Stock Code:1467

TEX-RAY INDUSTRIAL CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of TEX-RAY INDUSTRIAL CO., LTD.

Opinion

We have audited the financial statements of TEX-RAY INDUSTRIAL CO., LTD.("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that in our professional judgement, should be communicated are as follows:

1. Revenue recognition

   Please refer to Note 4(o) for the accounting policies on revenue and Note 6(r) "Revenue from contracts with customers" for the details of the related disclosure.

   .

Description of the key audit matter:

The Company is in the garment textile industry. In order to enhance the international competency, the management adopts global layout as its business strategy and adds multiple production and sales supply chains overseas. Therefore, the extent of influence of local laws and political and economic changes in various countries to such strategy increases dramatically. Resulting in that the revenue recognition is regarded as highly concerns. Therefore, the Company' s revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including understanding the design of internal controls over the recognition of revenue and the collection of receivables, performing test of details by inspecting the sales orders, shipping records, invoices and documents related to accounts receivable and cash collection and assessing the adequacy of revenue recognition. Furthermore, we also performed sample testing for verification from transactions within a period before and after balance sheet date to determine whether the revenue is recognized in appropriate period.

2. Valuation of accounts receivable

For the accounting policies on the valuation of accounts receivable, please refer to Note 4(f). Refer to Note 5(a) for the accounting estimates and assumptions related to the valuation of accounts receivable on reporting date and refer to Note 6(c) for the details of the accounts receivable.

Description of the key audit matter:

As of December 31, 2022, the accounts receivable of the Company was $167,516 thousand. We have considered that the Company's trading partners are scattered in different industries and geographic regions, how the management control credit risk of its customer is thoroughly important. Therefore, the impairment assessment of accounts receivable has been identified as one of the key audit matters.

How the matter was addressed in our audit:

We have performed certain audit procedures including inspecting the controls over customer credit assessment process, analyzing the accounts receivable aging table, viewing past collection experience of customers and checking cash collection records after the reporting date to evaluate whether the impairment of the accounts receivable has been properly assessed.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Shu-Ying Chang.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2023

Notes to Readers

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

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 508,975	8	113,418	2
1161	Notes receivable due from related parties (Note 7)	-	-	96	-
1170	Accounts receivable, net (Note 6(c))	167,516	3	447,377	8
1181	Accounts receivable due from related parties (Note 7)	115,349	2	98,240	2
1200	Other receivables, net	3,954	-	5,197	-
1210	Other receivables due from related parties, net (Note 7)	47,473	1	26,229	-
1310	Inventories, manufacturing business, net (Note 6(d))	306,417	5	477,693	8
1410	Prepayments (Note 7)	198,934	3	163,299	3
1470	Other current assets	1,995	-	261	-
1476	Other current financial assets (Note 8)	151,951	2	151,965	3
		1,502,564	24	1,483,775	26
	Non-current assets:				
1518	Non-current investments in equity instruments designated at fair value through other comprehensive income (Note 6(b))	20,012	-	-	-
1550	Investments accounted for using equity method, net (Note 6(e))	3,205,497	52	2,708,459	48
1600	Property, plant and equipment (Notes 6(f) and 8)	420,896	7	429,264	7
1755	Right-of-use assets (Note 6(g))	28,912	-	26,603	-
1760	Investment property, net (Notes 6(h) and 8)	1,094,413	17	1,114,398	19
1780	Intangible assets	10,332	-	11,843	-
1840	Deferred tax assets (Note 6(o))	12,294	-	18,556	-
1960	Prepayments for investments	-	-	9,092	-
1980	Other non-current financial assets (Note 8)	4,690	-	5,187	-
1990	Other non-current assets	1,857	-	-	-
		4,798,903	76	4,323,402	74
	Total assets	$ 6,301,467	100	5,807,177	100

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6(i))	$ 450,000	7	440,000	8
2110	Short-term notes and bills payable (Note 6(j))	279,473	4	299,584	5
2130	Current contract liabilities (Note 6(r))	-	-	556	-
2150	Notes payable	1,383	-	9,449	-
2170	Accounts payable	240,231	4	320,853	6
2180	Accounts payable due to related parties (Note 7)	17,638	-	5,924	-
2200	Other payables	103,770	2	96,853	2
2220	Other payables due to related parties (Note 7)	291,657	4	139	-
2230	Current tax liabilities	41,363	1	68,989	1
2280	Current lease liabilities (Note 6(l))	5,766	-	5,238	-
2320	Long-term liabilities, current portion (Note 6(k))	48,543	1	140,000	2
2300	Other current liabilities (Note 7)	2,776	-	8,800	-
		1,482,600	23	1,396,385	24
	Non-current liabilities:				
2540	Long-term borrowings (Note 6(k))	1,499,356	24	1,256,179	23
2570	Deferred tax liabilities (Note 6(o))	179,123	3	177,699	3
2580	Non-current lease liabilities (Note 6(l))	23,426	-	21,821	-
2640	Net defined benefit liability, non-current (Note 6(n))	10,323	-	19,909	-
2670	Other non-current liabilities, others (Note 7)	46,947	1	502	-
		1,759,175	28	1,476,110	26
	Total liabilities	3,241,775	51	2,872,495	50
	Equity (Note 6(p)):				
3110	Ordinary share	2,336,247	37	2,336,247	40
3200	Capital surplus	239,699	4	239,714	4
3300	Retained earnings	259,608	4	281,648	5
3400	Other equity interest	224,138	4	77,073	1
	Total equity	3,059,692	49	2,934,682	50
	Total liabilities and equity	$ 6,301,467	100	5,807,177	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenues (Notes 6(r) and 7)**	$ 2,878,383	100	3,110,103	100
5000	**Operating costs (Notes 6(d), (n) and 7)**	2,411,182	84	2,572,050	83
5900	**Gross profit from operations**	467,201	16	538,053	17
5910	Less:Unrealized profit from sales	(10,791)	-	(13,236)	-
5920	Add:Realized profit on from sales	13,236	-	7,336	-
5950	**Gross profit (loss) from operations**	469,646	16	532,153	17
6000	**Operating expenses (Notes 6(n) and (s)):**				
6100	Selling expenses	303,478	11	360,587	12
6200	Administrative expenses	154,472	5	102,848	3
6300	Research and development expenses	16,967	1	7,571	-
		474,917	17	471,006	15
6900	**Net operating income**	(5,271)	(1)	61,147	2
7000	**Non-operating income and expenses:**				
7010	Other income (Notes 6(t) and 7)	32,108	1	35,218	1
7020	Other gains and losses, net (Note 6(t))	73,566	3	18,786	1
7100	Interest income (Notes 6(t) and 7)	3,170	-	2,107	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method, net	(95,170)	(3)	(100,901)	(3)
7510	Interest expense (Note 6(t))	(33,549)	(1)	(31,960)	(1)
		(19,875)	-	(76,750)	(2)
	Profit (loss) before tax	(25,146)	(1)	(15,603)	-
7950	Less: Income tax expenses (Note 6(o))	13,237	-	15,279	-
	Profit (loss)	(38,383)	(1)	(30,882)	-
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Losses on remeasurements of defined benefit plans	5,422	-	2,427	-
8312	Gains on revaluation surplus	-	-	59,893	2
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6,879	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss	-	-	-	-
	Items that will not be reclassified subsequently to profit or loss	12,301	-	62,320	2
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	151,107	5	(126,919)	(4)
8399	Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss	-	-	-	-
	Items that may be reclassified subsequently to profit or loss	151,107	5	(126,919)	(4)
8300	**Other comprehensive income**	163,408	5	(64,599)	(2)
8500	**Total comprehensive income**	**$ 125,025**	**4**	**(95,481)**	**(2)**
	Basic earnings per share (Note 6(q))				
9750	Basic earnings per share (dollars)	$	**(0.16)**		**(0.13)**
9850	Diluted earnings per share (dollars)	$	**(0.16)**		**(0.13)**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Revaluation surplus	Total other equity interest	Total equity
Balance on January 1, 2021	$ 2,336,247	234,052	166,655	201,749	105,236	473,640	(848,171)	(36,504)	1,028,774	144,099	3,188,038
Loss	-	-	-	-	(30,882)	(30,882)	-	-	-	-	(30,882)
Other comprehensive income	-	-	-	-	2,427	2,427	(126,919)	-	59,893	(67,026)	(64,599)
Total comprehensive income	-	-	-	-	(28,455)	(28,455)	(126,919)	-	59,893	(67,026)	(95,481)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	10,523	-	(10,523)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(163,537)	(163,537)	-	-	-	-	(163,537)
Reversal of special reserve	-	-	-	(201,749)	201,749	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	5,164	-	-	-	-	-	-	-	-	5,164
Changes in ownership interests in subsidiaries	-	498	-	-	-	-	-	-	-	-	498
Balance on December 31, 2021	2,336,247	239,714	177,178	-	104,470	281,648	(975,090)	(36,504)	1,088,667	77,073	2,934,682
Loss	-	-	-	-	(38,383)	(38,383)	-	-	-	-	(38,383)
Other comprehensive income	-	-	-	-	5,661	5,661	151,107	5,682	958	157,747	163,408
Total comprehensive income	-	-	-	-	(32,722)	(32,722)	151,107	5,682	958	157,747	125,025
Changes in ownership interests in subsidiaries	-	(15)	-	-	-	-	-	-	-	-	(15)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	10,682	10,682	-	(10,682)	-	(10,682)	-
Balance on December 31, 2022	**$ 2,336,247**	**239,699**	**177,178**	**-**	**82,430**	**259,608**	**(823,983)**	**(41,504)**	**1,089,625**	**224,138**	**3,059,692**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		2022	2021
Cash flows from (used in) operating activities:			
Loss before tax	$	(25,146)	(15,603)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		16,013	18,410
Amortization expense		6,569	7,319
Reversal of provision for expected credit loss		(146)	(60)
Loss on financial assets at fair value through profit or loss		-	(111)
Interest expense		33,549	31,960
Interest income		(3,170)	(2,107)
Dividend income		-	(21)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		95,170	100,901
Loss on disposal of property, plan and equipment		(95)	(7,152)
Unrealized (loss) profit from sales		(2,445)	5,900
Loss (gain) on fair value adjustment of investment property		7,193	(21,048)
Other income		(2,240)	(2,203)
		(420)	-
Total adjustments to reconcile profit		149,978	131,788
Changes in operating assets and liabilities:			
Decrease in financial assets at fair value through profit or loss		-	723
Decrease in notes receivable		-	500
Decrease (increase) in notes receivable due from related parties		96	(96)
Decrease (increase) in accounts receivable		280,007	(108,480)
(Increase) decrease in accounts receivable due from related parties		(17,109)	12,299
Decrease in other receivables		1,243	735
(Increase) decrease in other receivables due from related parties		(21,244)	105,803
Decrease (increase) in inventories		171,276	(56,932)
(Increase) decrease in prepayments		(31,468)	19,935
(Increase) decrease in other current assets		(1,734)	69
Total changes in operating assets		381,067	(25,444)
Changes in operating liabilities:			
Decrease in contract liabilities		(556)	(17,352)
Decrease in notes payable		(8,066)	(37,890)
Decrease in notes payable due to related parties		-	(13)
(Decrease) increase in accounts payable		(80,622)	57,704
Increase (decrease) in accounts payable due to related parties		11,714	(21,039)
Increase (decrease) in other payables		6,713	(214,503)
Increase (decrease) in other payable due to related parties		533	(227)
Decrease in advance receipts		-	(4,679)
(Decrease) increase in other current liabilities		(6,024)	4,884
Decrease in net defined benefit liability		(4,164)	(2,919)
Decrease in other non-current assets		(1,856)	-
Increase (decrease) in other operating liabilities		500	(257)
Total changes in operating liabilities		(81,828)	(236,291)
Total changes in operating assets and liabilities		299,239	(261,735)
Total adjustments		449,217	(129,947)
Cash inflow generated from operations		424,071	(145,550)
Interest received		3,170	2,107
Dividends received		-	21
Interest paid		(33,345)	(32,094)
Income taxes paid		(33,177)	(16,108)
Net cash flows from (used in) operating activities		360,719	(191,624)

