks and warehouses. Low-value assets comprise pallets and air coolers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Carrying amount	
	December 31, 2022	December 31, 2021
Land	\$ 524,500	\$ 542,529
Transportation equipment	975	1,233
	<u>\$ 525,475</u>	<u>\$ 543,762</u>
	Depreciation charge	
	For the years ended December 31,	
	2022	2021
Land	\$ 19,127	\$ 19,353
Transportation equipment	279	196
	<u>\$ 19,406</u>	<u>\$ 19,549</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$ — and \$1,371, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,443	\$ 1,507
Expense on short-term lease contracts	3,679	8,413
Expense on leases of low-value assets	406	553
	<u>\$ 5,528</u>	<u>\$ 10,473</u>

- F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$16,894 and \$21,542, respectively.

(8) Investment property, net

	For the years ended December 31,	
	2022	2021
	Buildings	Buildings
Opening book amount as at January 1		
Cost	\$ 32,276	\$ 17,428
Accumulated depreciation	(1,849)	(1,031)
	<u>\$ 30,427</u>	<u>\$ 16,397</u>
At January 1	\$ 30,427	\$ 16,397
Additions	467	-
Transferred from property, plant and equipment	-	14,943
Depreciation	(1,579)	(823)
Net exchange differences	499	(90)
At December 31	<u>\$ 29,814</u>	<u>\$ 30,427</u>
Closing book amount as at December 31		
Cost	\$ 33,268	\$ 32,276
Accumulated depreciation	(3,454)	(1,849)
	<u>\$ 29,814</u>	<u>\$ 30,427</u>

A. Direct operating expenses arising from investment property are shown below:

	For the years ended December 31,	
	2022	2021
Direct operating expenses arising from the investment property that did not generate rental income (shown as 'Other gains and losses')	<u>\$ 1,579</u>	<u>\$ 823</u>

B. The fair value of the investment property held by the Group as at December 31, 2022 and 2021 were \$42,878 and \$40,811, respectively, which was valued based on the latest transaction price of similar objects in the location. Valuations were made based on most recent transaction prices of similar properties, considering factors such as location, scale and purpose of use, etc., which were categorised within Level 3 in the fair value hierarchy.

C. No borrowing costs were capitalised as part of investment property for the years ended December 31, 2022 and 2021.

D. As of December 31, 2022 and 2021, no investment property held by the Group was pledged to others.

(9) Impairment of non-financial assets

A. Certain buildings and structures of the Group were located in the special district of Kaohsiung New Town where building permits are currently not being issued. Except for the plant in the first

floor, the building permits of the second and third floors cannot yet be obtained which resulted to an impairment in the Group's property, plant and equipment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss accordingly in previous year. The Group did not recognise both impairment loss and gain on reversal of impairment loss on certain property, plant and equipment for the years ended December 31, 2022 and 2021.

B. As of December 31, 2022 and 2021, the balances for accumulated impairment of property, plant and equipment were both \$9,813.

(10) Long-term receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term receivable	\$ 4,495	\$ 4,495
Less: Allowance for uncollectible accounts	(4,495)	(4,495)
	<u>\$ -</u>	<u>\$ -</u>

A. Without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's long-term receivable was approximately its book value.

B. Information relating to credit risk of long-term receivable is provided in Note 12(2), 'Financial instruments'.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	<u>\$ 2,717,512</u>	1.22%~5.91%	None
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	<u>\$ 1,948,900</u>	0.69%~0.8%	None

For more information on interest expense recognised in profit or loss by the Group for the years ended December 31, 2022 and 2021, refer to Note 6(22), 'Finance costs'.

(12) Short-term notes and bills payable

	<u>December 31, 2022</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial paper payable	\$ 50,000	1.89%	None
Less: Unamortised discount	(33)		
	<u>\$ 49,967</u>		
	<u>December 31, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial paper payable	\$ 90,000	0.84%	None
Less: Unamortised discount	(16)		
	<u>\$ 89,984</u>		

A. The above commercial papers were issued and secured by China Bills Finance Corporation and

Dah Chung Bills Finance Corporation.

B. For more information on interest expense recognised in profit or loss by the Group for the years ended December 31, 2022 and 2021, refer to Note 6(22), 'Finance costs'.

(13) Long-term borrowings

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	December 31, 2022
Unsecured bank borrowings	3. 2023~12. 2025	1. 40%~2. 03%	None	\$ 1, 815, 500
Secured borrowings	1. 2023~5. 2030	0. 47%	Machinery and transportation equipment (Note)	785, 650
				2, 601, 150
Less: Current portion				(415, 633)
				<u>\$ 2, 185, 517</u>

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	December 31, 2021
Unsecured bank borrowings	1. 2022~5. 2030	0. 095%~1. 00%	None	\$ 3, 027, 237
Secured borrowings	3. 2022~9. 2022	1. 00%	Machinery (Note)	90, 984
				3, 118, 221
Less: Current portion				(330, 620)
				<u>\$ 2, 787, 601</u>

(Note) Jointly guaranteed by Huang Chin-San.