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TEX-RAY INDUSTRIAL CO., LTD.

Statements of Cash Flows (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(10,920)	-
Acquisition of investments accounted for using equity method	(100,510)	(433,850)
Acquisition of property, plant and equipment	(1,528)	(4,590)
Proceeds from disposal of property, plant and equipment	95	9,084
Acquisition of intangible assets	(5,059)	(1,430)
Decrease in other financial assets	511	19,505
Dividends received	20,680	26,435
Net cash flows (used in) investing activities	(96,731)	(384,846)
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,225,000	566,624
Decrease in short-term loans	(1,215,000)	(246,614)
Increase in short-term notes and bills payable	779,889	49,924
Decrease in short-term notes and bills payable	(800,000)	-
Proceeds from long-term debt	287,553	-
Repayments of long-term debt	(140,000)	(38,250)
Payment of lease liabilities	(5,873)	(6,720)
Cash dividends paid	-	(163,537)
Disposal of ownership interests in subsidiaries (without losing control)	-	16,378
Net cash flows from financing activities	131,569	177,805
Net increase (decrease) in cash and cash equivalents	395,557	(398,665)
Cash and cash equivalents at beginning of period	113,418	512,083
Cash and cash equivalents at end of period	$ **508,975**	**113,418**

See accompanying notes to parent company only financial statements.

TEX-RAY INDUSTRIAL CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TEX-RAY INDUSTRIAL CO., LTD. (the "Company") was established with the approval of the Ministry of Economic Affairs in August 1978, and was listed in Taiwan Stock Exchange in 1998. The registered address is 2F., No. 426, Linsen N. Rd., Jhongshan Dist., Taipei City. The Company was originally a modern yarn dyeing factory, and then expanded to spinning business, plain weaving business, and garment business, etc.. In order to enhance competency in international business, the Company established multiple production and sales supply chains overseas in Mexico, Eswatini, Vietnam, and Mainland China, and deployed the marketing department in US and Mexico market. The Company further divided its departments or established new subsidiaries for specialization purpose in particular technologies and markets in order to enhance the overall economic efficiency.

The main business of the Company is in weaving, manufacturing and processing, dyeing and spinning, and trading of cotton and any kind of fibers and textiles, and yarn trading business, garment processing and trading business, ultrasonic cleaning and supercritical cleaning business and extraction businesses.

(2) Approval date and procedures of the financial statements

The financial statements were authorized for issue by the Board of Directors on March 28, 2023.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability' s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"

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- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information "
- IFRS16 "Requirements for Sale and Leaseback Transactions"

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value,

2) Fair value through other comprehensive income are measured at fair value,

3) Investment property is measured at fair value, and

4) The defined benefit liabilities is recognized as the fair value of the plan assets less the present value of defined benefit obligation and the upper limit impact mentioned in Note 4(r).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The Company' s financial statements are presented in New Taiwan Dollar, which is the Company' s functional currency. All the financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

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(c) Foreign currencies

(i) currencies transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for equity securities designated as at fair value through other comprehensive income; which are recognized in other comprehensive income.

(ii) Foreign operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current when

(i) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle,

(ii) The Company holds the asset primarily for the purpose of trading,

(iii) The Company expects to realize the asset within twelve months after the reporting period,

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(iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when

(i) The Company expects to settle the liability in its normal operating cycle,

(ii) The Company holds the liability primarily for the purpose of trading,

(iii) The liability is due to be settled within twelve months after the reporting period,

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI)－equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

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1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

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4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

· the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

· how the performance of the portfolio is evaluated and reported to the Company's management;

· the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

· how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

· the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables, guarantee deposit and other financial assets) and contract assets.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

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Since the performance object of the Company's cash deposits are investment grade financial institutions, the Company's credit risk are considered low.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but no control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, minus any accumulated impairment losses.

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The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from the transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

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(i) Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in ‘other equity - revaluation surplus’ is transferred to retained earnings.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost includes any expenditure of acquiring assets. Self-built asset cost includes materials, direct labor, any other expenditure to make the asset usable, removement and recovery cost, and the loan cost meeting the criteria of capitalization. Besides, the cost also includes the software purchased to integrate related functions, which is capitalized as a part of the equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	Buildings	5～55 years
2)	Machinery equipment	7～13 years
3)	Transportation equipment	3～ 6 years
4)	Office and Other equipment	1～20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owneroccupied to investment property.

(l) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(ii) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including in-substance fixed payment,

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,

3) amounts expected to be payable under a residual value guarantee, and

4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate, or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or

3) there is a change of its assessment on whether it will exercise a purchase, extension or termination option, or

4) there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic,

2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change,

3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022, and

4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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(iii) As a leasor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Additionally intangible assets such as computer software are amortized at estimated useful lives ranging from three to twenty years, and recognized in profit and loss.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company engages in manufacturing, processing and wholesaling of textile and garments. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financial components

The Company does not expect to have any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction,

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(Continued)

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity, or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(r) Earnings per share

The Company discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(s) Operating segments

Please refer to the consolidated financial report of TEX-RAY INDUSTRIAL CO., LTD. for the years ended December 31, 2022 and 2021 for operating segments information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There is no judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of trade receivables

The Company has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(d) for further description of the valuation of inventories.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. Investment property measured at fair value is periodically remeasured by the Company's finance Dept. or by appraisers using appraisal method accepted by FSC.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Please refer to following notes for assumptions used in measuring fair value:

(a) Note 6(h), Investment property.

(b) Note 6(u), Financial instruments.

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash	$ 442	442
Check deposits	7,097	6,719
Demand deposits	38,579	18,793
Foreign currency deposits	124,064	76,688
Time deposits	338,793	10,776
Cash and cash equivalents in the statements of cash flows	**$ 508,975**	**113,418**

Please refer Note 6(u) for the disclosure of interest risk and sensitivity analysis of the Company's financial assets and liabilities.

(b) Financial assets at fair value

The portfolio of the Company were as follows:

	December 31, 2022	December 31, 2021
Equity investments measured at fair value through other comprehensive income		
Unlisted Common Shares	**$ 20,012**	**-**

(i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes. The revaluation loss of the investment has been recognized in equity accounts.

(ii) During 2021, the Company sold part of its financial assets at fair value through profit or loss. The financial asset was disposed at fair value amounted to $723 thousand.

(iii) Please refer to Note 6(u) for credit risk and market risk of the financial assets.

(iv) The aforesaid financial assets were not pledged as collateral.

(c) Notes and trade receivables

	December 31, 2022	December 31, 2021
Accounts receivable-measured at amortized cost	$ 167,522	447,529
Less: Loss allowance	6	152
	$ 167,516	**447,377**

(i) The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The expected credit losses of the notes receivables and trade receivables were as follows:

	December 31, 2022		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance Provision**
Overdue under 90 days	$ 167,501	0%	-
Overdue 90 to 180 days	12	10%	1
Overdue 180 to 360 days	9	56%	5
Over 360 days past due	-	100%	-
	$ 167,522		**6**

	December 31, 2021		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance Provision**
Overdue under 90 days	$ 446,582	0%	-
Overdue 90 to 180 days	870	10%	87
Overdue 180 to 360 days	25	52%	13
Over 360 days past due	52	100%	52
	$ 447,529		**152**

(ii) The movement in the allowance for notes and accounts receivable was as follow:

	For the years ended December 31	
	2022	**2021**
Balance on January 1	$ 152	212
Reversal of impairment losses	(146)	(60)
Balance on December 31	**$ 6**	**152**

(iii) The aforesaid receivables were not pledged as collateral.

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(d) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 15,274	21,159
Work in process	244,567	381,080
Finished goods	289	3,939
Merchandise	46,287	71,515
	$ 306,417	**477,693**

(i) As of December 31, 2022 and 2021, inventories recognized as cost of sales amounted to $2,439,415 thousand and $2,586,134 thousand, respectively. For the years ended 2022 and 2021, the reversal of write-down amounted to $28,233 thousand and $14,084 thousand, respectively. The reversals were included in cost of sales.

(ii) The aforesaid inventories were not pledged as collateral.

(e) Investments accounted for using equity method

A summary of the Company's investments accounted for using equity method at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	**$ 3,205,497**	**2,708,459**

(i) Subsidiary

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(ii) Associate

The company adopts the equity method for affiliated enterprises that are individually insignificant, and the amount included in the company's financial report in the consolidated financial information in 2022 and 2021 is zero.

(iii) Pursuant to the resolution passed on December 27, 2022 by the Board of Directors, the Company acquired 100% of equity interests of TRLA GROUP, INC. and Z-PLY CORPORATION from its subsidiary, FLYNN International Ltd., for a total of US$1,372 thousand and US$10,246 thousand, respectively. The above transaction price is paid at the schedule agreed by both parties.

(iv) The aforesaid investments accounted for using equity method were not pledged as collateral.

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

		Land	Buildings	Machinery equipment	Transportation equipment	Office equipment	Other facilities	Total
Cost:								
Balance on January 1, 2022	$	193,016	291,448	13,098	1,419	41,360	35,544	575,885
Additions		-	914	-	-	280	334	1,528
Disposals		-	-	-	(315)	-	-	(315)
Balance on December 31, 2022	$	**193,016**	**292,362**	**13,098**	**1,104**	**41,640**	**35,878**	**577,098**
Balance on January 1, 2021	$	193,016	290,117	137,058	1,906	43,054	75,271	740,422
Additions		-	1,331	2,758	-	501	-	4,590
Transfers		-	-	2,133	-	-	-	2,133
Disposals		-	-	(128,851)	(487)	(2,195)	(39,727)	(171,260)
Balance on December 31, 2021	$	**193,016**	**291,448**	**13,098**	**1,419**	**41,360**	**35,544**	**575,885**
Depreciation and impairment loss:								
Balance on January 1, 2022	$	-	68,585	6,306	1,348	36,218	34,164	146,621
Depreciation for the period		-	5,837	1,443	-	2,086	530	9,896
Disposals		-	-	-	(315)	-	-	(315)
Balance on December 31, 2022	$	**-**	**74,422**	**7,749**	**1,033**	**38,304**	**34,694**	**156,202**
Balance on January 1, 2021	$	-	62,759	130,749	1,867	36,237	72,810	304,422
Depreciation for the period		-	5,826	2,496	108	2,176	921	11,527
Disposals		-	-	(126,939)	(627)	(2,195)	(39,567)	(169,328)
Balance on December 31, 2021	$	**-**	**68,585**	**6,306**	**1,348**	**36,218**	**34,164**	**146,621**
Carrying amounts:								
Balance on December 31, 2022	$	**193,016**	**217,940**	**5,349**	**71**	**3,336**	**1,184**	**420,896**
Balance on December 31, 2021	$	**193,016**	**222,863**	**6,792**	**71**	**5,142**	**1,380**	**429,264**
Balance on January 1, 2021	$	**193,016**	**227,358**	**6,309**	**39**	**6,817**	**2,461**	**436,000**

The property, plant and equipment of the Company had been pledged as collateral for bank borrowings, please refer to Note 8.

(g) Right-of-use assets

The Company leases assets including land, buildings, machinery and transportation equipment. Information about leases for which the Company as a lessee was presented below:

		Land	Buildings	Transportation equipment	Total
Cost:					
Balance on January 1, 2022	$	33,980	641	5,152	39,773
Additions		1,578	5,709	1,164	8,451
Disposal		-	(641)	(4,641)	(5,282)
Balance on December 31, 2022	$	**35,558**	**5,709**	**1,675**	**42,942**

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

	Land	Buildings	Transportation equipment	Total
Balance on January 1, 2021	$ 33,980	693	6,190	40,863
Additions	-	641	-	641
Disposal	-	(693)	(1,038)	(1,731)
Balance on December 31, 2021	**$ 33,980**	**641**	**5,152**	**39,773**
Accumulated depreciation:				
Balance on January 1, 2022	$ 8,491	413	4,266	13,170
Depreciation for the year	4,511	394	1,212	6,117
Disposal	-	(616)	(4,641)	(5,257)
Balance on December 31, 2022	**$ 13,002**	**191**	**837**	**14,030**
Balance on January 1, 2021	$ 4,245	480	3,293	8,018
Depreciation for the year	4,246	626	2,011	6,883
Disposal	-	(693)	(1,038)	(1,731)
Balance on December 31, 2021	**$ 8,491**	**413**	**4,266**	**13,170**
Carrying amounts:				
Balance on December 31, 2022	**$ 22,556**	**5,518**	**838**	**28,912**
Balance on December 31, 2021	**$ 25,489**	**228**	**886**	**26,603**
Balance on January 1, 2021	**$ 29,735**	**213**	**2,897**	**32,845**

(h) Investment property

The movement of the investment property were as follows:

	Land and improvement	Buildings	Total
Book Value:			
Balance on January 1, 2022	$ 1,011,870	102,528	1,114,398
Change in fair value	(16,743)	(3,242)	(19,985)
Balance on December 31, 2022	**$ 995,127**	**99,286**	**1,094,413**
Balance on January 1, 2021	$ 963,693	94,748	1,058,441
Change in fair value	48,177	7,780	55,957
Balance on December 31, 2021	**$ 1,011,870**	**102,528**	**1,114,398**
Carrying amounts:			
Balance on December 31, 2022	**$ 995,127**	**99,286**	**1,094,413**
Balance on December 31, 2021	**$ 1,011,870**	**102,528**	**1,114,398**
Balance on January 1, 2021	**$ 963,693**	**94,748**	**1,058,441**

(i) The recurring fair value measurement for the investment properties has been categorized as a Level 3 fair value based on the input to the valuation technique used. The above table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

The Company's investment properties were subsequently measured at fair value using the income approach after initial recognition. The relevant contract information and key assumptions used in the method are as follows:

Contract Terms	Building No. 6576, Sec. 3, Zhongshan Dist., Taipei City	
	December 31, 2022	December 31, 2021
Contract terms	1.Rental:$238 thousand /month 2.Period:60 months 3.Deposits: $460 thousand 4.Tax borne by lessor:$83 thousand/year	1.Rental:$238 thousand /month 2.Period:60 months 3.Deposits: $460 thousand 4.Tax borne by lessor:$84 thousand/year
Rent at local market rate (note)	$3,220 /Py /month	$3,250 /Py /month
Current market rent for comparable properties in similar locations and condition	$2,794～$3,065 /Py /month	$2,794~$4,125 /Py /month
Current status	In use	In use
Capitalization rate	3.95%	3.77%
Discount rate	2.20%	2.02%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser	Appraised by external independent appraiser
Appraiser office(s)	Grand Elite Real Estate Appraisers Firm	Grand Elite Real Estate Appraisers Firm
Appraiser name(s)	Fu-Sheng Wang	Fu-Sheng Wang
Appraisal date	December 31, 2022	December 31, 2021
Fair value by external independent appraiser(s)	$67,670 thousand	$70,970 thousand

Contract Terms	Land No. 38, and buildings in Dehui Sec. 4, Zhongshan Dist., Taipei City	
	December 31, 2022	December 31, 2021
Contract terms	1.Rental:$44 thousand /month 2.Period:12 months 3.Deposits: $0 thousand 4.Tax borne by lesson:$14 thousand/year	1.Rental:$39 thousand /month 2.Period:12 months 3.Deposits: $0 thousand 4.Tax borne by lesson:$14 thousand/year
Rent at local market rate (note)	$1,190 /Py /month	$1,150 /Py /month
Current market rent for comparable properties in similar locations and condition	$1,139～$1,253 /Py /month	$1,105~$1,182 /Py /month
Current status	In use	In use
Capitalization rate	2.10%	2.19%
Discount rate	1.95%	2.02%

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TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Contract Terms	Land No. 38, and buildings in Dehui Sec. 4, Zhongshan Dist., Taipei City	
	December 31, 2022	**December 31, 2021**
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser	Appraised by external independent appraiser
Appraiser office(s)	Grand Elite Real Estate Appraisers Firm	Grand Elite Real Estate Appraisers Firm
Appraiser name(s)	Fu-Sheng Wang	Fu-Sheng Wang
Appraisal date	December 31, 2022	December 31, 2021
Fair value by external independent appraiser(s)	$14,370 thousand	$13,730 thousand