For more information on interest expense recognised in profit or loss by the Group for the years ended December 31, 2022 and 2021, refer to Note 6(22), 'Finance costs'.

(14) Pensions

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

balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information is shown below:

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 59,385)	(\$ 86,561)
Fair value of plan assets	<u>31,855</u>	<u>41,046</u>
Net defined benefit liability	<u>(\$ 27,530)</u>	<u>(\$ 45,515)</u>

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

	<u>For the year ended December 31, 2022</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 86,561)	\$ 41,046	(\$ 45,515)
Current service cost	(766)	-	(766)
Interest (expense) income	(585)	270	(315)
Effect of plan curtailment	<u>-</u>	<u>(1,178)</u>	<u>(1,178)</u>
	<u>(87,912)</u>	<u>40,138</u>	<u>(47,774)</u>
Remeasurements:			
Return on plan assets	-	3,037	3,037
Change in financial assumptions	2,882	-	2,882
Experience adjustments	<u>6,287</u>	<u>-</u>	<u>6,287</u>
	<u>9,169</u>	<u>3,037</u>	<u>12,206</u>
Pension fund contribution	<u>-</u>	<u>254</u>	<u>254</u>
Paid pension	<u>19,358</u>	<u>(11,574)</u>	<u>7,784</u>
At December 31	<u>(\$ 59,385)</u>	<u>\$ 31,855</u>	<u>(\$ 27,530)</u>

	For the year ended December 31, 2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 98,852)	\$ 31,593	(\$ 67,259)
Current service cost	(806)	-	(806)
Interest (expense) income	(292)	92	(200)
Effect of plan curtailment	-	(969)	(969)
	<u>(99,950)</u>	<u>30,716</u>	<u>(69,234)</u>
Remeasurements:			
Return on plan assets	-	496	496
Change in demographic assumptions	(249)	-	(249)
Change in financial assumptions	2,844	-	2,844
Experience adjustments	(2,184)	-	(2,184)
	<u>411</u>	<u>496</u>	<u>907</u>
Pension fund contribution	-	14,179	14,179
Paid pension	12,978	(4,345)	8,633
At December 31	<u>(\$ 86,561)</u>	<u>\$ 41,046</u>	<u>(\$ 45,515)</u>

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

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2022	2021
Discount rate	1.25%	0.70%
Future salary increase rate	3.00%	3.00%

Future mortality rate was both estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021.

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

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 1,241)	\$ 1,283	\$ 1,258	(\$ 1,223)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 1,725)	\$ 1,786	\$ 1,741	(\$ 1,691)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$704.

(f) As of December 31, 2022, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 1,882
2~5 years	20,515
Over 6 years	43,342
	<u>\$ 65,739</u>

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

employment. The Group's subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations are based on a certain percentage of the employees' monthly salaries and wages (See note below). Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$22,768 and \$25,512, respectively.

(15) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (unit: shares in thousands):

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Beginning and ending number of shares	<u>72,600</u>	<u>72,600</u>

B. As of December 31, 2022, the Company's authorised capital was \$1,000,000 and the paid-in capital was \$726,000, consisting of 72,600 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve shall be set aside if needed. The remainder, if any, to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting.

The Company's business is in the growth stage and it will continue to invest in order to stabilise market competition position. In order to meet future capital needs and long-term financial plan, the residual dividend policy is adopted for the distribution of dividends. The Company measures future capital requirements in accordance with the Company's future capital budget and finances

it with retained earnings. The remainder is distributed in the form of cash dividends and share dividends. However, cash dividends shall account for at least 10% of the total dividends.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No.1010012865, dated April 6, 2012, was \$44,348 and shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised cash dividends distributed to owners in 2022 and 2021 amounting to \$87,120 (\$1.2 (in dollars) per share as cash dividend) and \$871,200 (\$12 (in dollars) per share as cash dividend), respectively. On March 15, 2023, the Board of Directors proposed for the distribution of dividends from 2022 earnings in the amount of \$72,600 (\$1 (in dollars) per share).