Contract Terms	Land No. 868, and buildings in Zhenquian Sec. Changhua County	
	December 31, 2022	**December 31, 2021**
Contract terms	1.Rental:$178～$309 thousand /month 2.Period:36 months 3.Deposits: $0 thousand 4.Tax borne by lesson:$152 thousand/year	1.Rental:$200～$309 thousand /month 2.Period:36 months 3.Deposits: $0 thousand 4.Tax borne by lesson:$154 thousand/year
Rent at local market rate (note)	$300～$400 /Py /month	$300～$400 /Py /month
Current market rent for comparable properties in similar locations and condition	As above	As above
Current status	In use	In use
Capitalization rate	3.00%	3.50%
Discount rate	2.50%	3.00%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser	Appraised by external independent appraiser
Appraiser office(s)	Grand Elite Real Estate Appraisers Firm	Grand Elite Real Estate Appraisers Firm
Appraiser name(s)	Fu-Sheng Wang	Fu-Sheng Wang
Appraisal date	December 31, 2022	December 31, 2021
Fair value by external independent appraiser(s)	$82,113 thousand	$95,545 thousand

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TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Contract Terms	Land No. 228-240, 240-1, 241, 531, 531-1, 533-535 and buildings located at Shengli Sec., Rende Dist., Tainan City, total in twenty items.	
	December 31, 2022	December 31, 2021
Rent at local market rate (note)	\$220～\$280 /Py /month	\$200～\$218 /Py /month
Current market rent for comparable properties in similar locations and condition	As above	As above
Current status	Available for leasing	Available for leasing
Capitalization rate	2.345%	1.754%
Discount rate	2.22%	3.29%
Appraised by external independent appraiser or self-appraisal	Appraised by external independent appraiser	Appraised by external independent appraiser
Appraiser office(s)	Grand Elite Real Estate Appraisers Firm	CHINA PROPERTY APPAISING CENTER CO., LTD
Appraiser name(s)	Fu-Sheng Wang、Ming-Quan Chen	Dian-Jing Hsieh、Xiang-Ling Chiu
Appraisal date	December 31, 2022	December 31, 2021
Fair value by external independent appraiser(s)	\$930,260 thousand	\$934,513 thousand

Note: If there is no actual lease case in the area where the target premises are, the valuation report's selection of the rent comparison case for the premises is based on the investigation and evaluation of the target land use, within the range of the neighboring area, select three appropriate comparison cases, after analysis and comparison and adjustment, obtain the reasonable market rent of the target land.

In accordance with Article 34 of the Regulations on Real Estate Appraisal, the procedures of the income approach include estimating the effective gross income and total expenses, computing the net operating income, determining the capitalization rate or discount rate, and computing the income. The attributes used by the Company for the estimations above were the last three years' data from the subject property and comparable properties which have similar characteristics, and these data were assessed and adjusted based on their persistency, stability, and growth to ensure the availability and reasonableness of these data. The movement of income (cash inflows) and expenditure (cash outflows) for future periods was based on the vacancies or losses, existing or future cash flow plans of the Company, and historical cash flows from the subject property, identical properties, or properties in the same industry. The estimation and computation of the net income were based on the highest and best use of the subject property and have taken into consideration the income generated from comparable properties in the same location based on their highest and best use.

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TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

The discount rate is determined by the risk premium method, which takes into consideration of the bank time deposit interest rate, government bond interest rate, the risk of real estate investment, currency changes and the trend of real estate prices, etc., and is selected to represent the general property return. The rate is a benchmark, and it is determined after adjusting the difference between the investment property and the individual characteristics of the target. The discount rate is based on the mobile interest rate of the two-year postal fixed rate of small deposit issued by Chunghwa Post Co., Ltd., plus no less than 75 basis points of percentage. Factors such as the underlying income situation, liquidity, risk, value-added and ease of management are also taking account. As of December 31, 2022 and 2021, the discount rates were determined to be 1.95%~3.29% and, with risk premium added up. The estimation of capitalization rates refer to the weighted average returns which is calculated by dividing the net income of the comparative targets by the prices.

(ii) As of December 31, 2022 and 2021, the investment property of the Company had been pledged as collateral for long-term borrowings, please refer to Note 8.

(i) Short-term borrowings

	December 31, 2022	December 31, 2021
Secured bank loans	$ -	70,000
Unsecured bank loans	450,000	370,000
Total	**$ 450,000**	**440,000**
Unused credit line	**$ 333,550**	**20,000**
Range of interest rates	**1.50%~1.97%**	**1.00% ~ 1.25%**

The Company had pledged assets as collateral for short-term borrowing, please refer to Note 8.

(j) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial paper payable	$ 280,000	300,000
Less: Discount on short-term notes and bills payable	(527)	(416)
Net	**$ 279,473**	**299,584**
Range of interest rates	**1.89%~2.07%**	**1.31%**
Guarantee institution	CHANG HWA Bank and other four syndicated banks、IBFC	CHANG HWA Bank and other ten syndicated banks

The Company had pledged assets as collateral for short-term notes and bills payable, please refer to Note 8.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(k) Long-term borrowings

The details were as follows:

	December 31, 2022	December 31, 2021
Secured bank loans	$ 1,552,066	1,400,000
Less: current portion	(48,543)	(140,000)
borrowing fees	(4,167)	(3,821)
Net	$ 1,499,356	1,256,179
Unused credit line	$ 170,000	-
Range of interest rates	1.79%~2.04%	2%
Maturity	2027.05~2029.05	2025.01

(i) The Company entered into a five-year syndicated loan agreement of $1.2 billion with 5 banks including Changhua Commercial Bank LTD. on April 14, 2022. The funds obtained in the syndicated loan are used to settle the outstanding balance of the previous syndicated loan agreement and to supplement the operating turnover. According to the agreement, the Company shall calculate and maintain its current ratio, debt ratio and net tangible asset based on the Company's annual parent only financial statements audited by auditors during the loan period.The Company met the aforementioned financial ratio as of December 31, 2022.

(ii) Please refer to Note 8 for details of the related assets pledged as collateral.

(l) Lease liabilities

The carrying amount of lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	$ 5,766	5,238
Non-current	$ 23,426	21,821

For the maturity analysis, please refer to Note 6(u).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2022	2021
Interest on lease liabilities	$ 570	565
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 3,154	181

The amounts recognized in the statement of cash flows for the Company were as follows：

	For the years ended December 31	
	2022	2021
Total cash outflow for leases	$ 9,597	7,466

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TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(m) Operating lease

Please refer to Note 6(h) for information about the operating leases of property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date were as follows:

	December 31, 2022	December 31, 2021
Less than one year	$ 13,545	11,023
One to two years	7,767	8,605
Two to three years	720	7,767
Three to four years	720	720
Four to five years	720	720
More than five years	720	960
Total undiscounted lease payments	**$ 24,192**	**29,795**

For the information of rent revenue from operating lease, please refer to Note 6(t).

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined obligation at present value and asset at fair value were as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ (30,390)	(52,634)
Fair value of plan assets	20,067	32,725
Net defined benefit liabilities	**$ (10,323)**	**(19,909)**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provide pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Company set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

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The Company's Bank of Taiwan labor pension reserve account balance amounted to $20,067 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	**2021**
Defined benefit obligation, January 1	$ (52,634)	(55,352)
Current service costs and interest cost	(385)	(191)
Remeasurements of the net defined benefit liability		
—Experience adjustments	436	(306)
—Actuarial gains (losses) arose from changes in demographic assumptions	-	(57)
—Actuarial gains (losses) arose from changes in financial assumption	2,556	2,010
Benefits paid by the plan	4,251	1,262
Loss of control of a subsidiary	15,386	-
Defined benefit obligation, December 31	**$ (30,390)**	**(52,634)**

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	**2021**
Fair value of plan assets, January 1	$ 32,725	30,340
Interests revenue	226	92
Remeasurements of the fair value of plan assets		
—Return on plan asset excluding interest income	2,430	538
Contributions made	3,121	3,017
Benefits paid by the plan	(4,251)	(1,262)
Settlement payment of plan asset	(14,184)	-
Fair value of plan assets, December 31	**$ 20,067**	**32,725**

4) Movements of the effect of the asset ceiling: None.

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5) Expenses recognized in profit or loss

The Company's pension expenses that should be recognized in profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	**2021**
Current service costs	$ 27	27
Net interest of net liabilities for defined benefit obligations	132	72
Curtailment or settlement gains	(1,202)	-
	$ (1,043)	**99**

The actual expenses recognized in profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	**2021**
Selling expenses	$ (677)	58
Administration expenses	(296)	24
Research and development expenses	(70)	-
Prepayment	-	17
	$ (1,043)	**99**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2022	**December 31, 2021**
Discount rate	1.30 %	0.70 %
Future salary increase rate	2.00 %	2.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $1,270 thousand.

The weighted average lifetime of the defined benefits plans is 8 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2022		
Discount rate (change 0.25%)	$ (640)	663
Future salary increasing rate (change 0.25%)	657	(638)
December 31, 2021		
Discount rate (change 0.25%)	(1,208)	1,253
Future salary increasing rate (change 0.25%)	1,233	(1,196)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates the regulated percentage of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $8,127 thousand and $8,188 thousand for the years ended December 31, 2022 and 2021, respectively.