(18) Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 5,986,346</u>	<u>\$ 6,784,152</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from providing nonwoven goods in the following major product lines:

	<u>For the year ended December 31, 2022</u>			
	<u>Nan Liu Enterprise Co., Ltd.</u>	<u>Nanliu Enterprises (Pinghu) Ltd.</u>	<u>Others</u>	<u>Total</u>
Biotechnology	\$ 958,148	\$ 929,337	\$ 40	\$1,887,525
Spunlace nonwovens	1,054,895	787,353	-	1,842,248
Air-through nonwovens	385,784	1,178,319	197,621	1,761,724
Disposable surgical gowns	<u>322,369</u>	<u>172,480</u>	<u>-</u>	<u>494,849</u>
	<u>\$ 2,721,196</u>	<u>\$ 3,067,489</u>	<u>\$197,661</u>	<u>\$5,986,346</u>

For the year ended December 31, 2021

	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Total
Biotechnology	\$ 1,085,573	\$ 1,316,645	\$ 2,402,218
Spunlace nonwovens	1,223,423	819,072	2,042,495
Air-through nonwovens	584,780	1,255,596	1,840,376
Disposable surgical gowns	321,052	178,011	499,063
	<u>\$ 3,214,828</u>	<u>\$ 3,569,324</u>	<u>\$ 6,784,152</u>

B. The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities - current	<u>\$ 6,495</u>	<u>\$ 20,151</u>	<u>\$ 51,144</u>

Revenue recognised that was included in the contract liability balance at the beginning of the year were \$17,763 and \$41,434 for the years ended December 31, 2022 and 2021, respectively.

(19) Interest income

	For the years ended December 31,	
	2022	2021
Bank deposits	\$ 22,755	\$ 9,613
Financial assets at amortised cost	6,215	602
	<u>\$ 28,970</u>	<u>\$ 10,215</u>

(20) Other income

	For the years ended December 31,	
	2022	2021
Grant income	\$ 3,870	\$ 18,509
Income from renewable energy sold	13,968	13,257
Compensation income	6,451	511
Miscellaneous income	7,678	10,066
	<u>\$ 31,967</u>	<u>\$ 42,343</u>

(21) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net gain (loss) on disposal of property, plant and equipment	\$ 7,463	(\$ 4)
Net currency exchange gain (loss)	120,036	(29,717)
Other losses	(4,071)	(2,946)
	<u>\$ 123,428</u>	<u>(\$ 32,667)</u>

(22) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 52,913	\$ 31,785
Interest expense on lease liabilities	1,443	1,507
	<u>\$ 54,356</u>	<u>\$ 33,292</u>

(23) Expenses by nature

	For the year ended December 31, 2022		
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 386,748	\$ 150,425	\$ 537,173
Depreciation charges	474,139	33,043	507,182
Amortisation charges	32	231	263

	For the year ended December 31, 2021		
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 471,206	\$ 150,464	\$ 621,670
Depreciation charges	459,353	30,460	489,813
Amortisation charges	-	159	159

(24) Employee benefit expense

	For the year ended December 31, 2022		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 315,349	\$ 122,127	\$ 437,476
Labor and health insurance expense	23,655	9,588	33,243
Pension costs	18,058	6,969	25,027
Other personnel expenses	29,686	11,741	41,427
	<u>\$ 386,748</u>	<u>\$ 150,425</u>	<u>\$ 537,173</u>

	For the year ended December 31, 2021		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 383,294	\$ 125,565	\$ 508,859
Labor and health insurance expense	35,298	9,922	45,220
Pension costs	20,669	6,818	27,487
Other personnel expenses	31,945	8,159	40,104
	<u>\$ 471,206</u>	<u>\$ 150,464</u>	<u>\$ 621,670</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 2% for directors' remuneration. Employees' compensation will be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive aforementioned share or cash. Directors' remuneration will be distributed in the form of cash. The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.
- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$826 and \$1,127, respectively; while directors' remuneration was accrued at \$572 and \$780, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised were accrued based on the profit of current period distributable and the percentage specified in the Articles of Incorporation of the Company. The amounts of employees' compensation and directors' remuneration as resolved by the Board of Directors were the same as the estimated amounts of \$1,127 and \$780 recognised in the 2021 financial statements, respectively. On March 15, 2023, the amounts of employees' compensation and directors' remuneration as resolved by the Board of Directors were \$826 and \$572, respectively. The employees' compensation will be distributed in the form of cash.
- Information about employees' compensation and directors' remuneration of the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Components of income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 128,026	\$ 164,595
Tax on undistributed surplus earnings	-	10,768
Prior year income tax overestimation	(11,193)	(19,418)
	<u>116,833</u>	<u>155,945</u>
Deferred tax:		
Origination and reversal of temporary differences	14,266	(22,976)
Income tax expense	<u>\$ 131,099</u>	<u>\$ 132,969</u>

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

	For the years ended December 31,	
	2022	2021
Remeasurement of defined benefit obligations	<u>\$ 2,441</u>	<u>\$ 181</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 93,825	\$ 126,204
Effect from items disallowed by tax regulation	(694)	(40,611)
Temporary differences between finance report and income tax report	2,321	666
Tax on undistributed surplus earnings	-	10,768
Prior year income tax overestimation	(11,193)	(19,418)
Separate taxation	46,840	55,360
Income tax expense	<u>\$ 131,099</u>	<u>\$ 132,969</u>