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(o) Income taxes

(i) Tax expense

The components of income tax for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	**2021**
Current income tax expense		
Current period	$ 5,495	-
Prior years income tax adjustment	56	2,768
Additional tax on undistributed earnings	-	5,101
	5,551	7,869
Deferred income tax expense		
Origination and reversal of temporary differences	7,686	7,410
Tax expense	**$ 13,237**	**15,279**

The reconciliation of tax expense and income before tax for the years ended December 31, 2022 and 2021 were as followed:

	For the years ended December 31	
	2022	**2021**
Loss before tax	$ (25,146)	(15,603)
Income tax expense at domestic statutory tax rate	$ (5,029)	(3,121)
Tax-exempt income	-	(4)
Recognition of investment loss under the equity method	19,034	20,180
Realized investment loss	(1,536)	(4,400)
Prior years income tax adjustment	56	2,768
Gains on financial assets at fair value through profit or loss	-	(22)
Origination and reversal of temporary differences	7,686	7,410
Others	(6,974)	(7,532)
	$ 13,237	**15,279**

(Continued)

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(ii) Recognized deferred tax asset and liability recognized

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

1) Deferred tax asset:

		Unrealized loss of inventory valuation	Unrealized sales margin	Unrealized exchange loss	Others	Total
Balance on January 1, 2022	$	14,245	2,647	624	1,040	18,556
Recognized in profit or loss		(5,646)	(488)	(624)	496	(6,262)
Balance on December 31, 2022	**$**	**8,599**	**2,159**		**1,536**	**12,294**
Balance on January 1, 2021	$	17,062	1,467	6,193	1,244	25,966
Recognized in profit or loss		(2,817)	1,180	(5,569)	(204)	(7,410)
Balance on December 31, 2021	**$**	**14,245**	**2,647**	**624**	**1,040**	**18,556**

2) Deferred tax liabilities:

		Defined benefit plan	Provision for land value increment tax	Unrealized exchange benefits	Total
Balance on January 1, 2022	$	654	177,045	-	177,699
Recognized in profit or loss		-	-	1,424	1,424
Balance on December 31, 2022	**$**	**654**	**177,045**	**1,424**	**179,123**
Balance on January 1, 2021	$	654	177,045	-	177,699
Balance on December 31, 2021	**$**	**654**	**177,045**	**-**	**177,699**

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

(p) Capital and other equity

(i) Ordinary shares

A resolution was passed by the general meeting of shareholders held on 27 June, 2013, for the issuance of 42,052 thousand ordinary shares for cash under private placement, with par value of $10 per share, amounting to $420,524 thousand. The date of capital increase was on 28 April, 2014, which was approved on 23 April, 2014 by the Board. The relevant statutory registration procedures have been completed.

A resolution was passed by the temporary meeting held on December 4, 2018 for the issuance of 23,362 thousand ordinary shares for cash under private placement, with par value of $10 and issuance price of $10.16 per share, amounting to $237,363 thousand. The date of capital increase was on December 12, 2018. The relevant statutory registration procedures have been completed.

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As of December 31, 2022 and 2021, the number of authorized shares were each $3,000,000 thousand, respectively, with par value of $10 per share and divided into 300,000 thousand shares. All of the aforementioned shares are ordinary shares, and the number of issued shares was 233,625 thousand shares. All proceeds from the shares have been collected.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to article 43-8 under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private-placed securities, and after applying for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

The components of the capital surplus were as follows:

		December 31, 2022	December 31, 2021
Share capital	$	121,485	121,485
Conversion of bonds		14,648	14,648
Treasury stock transactions		3,949	3,949
Difference between consideration and carrying amount of subsidiaries acquired or disposed		95,847	95,847
Changes in equity of subsidiaries under equity method		3,516	3,531
Donated surplus		254	254
	$	**239,699**	**239,714**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company’s article of incorporation stipulate that Company’s net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes or salary. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors to be submitted to the stockholders’ meeting for approval.

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The Company's dividend policy considering factors such as current and future development plans, investment environment, capital requirements and domestic and international competition, and the interests of shareholders, is to distribute dividends to shareholders in an amount not less than 10% of the current distributable earnings each year.
The earnings distribution may be distributed by cash or stock. The distribution ratio of cash dividends should not be less than 10% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

When the Company first adopted the International Financial Reporting Standards endorsed by the FSC, it chose to apply the exemption item of IFRS 1 "First-time Adoption of International Financial Reporting Standards". The unrealized revaluation increase and accumulation accounted under shareholders' equity amounted to $216,408 thousand result in the reduction of retained earnings. In accordance with the requirements issued by the FSC, for the net reduction of retained earnings on the conversion date due to the first adoption of IFRSs, the Company was exempted from reclassifying special surplus reserve for the amount transferred to the retained earnings on January 1, 2013.

The Company chose the fair value model for subsequent measurement of its investment property. According to the requirements of the FSC, the Company took the special surplus reserve amounting to the net increase in fair value of investment property measured by the fair value model at first adoption, and the special surplus reserve shall be taken in the following order when the Company distribute the earnings every year:

a) Take the special reserve, which amounts to the net increase in the fair value model for subsequent measurement of investment property, from undistributed earnings of current period and prior year. If it is the cumulative net increase in fair value in the previous period, the amount of the special reserve equals to the same amount from the undistributed earnings from the previous period. When the accumulated net increase in fair value of the investment real estate is subsequently reduced or the investment real estate is disposed of, the surplus may be reverted to distribute the surplus based on the reduction or the disposal situation.

b) According to the requirements issued by the FSC, the special surplus reserve calculated based on the difference between the market value and the book value of the parent company's stock held by the subsidiaries at the end of the period, shall not be distributed. If there is any rebound in the market price thereafter, the reversal amount based on the shareholding percentage shall be reclassified into retained earnings.

(Continued)

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c) In accordance with the requirements issued by the FSC, the amount of net deduction of other shareholders' equity recognized in current year should be retained from undistributed earnings from current period and prior year. The amount of net deduction of other shareholders' equity generated from previous period should be made up from undistributed earnings from the prior year. When the accumulated net deduction of other shareholders' equity is subsequently reduced, the special reserve may be reversed to distributable earnings.

3) Earnings distribution

On June 15, 2022, the Company resolved not to distribute dividends at the general meeting of stockholders. On July 12, 2021, the general meeting of stockholders resolved to distribute earnings for 2020. The cash dividends of $0.7 per share, amounting to $163,537 thousand, were distributed to ordinary shareholders for the year 2020.

(q) Earnings per share

The basic earnings per share and diluted earnings per shares were calculated as follow:

(i) Basic earnings per share

	For the years ended December 31	
	2022	2021
Basic earnings per share		
Loss attributable to ordinary shareholders	$ (38,383)	(30,882)
Weighted-average number of ordinary shares (thousand shares)	233,625	233,625
Loss attributable to shareholders per share	$ (0.16)	(0.13)

(ii) For the years ended December 31, 2022 and 2021 was operating loss, there is no dilution effect. The diluted earnings per share have not been disclosed.

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2022	2021
Primary geographical markets:		
Taiwan	$ 117,775	141,595
America	1,890,889	2,273,523
Asia	604,117	444,165
Europe	11,576	13,938
Africa	247,694	223,421
Other countries	6,332	13,461
	$ 2,878,383	3,110,103

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(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities	$ -	556	17,908

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(s) Employee compensation and directors' remuneration

According the amended Company' s Articles of Incorporation, remuneration of employees is appropriated at 2% of profit settled by cash or shares decided by the board of directors. The recipients of cash and shares may include the employees of the Company's affiliated companies who meet certain conditions. Remuneration of directors is appropriated at no more than 2% of the profit. Remuneration of employees and directors is submitted to general meeting of the shareholders. However, accumulated deficit from prior years is first offset before any appropriation of profit.

For the years ended December 31, 2022 and 2021, the Company suffered operating loss, hence, no remuneration of employees and directors were estimated. The estimated amounts were calculated based on the net profit before tax, excluding the remuneration of employees and directors of each period, and multiplied by the percentage of remuneration of employees and directors as specified in the Company's Articles of Incorporation.

There was no difference between the amounts approved by Board of Directors and recognized for the years ended December 31, 2022 and 2021. For further information, please refer to Market Observation Post System website.

(t) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the years ended December 31	
	2022	2021
Rent income	$ 15,815	10,168
Management service revenue	723	6,224
Dividend income	-	21
Overdue payment income	53	10,359
Others	15,517	8,446
	$ 32,108	35,218

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(ii) Other gains and losses

The details of other gain and losses were as follows:

	For the years ended December 31	
	2022	2021
Gains on disposal of property, plant and equipment	$ 95	7,152
(Losses) gains on remeasurement of investment property	(7,193)	21,048
Foreign exchange gains (losses)	89,140	(11,058)
Gains on financial asset at fair value through profit or loss	-	111
Other income	709	1,533
Other expenses	(9,185)	-
	$ 73,566	**18,786**

(iii) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2022	2021
Interest income		
Bank deposits	$ 2,465	739
Interest subsidy	17	20
Loans	688	1,348
	$ 3,170	**2,107**

(iv) Interest expenses

The details of interest expenses were as follows:

	For the years ended December 31	
	2022	2021
Loans and borrowings	$ 32,979	31,395
Lease liabilities	570	565
	$ 33,549	**31,960**

(Continued)

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(u) Financial instruments

(i) Categories of financial instruments

1) Financial asset

	December 31, 2022	December 31, 2021
Measured at fair value through other comprehensive income	$ 20,012	-
Measured at amortized cost (deposits and receivables)		
Cash and cash equivalents	508,975	113,418
Notes, accounts receivable, and other receivables	334,292	577,139
Other current financial assets	151,951	151,965
Other non-current financial assets	4,690	5,187
Subtotal	999,908	847,709
Total	**$ 1,019,920**	**847,709**

2) Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities carried at amortized cost		
Short-term borrowings	$ 450,000	440,000
Short-term notes and bills payable	279,473	299,584
Accrued payables (including non-current)	700,624	433,218
Long-term borrowing, current portion	48,543	140,000
Lease liabilities	29,192	27,059
Long-term borrowings	1,499,356	1,256,179
Total	**$ 3,007,188**	**2,596,040**

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to the credit risk. The amounts of maximum credit risk exposure of the Company on December 31, 2022 and 2021, were $1,019,920 thousand and $847,709 thousand, respectively.