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

	For the year ended December 31, 2022			
	Balance, beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences:				
Loss on doubtful debts	\$ 2,468	\$ -	\$ -	\$ 2,468
Loss on inventories from market decline	5,339	2,949	-	8,288
Pensions	9,103	(1,156)	(2,441)	5,506
Impairment of assets	1,963	-	-	1,963
Unused compensated absences	666	(434)	-	232
Unrealised losses	817	-	-	817
Unrealised profit	278	-	-	278
Tax losses	<u>34,684</u>	<u>36,772</u>	<u>-</u>	<u>71,456</u>
	<u>\$ 55,318</u>	<u>\$ 38,131</u>	<u>(\$ 2,441)</u>	<u>\$ 91,008</u>
Deferred income tax liabilities				
Temporary differences:				
Gains on foreign investment accounted for under equity method	\$ -	(\$ 49,144)	\$ -	(\$ 49,144)
Unrealised exchange gain	(3,578)	(3,253)	-	(6,831)
Increment tax on land revaluation	(7,386)	-	-	(7,386)
	<u>(\$ 10,964)</u>	<u>(\$ 52,397)</u>	<u>\$ -</u>	<u>(\$ 63,361)</u>
	<u>\$ 44,354</u>	<u>(\$ 14,266)</u>	<u>(\$ 2,441)</u>	<u>\$ 27,647</u>

For the year ended December 31, 2021

	Balance, beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences:				
Loss on doubtful debts	\$ 4,889	(\$ 2,421)	\$ -	\$ 2,468
Loss on inventories from market decline	6,404	(1,065)	-	5,339
Pensions	14,118	(4,834)	(181)	9,103
Impairment of assets	1,963	-	-	1,963
Unused compensated absences	740	(74)	-	666
Unrealised losses	817	-	-	817
Unrealised profit	278	-	-	278
Tax losses	-	34,684	-	34,684
	<u>\$ 29,209</u>	<u>\$ 26,290</u>	<u>(\$ 181)</u>	<u>\$ 55,318</u>
Deferred income tax liabilities				
Temporary differences:				
Unrealised exchange gain	(\$ 264)	(\$ 3,314)	\$ -	(\$ 3,578)
Increment tax on land revaluation	(7,386)	-	-	(7,386)
	<u>(\$ 7,650)</u>	<u>(\$ 3,314)</u>	<u>\$ -</u>	<u>(\$ 10,964)</u>
	<u>\$ 21,559</u>	<u>\$ 22,976</u>	<u>(\$ 181)</u>	<u>\$ 44,354</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2022	\$ 195,466	\$ 195,466	\$ -	2032
2021	161,811	161,811	-	2031
	<u>\$ 357,277</u>	<u>\$ 357,277</u>	<u>\$ -</u>	
December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	\$ 173,418	\$ 173,418	\$ -	2031

E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loss on inventories from market decline	\$ 17,113	\$ 30,467

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred income tax liabilities. As of December 31, 2022 and 2021, the amounts of temporary differences unrecognised as deferred income tax liabilities were \$662,232 and \$661,404, respectively.

G. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of March 15, 2023, there was no administrative lawsuit.

(26) Earnings per share

	<u>For the year ended December 31, 2022</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings per share</u>
	<u>after tax</u>	<u>number of shares</u>	<u>(in dollars)</u>
		<u>outstanding</u>	
		<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 57,735	72,600	\$ 0.80
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 57,735	72,600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	14	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 57,735	72,614	\$ 0.80

For the year ended December 31, 2021			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 117,268	72,600	\$ 1.62
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 117,268	72,600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	34	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 117,268	72,634	\$ 1.61

(27) Supplemental cash flow information

A. Investing activities with partial cash receipts and payments:

	For the years ended December 31,	
	2022	2021
(a) Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ -
Add: Opening balance of other payables	-	84,130
Cash paid for acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ 84,130
(b) Acquisition of property, plant and equipment	\$ 60,588	\$ 222,589
Add: Opening balance of notes payable	2,627	3,284
Opening balance of other payables	83,434	66,330
Less: Ending balance of notes payable	(6,829)	(2,627)
Ending balance of other payables	(24,380)	(83,434)
Cash paid for acquisition of property, plant and equipment	\$ 115,440	\$ 206,142
(c) Disposal of property, plant and equipment	\$ 59,856	\$ 1,291
Less: Ending balance of other receivables	(9,900)	-
Cash inflow from disposal of property, plant and equipment	\$ 49,956	\$ 1,291

B. Operating and investing activities with no cash flow effect:

	For the years ended December 31,	
	2022	2021
(a) Accounts receivable transferred to long-term receivable	\$ -	\$ 508
(b) Property, plant and equipment transferred to investment property, net	\$ -	\$ 14,943
(c) Prepayments for equipment transferred to property, plant and equipment	\$ 397,340	\$ 413,732

(28) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposit received	Liabilities from financing activities-gross
Balance at January 1, 2022	\$ 1,948,900	\$ 89,984	\$ 388,971	\$ 3,118,221	\$ 999	\$ 5,547,075
Changes in cash flow from financing activities	768,612	(40,017)	(11,366)	(517,071)	441	200,599
Impact of changes in foreign exchange rate	-	-	-	-	17	17
Balance at December 31, 2022	<u>\$ 2,717,512</u>	<u>\$ 49,967</u>	<u>\$ 377,605</u>	<u>\$ 2,601,150</u>	<u>\$ 1,457</u>	<u>\$ 5,747,691</u>
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposit received	Liabilities from financing activities-gross
Balance at January 1, 2021	\$ 1,667,000	\$ -	\$ 398,669	\$ 2,729,889	\$ 1,004	\$ 4,796,562
Changes in cash flow from financing activities	281,900	89,984	(11,069)	405,261	-	766,076
Changes in other non-cash items	-	-	1,371	(16,929)	-	(15,558)
Impact of changes in foreign exchange rate	-	-	-	-	(5)	(5)
Balance at December 31, 2021	<u>\$ 1,948,900</u>	<u>\$ 89,984</u>	<u>\$ 388,971</u>	<u>\$ 3,118,221</u>	<u>\$ 999</u>	<u>\$ 5,547,075</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Huang Chin-San	Key management personnel of the Company

(2) Significant related party transactions

Secured bank borrowings that the Group borrowed from the banks as of December 31, 2022 and 2021 was guaranteed by Huang Chin-San

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 14,245	\$ 14,573
Service allowance	810	720
	<u>\$ 15,055</u>	<u>\$ 15,293</u>

8. Pledged Assets

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Machinery-net and transportation equipment-net (Note)	<u>\$ 1,112,652</u>	<u>\$ 922,232</u>	Long-term borrowings

(Note) Shown as 'Property, plant and equipment'.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) As of December 31, 2022 and 2021, the balances for contracts that the Group entered into but not yet incurred are \$517,471 and \$587,266, respectively.

(2) As of December 31, 2022 and 2021, the unused letters of credit amounted to \$1,425 and \$64,926, respectively.

(3) The details of endorsement and guarantees provided to others are described in Note 13(1)-B.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

Details of financial instruments by category of the Group are described in Note 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(ii) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's foreign operations are considered strategic investments; thus, no hedging for the purpose is conducted.

(iii) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: RMB and INR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
(foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 27,737	30.71	\$ 851,803
USD : RMB	7,465	6.96	229,250
RMB : NTD	2,074	4.408	9,142
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1,977	30.71	60,714
USD : RMB	918	6.96	28,192
USD : INR	5,108	82.73	156,867
JPY : INR	45,115	0.6315	10,485
EUR : INR	34	88.79	1,112
December 31, 2021			
(foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 22,621	27.68	\$ 626,149
USD : RMB	14,618	6.38	404,626
RMB : NTD	1,911	4.34	8,294
EUR : NTD	23	31.32	720
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	2,387	27.68	66,072
USD : RMB	1,430	6.38	39,582
EUR : NTD	3,618	31.32	113,316

(iv) As of December 31, 2022 and 2021, if the Group's functional currency exchange rate to foreign currencies had appreciated/depreciated by 1% with all other factors remaining constant, the post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$8,328 and \$8,208, respectively.

(v) The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to \$120,036 and (\$29,717) respectively.

ii. Price risk

(i) The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification

of the portfolio is done in accordance with the limits set by the Group.

- (ii) The Group's investments in equity securities comprise shares issued by the foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2022 and 2021 would both have increased/decreased by \$841, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

iii. Cash flow and fair value interest rate risk

- (i) The Group's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rate. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in New Taiwan dollars and EUR dollars.
- (ii) If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021, would have decreased/increased by \$529 and \$318, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. For banks and financial institutions, only those with high credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.
- iii. In line with the credit risk management procedure, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. In line with the credit risk management procedure, the default occurs when the contract payments are past due over 180 days.
- v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vi. The Group classifies customer's receivables in accordance with the credit rating of the customer. The Group applies the modified approach using the provision matrix to estimate

expected credit loss. The Group used the forecastability of conditions to adjust historical and timely information to assess the default possibility of receivables, whereby rate ranging from 0.77% to 100% are applied to the provision matrix. Movements in relation to the Group applying the modified approach to provide loss allowance for receivables are as follows:

	For the year ended December 31, 2022		
	Notes receivable	Accounts receivable	Long-term receivables
At January 1	\$ 1,777	\$ 29,621	\$ 4,495
Expected credit gains	(1,241)	(9,470)	-
Effect of foreign exchange	-	326	-
At December 31	<u>\$ 536</u>	<u>\$ 20,477</u>	<u>\$ 4,495</u>