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2) The customers of the Company are concentrated in the retail and wholesale of textile or garments. In order to reduce credit risk, the Company continuously evaluates the financial status of customers, conducts individual assessment based on the signs of impairment of accounts receivable and credit risk characteristics, handles accounts receivable insurance policy for some customers. On December 31, 2022 and 2021, the top five customers comprised 87% and 79% of the balances of accounts receivable, resulting in the concentration of credit risk.

3) For credit risk exposure of notes and trade receivables, please refer to Notes 6(c).

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2022							
Non-derivative financial liabilities							
Secured loans	$ 1,552,066	1,710,326	39,483	39,483	78,966	698,995	853,399
Unsecured loans	450,000	451,274	451,274	-	-	-	-
Short-term notes and bills payable	279,473	280,000	280,000	-	-	-	-
Accrued payables (including non-current	700,624	700,624	498,466	156,213	45,945	-	-
Lease liabilities	29,192	30,553	3,302	3,288	6,227	17,736	-
	$ 3,011,355	**3,172,777**	**1,272,525**	**198,984**	**131,138**	**716,731**	**853,399**
December 31, 2021							
Non-derivative financial liabilities							
Secured loans	$ 1,470,000	1,542,014	153,797	82,717	163,333	1,142,167	-
Unsecured loans	370,000	370,532	370,532	-	-	-	-
Short-tern notes and bill payble	299,584	300,000	300,000	-	-	-	-
Accrued payables	433,218	433,218	433,218	-	-	-	-
Lease liabilities	27,059	28,573	3,092	2,616	4,573	13,719	4,573
	$ 2,599,861	**2,674,337**	**1,260,639**	**85,333**	**167,906**	**1,155,886**	**4,573**

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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(iv) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposures to foreign currency risk were as follow:

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
NTD:USD	$ 30,627	30.710	940,555	28,440	27.680	787,230
Financial liabilities						
Monetary items						
NTD:USD	15,822	30.710	485,894	8,017	27.680	221,924

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, other financial assets, loans, trade and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Company's functional currency as of December 31, 2022 and 2021 would have increased (decreased) the net income for the years ended December 31, 2022 and 2021 by $4,547 thousand and $5,653 thousand, respectively.

3) Foreign exchange gains or losses on monetary item

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, foreign exchange gains and losses (including realized and unrealized portions) amounted to gains $89,140 thousand and losses $11,058 thousand, respectively.

(v) Interest rate analysis

The book values of the financial assets and financial liabilities exposed to the interest rate risk on the reporting date were as below:

	Book value	
	December 31, 2022	December 31, 2021
Fixed interest rate instruments：		
Financial assets	$ 493,244	162,741
Financial liabilities	$ (279,473)	(299,854)
Variable interest rate instruments ：		
Financial assets	$ 162,643	95,481
Financial liabilities	$ (1,997,899)	(1,836,179)

(Continued)

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The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The Company's internal management reported the change of interest rate and the exposure to changes in interest rate of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate had increased / decreased by 1% basis points, the Company' s interest expenses would have increased / decreased by $18,353 thousand and $17,407 thousand for the years ended December 31, 2022 and 2021 respectively, with all other variable factors remaining constant. The is mainly due to variable-rate loans.

(vi) Other market price risk

If the security price of domestic stocks measured at fair value through profit or loss held by the Company changes, the impact to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

	For the years ended December 31	
	2022	2021
Price of securities at reporting date	**Comprehensive income (loss)**	**Comprehensive income (loss)**
Increasing 7%	$ 1,401	-
Decreasing 7%	(1,401)	-

(vii) Information of fair value

1) Classification of financial instruments and fair value hierarchy

The book value of the financial assets and liabilities was close to the fair value. The fair value of the financial assets measured at fair value through profit and loss and those measured at fair value through other comprehensive income was estimated on a recurring basis of level 1 and 3, respectively.

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost (including debt investment that has no active markets).

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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3) Valuation techniques for financial instruments measured at fair value

The Company’ s valuation techniques and assumptions used for financial instruments measured at fair value are as follows:

a) The financial instrument that have standard terms and are traded in an active market, such as listed stocks, the fair value is determined by quoted prices.

b) Measurements of fair value of financial instruments without an active market

i) Using discounted cash flow analysis to measure its fair value. The main assumption is investors’ expected standard profit which is manipulated by capitalization rate that reflects investment risk.

ii) Using observable market data at the reporting date to measure its fair value. The main assumption is based on comparable price-book ratio, which is adjusted by offsetting the impact of discount for lack of marketability and minority interest.

c) The fair values of financial assets and financial liabilities other than those aforesaid are determined in accordance with discounted cash flow analysis which is generally accepted.

4) Transfers between Level 1 and Level 2

There are no transfers from each level for the years ended December 31, 2022 and 2021.

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company’ s exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For further information, please refer to the relevant notes to the financial statement.

(ii) Structure of risk management

The financial management department of the Company provides intercompany services for various businesses, coordinates the operation of entering the domestic and international financial markets, and supervises and manages the financial risks related to the operation of the Company by analyzing the internal risk report according to the degree and breadth of the risk. Internal auditors continue to review compliance with policies and the risk limit. The Company did not trade financial instruments (including derivative financial instruments) for speculative purposes.

(Continued)

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and investments in equity investment.

1) Trade and other receivables

The policy adopted by the Company is to only trade with reputable customers and obtain collateral when necessary to reduce the risk of financial losses from default. The Company only trades with companies rated equivalent to the investment grade. Such information is provided by independent rating agencies; if such information is not available, the Company will use other publicly available financial information and transaction experience to rate major customers. The Company continues to monitor the credit risk insurance level and the credit rating of the counterparty, and distributes the total transaction amount to those with qualified credit ratings, and controls the credit risk through the credit limit that is reviewed and approved annually.

The accounts receivable is comprised from vast customers base, which is scattered in different industries and geographic regions. The Company continues to evaluate the financial status of customers.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company’s finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company’ s policy is to provide financial guarantees only to wholly owned subsidiaries. On December 31, 2022 and 2021, no other guarantees were outstanding.

(iv) Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support the operation and ease the impact of cash flow fluctuation. The management supervises the unused credit lines and ensures the compliance of loan contracts.

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’ s reputation.

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Bank loans were important resource of liquidity risk for the Company. The unused credit line of the Company on December 31, 2022 and 2021 were $503,550 thousand and $20,000 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk arising from sales, purchases and borrowings that are not denominated in functional currencies of the Group's main operating entities. The functional currency of the Group is primarily the New Taiwan Dollars (NTD), as well as US Dollars (USD), Euro (EUR), Chinese Yuan (CNY) and South African Rand (ZAR). The currencies used in these transactions are denominated in NTD, EUR, USD, CNY and ZAR.

The loan interest is denominated in the same currency as principal. Generally, borrowings are denominated in the same currencies that generates operating cash flows of the Company, mainly in NTD, as well as in USD and CNY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Company borrowed funds in the fixed and variable rate simultaneously, resulting in fair value change risk and cash flow risk. The Company manage the interest rate risk through maintaining a proper combination of fixed and variable rate.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in domestic listed stocks. The Company does not actively trade these investments, and the management continuously monitor the price risk and assess the portfolio.

(w) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings and other equity plus net debt.

As of December 31, 2022, the Company’s capital management strategy is consistent with the prior year. The Company’s debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 3,241,775	2,872,495
Less: cash and cash equivalents	(508,975)	(113,418)
Net debt	2,732,800	2,759,077
Total Equity	3,059,692	2,934,682
Adjusted equity	**$ 5,792,492**	**5,693,759**
Debt-to-equity ratio	**47.18%**	**48.46%**

(7) Related-party transactions

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties and the Company's subsidiaries during the periods covered in the financial statements.

Name of related party	Relationship with the Company
TEX-RAY INDUSTRIAL CO., LTD. (BELIZE)	Subsidiary
TEX-RAY (BN) INTERNATIONAL CO., LTD.	Subsidiary
FLYNN INTERNATIONAL LTD.	Subsidiary
KING’S METAL FIBER LTD.	Subsidiary
TAIWAN SUPERCRITICAL TECHNOLOGY CO., LTD.	Subsidiary
GREAT CPT INTERNATIONAL CO., LTD.	Subsidiary
KASUMI APPARELS SWAZILAND (PTY) LTD. (KASUMI (SWAZILAND))	Subsidiary
T.Q.M. TEXTILE SWAZLAND (PTY) LTD. (T.Q.M. (SWAZILAND))	Subsidiary
UNION INDUSTRIAL WASHING (PTY) LTD. (U.I.W. (SWAZILAND))	Subsidiary
TEX-RAY (SA) (PTY) LTD. (TEX-RAY (SA))	Subsidiary
J.M. Rotary Print Industrial Co., Ltd.	Subsidiary
GOLDEN JUBILEE APPAREL (PROPRIETARY LIMITED)	Subsidiary
ZHENG-RAY Industrial CO.,LTD.	Subsidiary