	For the year ended December 31, 2021		
	Notes receivable	Accounts receivable	Long-term receivables
At January 1	\$ 2,777	\$ 61,243	\$ 3,987
Expected credit (gains) losses	(1,000)	(31,425)	508
Effect of foreign exchange	-	(197)	-
At December 31	<u>\$ 1,777</u>	<u>\$ 29,621</u>	<u>\$ 4,495</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate:		
Expiring within one year	\$ 1,928,378	\$ 1,889,375
Expiring beyond one year	<u>2,867,150</u>	<u>3,402,569</u>
	<u>\$ 4,795,528</u>	<u>\$ 5,291,944</u>

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$2, 728, 502	\$ -	\$ -	\$ -
Short-term notes and bills payable	50, 000	-	-	-
Notes payable	340, 958	-	-	-
Accounts payable	523, 381	-	-	-
Other payables	187, 213	-	-	-
Lease liabilities (including current portion)	13, 012	32, 450	31, 856	387, 548
Long-term borrowings (including current portion)	448, 800	1, 937, 927	163, 099	120, 155
Guarantee deposits received	-	-	-	1, 457
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$1, 951, 535	\$ -	\$ -	\$ -
Short-term notes and bills payable	90, 000	-	-	-
Notes payable	555, 074	-	-	-
Accounts payable	556, 834	-	-	-
Other payables	298, 440	-	-	-
Lease liabilities (including current portion)	13, 008	29, 291	32, 160	403, 398
Long-term borrowings (including current portion)	349, 092	2, 251, 217	307, 571	242, 475
Guarantee deposits received	-	-	-	999

v. The Group does not expect the maturity date to end early nor the actual cash flow to be materially different.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

C. The carrying amounts of financial assets and financial liabilities not measured at fair value including cash and cash equivalents, financial assets at amortised cost - current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

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

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 84,130	\$ 84,130
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 84,130	\$ 84,130

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

F. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

<u>For the year ended December 31, 2022</u>	<u>Equity securities (Note)</u>
Beginning and ending balance	\$ 84,130
<u>For the year ended December 31, 2021</u>	<u>Equity securities (Note)</u>
Beginning and ending balance	\$ 84,130

(Note) For the years ended December 31, 2022 and 2021, there was no adjustment to the Level 3 equity securities at fair value, because the movement was not immaterial.

G. Finance segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 93,756	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
	<u>December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 85,026	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets categorised within Level 3, if the inputs used to valuation models have changed by 1%, the effect on other comprehensive income would have been \$1,052 for the years ended December 31, 2022 and 2021.

(4) Others

Due to Covid-19 pandemic and the government's various prevention measures, the Group implemented workplace hygiene management measures in accordance with the "Guidelines for

Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)” and managed related issues continuously. In Taiwan, except for those employees who worked in office under a staggered shift pattern, the employees in the plant were working normally and there was no significant adverse impact on the Group’s operations.

13. Supplementary Disclosures

In accordance with the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2022.

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company’s paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 9.

(4) Major shareholders information

Refer to table 10.

14. Segment information

(1) General information

The management of the Group has identified the operating segments based on information provided to the Group’s chief operating decision-maker in order to make strategic decisions. The Group’s organization basis of identification and measurement of segment information had no significant changes in this period.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on segment pre-tax income.

(3) Information about segment profit or loss and assets

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

	For the year ended December 31, 2022			
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Others	Total
Segment revenue	\$ 2,734,889	\$ 3,608,149	\$ 197,661	\$ 6,540,699
Inter-segment revenue	(13,693)	(540,660)	-	(554,353)
Revenue from external customers, net	\$ 2,721,196	\$ 3,067,489	\$ 197,661	\$ 5,986,346
Segment (loss) profit	(\$ 187,134)	\$ 325,591	\$ 68,852	\$ 207,309
Segment assets	\$ 5,607,651	\$ 3,015,231	\$ 1,796,676	\$ 10,419,558

	For the year ended December 31, 2021			
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Others	Total
Segment revenue	\$ 3,215,624	\$ 4,290,915	\$ -	\$ 7,506,539
Inter-segment revenue	(796)	(721,591)	-	(722,387)
Revenue from external customers, net	\$ 3,214,828	\$ 3,569,324	\$ -	\$ 6,784,152
Segment (loss) profit	(\$ 119,277)	\$ 436,972	(\$ 64,702)	\$ 252,993
Segment assets	\$ 5,620,977	\$ 3,513,432	\$ 1,415,558	\$ 10,549,967

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. A reconciliation of reportable segment income before income tax is provided as follows:

	For the years ended December 31,	
	2022	2021
Reportable segment income before income tax	\$ 138,457	\$ 317,695
Other segments income (loss) before income tax	68,852	(64,702)
Inter-segment loss	(18,475)	(2,756)
Profit before income tax	\$ 188,834	\$ 250,237

(5) Information on products and services

Refer to Note 6(18) for the information on products for the years ended December 31, 2022 and 2021.

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	For the years ended December 31,			
	2022		2021	
	Revenue (note)	Non-current assets	Revenue (note)	Non-current assets
Taiwan	\$ 1,299,009	\$ 3,812,356	\$ 1,616,228	\$ 4,041,982
Mainland China	2,679,385	1,108,431	3,070,357	1,332,767
Japan	947,944	–	880,359	–
Others	1,060,008	1,048,675	1,217,208	653,280
	<u>\$ 5,986,346</u>	<u>\$ 5,969,462</u>	<u>\$ 6,784,152</u>	<u>\$ 6,028,029</u>

(Note) Revenue is categorised based on the locations of customers.

(7) Major customer information

Major customer (net revenue from the customer constituting more than 10% of net consolidated operating revenue) information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	For the years ended December 31,	
	2022	2021
Company A	\$ 937,704	\$ 662,478
Company B	759,034	764,298
Company C	577,399	687,699
	<u>\$ 2,274,137</u>	<u>\$ 2,114,475</u>

Nan Liu Enterprise Co., Ltd. and Subsidiaries

Loans to others

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
													Item	Value			
1	Nanliu Enterprise (Samoa) Co., Ltd.	Nan Liu Enterprise Co., Ltd.	Other receivables	Y	\$ 921,300	\$ 921,300	\$ 921,300	2.0%	Short-term financing	\$ -	Repayments of borrowings	\$ -	-	\$ -	\$ 4,910,204	\$ 4,910,204	-
		Nanliu Manufacturing (India) Private Limited	Long-term receivables	Y	776,732	734,860	734,860	3.5%	Short-term financing	-	Construction of plants and acquisition of machinery	-	-	-	\$ 4,910,204	\$ 4,910,204	-

Note 1: Calculations of limit on ceiling on total loans granted and limit on loans granted to a single party were as follows:

The maximum amount for total loan is 100% of its net worth; the maximum amount for individual enterprise is as follows:

(1) For trading partner: shall not exceed 30% of its net worth and shall not be higher than the purchase or sales amount of the most recent year.

(2) For short-term financing: the maximum amount for total loan is 30% of its net worth; for the 50% directly and indirectly owned subsidiaries are not subject to such limitation, however, it shall not exceed 100% of its net worth.

Note 2: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD:NTD 1:30.71

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD

Number	Endorser/guarantor	Endorsee		Endorsement limit for a single entity (Note 2)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship											
0	Nan Liu Enterprise Co., Ltd.	Nanliu Manufacturing (India) Private Limited	(Note 1)	\$ 7,003,542	\$ 701,627	\$ 312,421	\$ 100,797	\$ -	8.92%	\$ 7,003,542	Y	N	N	—
1	Nan Fang Enterprise (India) Private Limited	Nanliu Manufacturing (India) Private Limited	(Note 2)	\$ 560,856	\$ 116,700	\$ 111,300	\$ 59,604	\$ -	39.69%	\$ 560,856	N	N	N	—

Note 1: The Company directly owns over 50% ownership of the investee company.

Note 2: The Company directly owns more than 90% ownership of the investee company.

Note 3: The total amount of transactions of endorsement equals to 200% of the Company's net worth and the limit of endorsement for any single entity is 200% of the Company's net worth.

For the Group, the overall amount of transactions of endorsement equals to 200% of its net worth and the limit of endorsement for any single entity is 200% of its net worth.

For trading partner: shall not exceed 30% of its net worth and shall not be higher than the transaction amount of the most recent year.

Note 4: Foreign currencies were translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD:NTD 1:30.71 ; INR:NTD 1:0.371.

Nan Liu Enterprise Co., Ltd. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 3 Expressed in thousands of NTD

Held company name	Marketable securities type and name	Relationship with the company	Financial statements item	December 31, 2022		Percentage of ownership (%)	Fair value	Footnote
				Shares/units (in thousands)	Carrying value			
Nanliu Enterprise (Samoa) Co., Ltd.	Stock: Principle & Will Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	2,000	\$ 84,130	10.00%	\$ 93,756	—

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NTS\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Subsidiary	Purchases	\$ 540,660	29%	Closes its accounts 60 days after the end of each month by T/T	\$ -	Same with the third parties	(\$ 98,749)	(31%)	—
Nanliu Enterprises (Pinghu) Ltd.	Nan Liu Enterprise Co., Ltd.	The company	(Sales)	(540,660)	(15%)	Closes its accounts 60 days after the end of each month by T/T	-	"	98,749	13%	—

(Note) Foreign currencies were translated into New Taiwan Dollars using the following exchange rates: Ending balances of receivables and payables were translated using the exchange rates as of December 31, 2022 (USD:NTD 1:30.71); amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2022 (USD:NTD 1:29.804).