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Name of related party	Relationship with the Company
WEI LI TEXTILE CO., LTD.	Subsidiary
TEX-RAY INDUSTRIAL CO., LTD. (TEX-RAY (CAYMAN))	Subsidiary
TEX-RAY INDUSTRIAL CO., LTD. (SHANGHAI) (TEX-RAY (SHANGHAI))	Subsidiary
TRLA GROUP, INC. (TRLA GROUP)	Subsidiary
Z-PLY CORPORATION (Z-PLY (NY))	Subsidiary
TEXRAY SWAZILAND PTY LTD.	Subsidiary
GOOD TIME(VIETNAM) ENTERPRISE CO.,LTD. (GOOD TIME)	Subsidiary
MSWATI HOLDINGS LTD.	Subsidiary
TEXRAY (VN) CO., LTD. (TEXRAY (VN))	Subsidiary
T.R.C.A GARMENT CO., LTD. (TRCA GARMENT)	Subsidiary
TEXRAY MEXICO S.A. DE C.V. (TEXRAY (MEXICO))	Subsidiary
AMRAY S.A. DE C.V. (AMRAY (MEXICO))	Subsidiary
KING'S METAL FIBER TECHNOLOGIES B.V.	Subsidiary
TEX-RAY INDUSTRIAL CO., LTD. (YANCHENG)	Subsidiary
AIQ SMART CLOTHING INC. (AIQ)	Subsidiary
AIQ SMART CLOTHING (Zhejiang) CO.,LTD.	Subsidiary
KING'S METAL FIBER (SHANGHAI) CO., LTD.	Subsidiary
TRYD APPAREL CO., LTD. (TRYD APPAREL)	Subsidiary
JIANGSU TRYD TEXTILE TECHNOLOGY CO., LTD. (TRYD TEXTILE)	Subsidiary
TEXRAY (KUNSHAN) CO., LTD.	Subsidiary
Taiwan Innovation Technology Co., Limited (HK)	Subsidiary
AIQ SYNERTIAL LTD. (AIQ-S)	Subsidiary
Yancheng Wei-Da Textile Testing Service Co., Ltd.	Subsidiary
HUAI WEI BIOTECHNOLOGY CO., LTD.	Subsidiary
SEN JEWEL TECHNOLOGY CO., LTD.	Same president with the Company
TAI CHAM TECHNOLOGY CO., LTD.	The entity's chairman is the vice chairman of the Company

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Sales

The amounts of sales to the related parties were as follows:

	For the years ended December 31	
	2022	2021
Subsidiary－Z-PLY(NY)	$ 645,534	605,314
Subsidiaries	265,542	244,837
Other related party	-	150
Associates	593	32
	$ 911,669	850,333

The payment terms ranged from one to three months, which were no difference from the those given to other customers. The pricing cannot be compared due to the specifications and styles of the orders.

(ii) Purchase

1) The amounts of inventory purchases from related parties were as follows:

	For the years ended December 31	
	2022	2021
Subsidiary－TEX-RAY (SHANHAI)	$ 58,122	82,976
Subsidiary－TRYD APPAREL	92,110	46,087
Subsidiaries	2,985	4,761
	$ 153,217	133,824

The payment terms ranged from one to three months, which were no difference from those given by other vendors. The pricing cannot be compared due to the specifications and styles of the orders.

2) The amount of processing service purchases from related parties were as follows:

	For the years ended December 31	
	2022	2021
Subsidiary－GOOD TIME	$ 131,741	96,384
Subsidiary－TEXRAY (VN)	280,939	297,207
Subsidiaries	10,307	17,524
	$ 422,987	411,115

The Company's outsourcing processing transactions with related parties are based on the content of the customer's order. The prices and payment terms are negotiated, and if necessary, the advance payment may be made based on the operational needs of the related parties.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(iii) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Notes receivable from related parties	Subsidiary	$ -	96
Accounts receivable due from related parties	Subsidiary-Z-PLY(NY)	$ 43,322	388
Accounts receivable due from related parties	Subsidiary-T.Q.M. (SWAZILAND)	63,901	96,821
Accounts receivable due from related parties	Subsidiaries	8,126	873
Accounts receivable due from related parties	Other related parties	-	158
		$ 115,349	98,240
Other receivables due from related parties	Subsidiary-TEXRAY (SHANGHAI)	1,104	995
Other receivables due from related parties	Subsidiary-AMRAY (MEXICO)	5,127	1,194
Other receivables due from related parties	Subsidiaries	902	1,518
Other receivables due from related parties	Other related parties	-	200
		$ 7,133	3,907

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(iv) Payables to related parties

Account	Relationship	December 31, 2022	December 31, 2021
Accounts payable due to related parties	Subsidiary-TRYD APPAREL	$ 16,237	4,344
Accounts payable due to related parties	Subsidiaries	1,401	1,580
		$ 17,638	**5,924**
Other payable due to related parties	Subsidiary-FLYNN	$ 290,985	-
Other payable due to related parties	Subsidiary	672	139
		$ 291,657	**139**
Other non-current liabilities	Subsidiary-FLYNN	**$ 45,945**	**-**

In December 2022, the Company acquired 100% of the equity interests in TRLA GROUP, INC and Z-PLY CORPORATION from its subsidiary FLYNN INTERNATIONAL LTD. for US$11,618 thousand, and the outstanding amount is US$11,000 thousand. Please refer to note 6 (e) for details.

(v) Prepayments

The prepayments of the Company to related parties were as follows：

	December 31, 2022	December 31, 2021
Subsidiary-TEXRAY (VN)	$ 119,652	69,145
Subsidiary-TRCA GARMENT	23,797	23,797
Subsidiary-GOOD TIME	32,203	40,169
Subsidiary-TEX-RAY (SHANGHAI)	-	696
	$ 175,652	**133,807**

(vi) Receipts under custody (accounted as other current liabilities)

The receipts of the Company for related parties were as follows:

	December 31, 2022	December 31, 2021
Subsidiary	**$ -**	**2,580**

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(vii) Financing provided to related parties (accounted as other receivables due from related parties)

Balances of financing provided by the Company to related parties were as follows:

	December 31, 2022	December 31, 2021
Subsidiary-TRYD TEXTILE	$ 31,080	-
Subsidiary-AIQ	-	19,000
Subsidiary-AIQ-S	9,260	3,322
	$ 40,340	**22,322**

The financing provided to related parties was unsecured. The interest charged by the Company to its subsidiaries is ranging from 2.5%～4%. The interest incomes in 2022 and 2021 were $688 thousand and $1,348 thousand, respectively.

(viii) Endorsement guarantee

1) The balances of endorsement guarantee provided to the subsidiaries, which was due to bank borrowings and material purchase borrowings, were as follows (expressed in thousands of each currency):

December 31, 2022	December 31, 2021
USD 34,500	**USD 36,300**
NTD 161,000	**NTD 61,000**
CNY 24,000	**CNY 72,000**

2) As of December 31, 2022 and 2021, the assets pledged by the Company as collateral for subsidiaries' outstanding loans were $304,053 thousand and $298,133 thousand, respectively.

(ix) Leases

The Company leased its factory buildings and offices to subsidiaries, associates and other related parties in lease terms of a year. The rental income was paid on a monthly basis. For the years ended December 31, 2022 and 2021, the rental income was $11,888 thousand and $7,060 thousand, respectively.

(x) Others

1) Management service income

The amount of management service income from related party received by the Company (accounted as other income under non-operating income and expenses) was as follows:

	For the years ended December 31	
	2022	2021
Subsidiary	**$ 723**	**6,224**

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

2) Commission income

The amounts of commission income (accounted as other income under non-operating income and expenses) received by the Company for purchasing raw materials for related parties were as follows:

	For the years ended December 31	
	2022	2021
Subsidiaries	$ 5	13

The commission income was charged based on 1% of the purchase price.

3) Other income

The amounts of income (accounted as other income under non-operating income and expenses) received by the company from providing services is as follows:

	For the years ended December 31	
	2022	2021
Subsidiaries	$ 1,860	2,056

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2022	2021
Short-term employee benefits	$ 27,022	26,159
Post-employment benefits	739	723
	$ 27,761	26,882

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Other financial assets－current and non-current	Collateral for borrowings (including guarantee for subsidiaries)	$ 154,451	151,965
Property, plant and equipment	Collateral for borrowings and short-term notes and bills payable	248,993	253,916
Investment property	Collateral for long-term borrowings	1,083,936	1,100,668
		$ 1,487,380	1,506,549

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(9) Commitments and contingencies

(a) Significant commitments and contingencies were as follows:

Outstanding standby letter of credit

	December 31, 2022	December 31, 2021
USD	$ 7,314	12,036

(b) Significant contingent liability: None.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By funtion / By item	For the years ended December 31					
	2022			2021		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	-	186,055	186,055	-	152,380	152,380
Labor and health insurance	-	16,489	16,489	-	16,703	16,703
Pension	-	7,084	7,084	-	8,270	8,270
Remuneration of directors	-	6,587	6,587	-	8,818	8,818
Others	-	9,696	9,696	-	9,750	9,750
Depreciation	-	16,013	16,013	-	18,410	18,410
Depletion	-	-	-	-	-	-
Amortization	-	6,569	6,569	-	7,319	7,319

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

For the years ended December 31, 2022 and 2021 , the additional information on the number of employees and employee benefits of the Company was as follows:

	For the years ended December 31	
	2022	2021
Number of employees	241	247
Number of directors (non-employed)	9	9
Average employee benefit expense	$ 945	786
Average employee salary expense	$ 802	640
Change in percentage of average employee benefit	25.31 %	(16.78)%
Supervisor's remuneration	$ -	-

The Company' s salary and remuneration policies (including directors, managers and employees) are as follows:

The Company has formulated the "Board of Directors and Functional Committee Performance Evaluation Measures", which is used as the basis for performance evaluation of independent directors and directors. It is considered that Company's overall operating performance, future operating risks and industry development trends, the achievement rate of individual performance and the contribution on the Company as well. Reasonable remuneration will be granted after comprehensive consideration.