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2022

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship	Balance as of December 31, 2022			Overdue receivables		Subsequent collections	Allowance for doubtful accounts
			Items	Amount	Turnover rate	Amount	Action taken		
Nanliu Enterprise (Samoa) Co., Ltd.	Nan Liu Enterprise Co., Ltd.	The Company	Other receivables	\$ 922,324	—	\$ -	—	\$ -	\$ -
	Nanliu Manufacturing (India) Private Limited	Subsidiary	Long-term receivables	636,135	—	-	—	-	-
			Other receivables	124,457	—	-	—	16,452	-

(Note) Foreign currencies were translated into New Taiwan Dollars at the exchange rate as of December 31, 2022 as follows: USD:NTD 1:30.71.

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD

Number	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	1	Purchases	\$ 540,660	Closes its accounts 60 days after the end of each month by T/T	9%
		Nanliu Manufacturing (India) Private Limited	1	Endorsements and guarantees	312,421		—
1	Nanliu Enterprise (Samoa) Co., Ltd.	Nan Liu Enterprise Co., Ltd.	2	Other receivables	922,324	—	9%
		Nanliu Manufacturing (India) Private Limited	3	Long-term receivables	636,135	—	6%
2	Nan Fang Enterprise (India) Private Limited	Nanliu Manufacturing (India) Private Limited	3	Other receivables	124,457	—	1%
				Endorsements and guarantees	111,300	—	1%

Note 1: As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required. Only transactions amounting to more than \$100,000 are disclosed.

Note 2: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 3: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 5: Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances and carrying amounts were translated using the exchange rate as of report date (USD:NTD 1:30.71; RMB:USD 1:0.1437); amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2022 (USD:NTD 1:29.804; RMB:USD 1:0.1485).

Nan Liu Enterprise Co., Ltd. and Subsidiaries

Information on investees

For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021 (Note)	Number of shares	Ownership (%)	Book value			
Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Samoa) Co., Ltd.	Samoa	General investment	\$ 1,643,224	\$ 1,643,224	52,948,159	100.00	\$ 4,887,984	\$ 268,333	\$ 249,859	Subsidiary
	Ching-Tsun Biomedical Technology Co., Ltd.	Taiwan	Research and development of health care and hygiene products as well as sales of skin care products	40,000	40,000	4,000,000	100.00	38,405	(601)	(601)	Subsidiary
Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Manufacturing (India) Private Limited	India	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	666,698	373,583	170,000,000	100.00	435,341	(120,934)	(Note 1)	Subsidiary
	Nan Fang Enterprise (India) Private Limited	India	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	284,350	284,350	75,000,000	100.00	280,428	4,638	(Note 1)	Subsidiary

(Note1) According to the related regulations, it is not required to disclose investment income (loss) recognised by the Company.

(Note2) Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances and carrying amounts were translated using the exchange rate as of December 31, 2022 (INR:NTD 1:0.371); amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2022 (INR:NTD 1:0.36).

Nan Liu Enterprise Co., Ltd. and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Nanliu Enterprises (Pinghu) Ltd.	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	\$ 1,846,701	(Note 1)	\$ 1,487,607	\$ -	\$ -	\$ 1,487,607	\$ 245,718	100.00	\$ 245,317	\$ 2,341,599	\$ -	—
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investment in Mainland China by the Investment Commission of MOEA (Note 3)</u>										
Nan Liu Enterprise Co., Ltd.	\$ 1,487,607	\$ 1,877,537	\$ 2,101,063										

(Note 1) Indirect investment in Mainland China through an existing company (Nanliu Enterprise (Samoa) Co., Ltd.) located in the third area.

(Note 2) The Company recognised income (loss) based on audited financial statements.

(Note 3) The ceiling amount is 60% of consolidated net assets.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the following exchanges: Ending balances and carrying amounts were translated using the exchange rate as of report date (RMB:NTD 1:4.414); amounts of transactions were translated using the weighted-average exchange rate for the year ended December 31, 2022 (RMB:NTD 1:4.425).

Nan Liu Enterprise Co., Ltd. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2022

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the year ended December 31, 2022	Others
	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate		
Nanliu Enterprises (Pinghu) Ltd.	(\$ 540,660)	(29%)	\$ -	-	(\$ 98,749)	(31%)	\$ -	-	\$ -	\$ -	-	\$ -	-

Nan Liu Enterprise Co., Ltd. and Subsidiaries

Major shareholders information

December 31, 2022

Table 10

Unit:shares

Name of the key shareholder	Number of shares		Ownership (%)	Footnote
	Common shares	Preferred shares		
Tianziding Investment Co., Ltd.	8,674,659	-	11.95%	—
Neizhuang Investment Co., Ltd.	6,031,924	-	8.31%	—
Huang Chin-San	5,288,978	-	7.29%	—
Bisiou Investment Co., Ltd.	5,090,929	-	7.01%	—
Jun-Yi Investment Co., Ltd.	4,636,000	-	6.39%	—

Notes: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares issued in dematerialised form due to the different calculation basis.