The managers of the Company have the responsibility of performing group operations and management, function. To provide reasonable remuneration, their remuneration structure is based on salary and allowance. The bonus is based on the overall operating performance, and takes into account the target achievement rate, profitability, operating efficiency and contribution of each manager, as well as the peer industry standards.

The employee' s salary includes monthly salary and bonuses distributed by the Company based on annual profitability. The amount assigned to each employee depends on their position, contribution, and performance.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	TRYD APPAREL	Other accounts receivable-related party	Yes	64,430	61,420	-	4%	2	-	Operating turnover	-	-	-	1,223,877	1,223,877
0	The Company	TRYD TEXTILE	〃	Yes	84,075	61,420	30,710	4%	2	-	Operating turnover	-	-	-	1,223,877	1,223,877
0	The Company	AIQ	〃	Yes	40,000	-	-	4%	2	-	Operating turnover	-	-	-	1,223,877	1,223,877
0	The Company	AIQ-S	〃	Yes	9,665	9,213	9,213	2.5%-4%	2	-	Operating turnover	-	-	-	1,223,877	1,223,877
1	The Company	TRYD TEXTILE	〃	Yes	128,860	122,840	61,420	2.5%	2	-	Operating turnover	-	-	-	322,557	483,835
1	Z-PLY(NY)	TEXRAY (MEXICO)	〃	Yes	64,430	61,420	-	2.5%	2	-	Operating turnover	-	-	-	322,557	483,835
1	Z-PLY(NY)	AMRAY (MEXICO)	〃	Yes	32,215	30,710	-	2.5%	2	-	Operating turnover	-	-	-	322,557	483,835
2	TEX-RAY (SHANGHAI)	TRYD TEXTILE	〃	Yes	270,850	267,177	266,509	6%	2	-	Operating turnover	-	-	-	422,882	634,323
2	TEX-RAY (SHANGHAI)	TRYD APPAREL	〃	Yes	90,283	89,059	-	6%	2	-	Operating turnover	-	-	-	422,882	634,323
2	TEX-RAY (SHANGHAI)	AIQ(Zheijiang)	〃	Yes	49,656	48,982	48,982	6%	2	-	Operating turnover	-	-	-	422,882	634,323
3	TEX-RAY (MEXICO)	AMRAY (MEXICO)	〃	Yes	81,182	78,771	49,626	2.5%	2	-	Operating turnover	-	-	-	293,086	439,629
4	TEX-RAY (CAYMAN)	TEXRAY (MEXICO)	〃	Yes	128,860	122,840	118,848	2.5-4%	2	-	Operating turnover	-	-	-	471,333	707,000
4	TEX-RAY (CAYMAN)	AMRAY (MEXICO)	〃	Yes	289,935	276,390	261,035	2.5-4%	2	-	Operating turnover	-	-	-	471,333	707,000
5	AIQ	AIQS	〃	Yes	4,832	-	-	4%	2	-	Operating turnover	-	-	-	578	578
6	ZHENG-RAY	HUAI WEI BIOTECHNOLOGY CO.,LTD	〃	Yes	10,000	-	-	4%	2	-	Operating turnover	-	-	-	43,326	43,326

Note 1: Financing purposes:

1) Business dealings

2) Short-term financing needs

Note 2: The maximum limit of Capital Finance is limited to 40% of the company's net value, so the calculation is based on the net value of the most recent financial report. The calculation limit is 3,059,692 thousand NTD × 40% = 1,223,877 thousand NTD.

Note 3: The loan amount of individual objects is limited to not more than 40% of the company's net value, so the calculation is based on the net value of the most recent financial report. The calculation limit is 3,059,692 thousand NTD × 40% = 1,223,877 thousand NTD.

Note 4: The maximum limit of capital financing is limited to 40% of the net value of the financial report of the loan and the company. However, the maximum limit of 100% holding of foreign subsidiary financing is limited to 150% of the company’s financial report net value.

Note 5: The loan amount of individual objects shall not exceed 40% of the subsidiary’s financial report net value. However, the amount of loans to individual objects between 100% held foreign subsidiaries shall not exceed 100% of the net value of the financial report of the subsidiary.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	TRYD TEXTILE	2	1,529,846	969,517	783,105	458,531	230,808	25.59 %	3,059,692	Y	N	Y
0	The Company	TRYD APPAREL	2	1,529,846	225,505	214,970	145,565	51,589	7.03 %	3,059,692	Y	N	Y
0	The Company	TEX-RAY (VN)	2	1,529,846	64,430	61,420	-	-	2.01 %	3,059,692	Y	N	N
0	The Company	TEX-RAY (SHANGHAI)	2	1,529,846	108,340	106,871	87,500	-	3.49 %	3,059,692	Y	N	Y
0	The Company	TST	2	1,529,846	48,625	20,000	-	-	0.65 %	3,059,692	Y	N	N
0	The Company	AIQ	2	1,529,846	41,000	41,000	35,021	15,355	1.34 %	3,059,692	Y	N	N
0	The Company	WEI LI TEXTILE	2	1,529,846	100,000	100,000	50,607	-	3.27 %	3,059,692	Y	N	N
1	TEX-RAY (SHANGHAI)	TEX-RAY (KUNSHAN)	2	422,882	45,142	44,530	30,280	-	10.53 %	634,323	N	N	Y
2	TRYD TEXTILE	TRYD APPAREL	4	1,529,846	180,567	178,118	178,118	190,989	- %	3,059,692	N	N	Y

Note 1: The relationship between the guarantee and the guarantor are as follows:

1. Transactions between the companies.
2. The Company directly or indirectly holds more than 50% voting right.
3. When other companies directly or indirectly hold more than 50% voting rights of the Company.
4. The Company directly or indirectly holds more than 90% voting right.
5. A company that is mutually protected under contractual requirements based on the needs of the contractor.
6. A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
7. Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

Note 2: The maximum limit of endorsement guarantee is limited to not exceeding 100% of the net value of the company's latest financial report, so the calculation is based on the net value of the most recent financial report, and the calculation limit is 3,059,692 thousand NTD × 100% = 3,059,692 thousand NTD.

Note 3: The limit for a single enterprise endorsement guarantee is limited to 50% of the net value of the company's latest financial report. Therefore, the calculation is based on the net value of the latest financial report. The calculation limit is 3,059,692 thousand NTD × 50% = 1,529,846 thousand NTD.

Note 4: The amount of the endorsement guarantee provided to a single enterprise in business dealings shall not exceed the total amount of business dealings in the twelve months before the endorsement of the two parties.

Note 5: The maximum limit of overseas subsidiary endorsement guarantee is limited to 150% of the net value of each subsidiary's latest financial statement, and the limit of endorsement guarantee for individual objects is limited to 100% of the net value of each subsidiary's latest financial statement.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	SHIN ERA TECH	-	Non-current financial assets at fair value through other comprehensive income	68	-	1.88 %	-	
The Company	Cayman iMaker Technlogy Inc.	-	Non-current financial assets at fair value through other comprehensive income	800	-	8.80 %	-	
The Company	TAIWAN United Outdoor Group, Inc.	-	Non-current financial assets at fair value through other comprehensive income	500	-	15.67 %	-	
The Company	PHYSICLO, Inc.	-	Non-current financial assets at fair value through other comprehensive income	51	-	5.00 %	-	
The Company	Uniigym Global	-	Non-current financial assets at fair value through other comprehensive income	250	9,092	2.26 %	9,092	
The Company	eAi Technologies Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,092	10,920	13.03 %	10,920	
AIQ	Joiiup Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	333	-	5.71 %	-	

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TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
ZENG-RAY	SEN JEWEL TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	950	4,500	19.00 %	4,500	

Note: The stocks of unlisted OTC companies have no market price to follow, so they are listed based on the net equity value multiplied by the shareholding ratio or equity evaluation report for reference.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
TEX-RAY Industrial	Z-PLY CORPORTION	Investment accounted for using equity method, net	FLYNN (SAMOA)	Subsidiary	-	-	200	314,491	-	-	-	-	200	314,491

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Z-PLY(NY)	Subsidiary	Sale	$ (645,534)	(22.43)%	45 days	-		43,322	15.32%	
The Company	T.Q.M.(SWAZILAND)	Sub-subsidiary	Sale	(243,332)	(8.45)%	30 days	-		63,901	22.59%	
TRYD APPAREL	Z-PLY(NY)	Affiliated company	Sale	(161,834)	(22.62)%	90days	-		30,848	17.73%	
T.Q.M(SWAZILAND)	TEX-RAY(SA)	Parent company	Sale	(1,384,113)	(95.80)%	75 days	-		1,096,649	99.24%	
KASUMI(SWAILAND)	T.Q.M(SWAZILAND)	Affiliated company	Sale	(180,367)	(99.36)%	75 days	-		379,695	99.99%	
GOOD TIME	The Company	Ultimate Parent company	Sale	(124,237)	(87.92)%	60 days	-		-	-%	
KMT	KMBV	Subsidiary	Sale	(129,708)	(33.40)%	60 days	-		28,051	40.82%	
TEX-RAY(VN)	The Company	Ultimate Parent company	Sale	(275,624)	(97.46)%	60 days	-		-	-%	
Z-PLY(NY)	The Company	Ultimate Parent company	Purchase	645,534	73.45%	45 days	-		(43,322)	(56.56)%	
T.Q.M(SWAZILAND)	The Company	Ultimate Parent company	Purchase	243,332	30.00%	30 days	-		(63,901)	(11.70)%	
TEX-RAY (SA)	T.Q.M (SWAZILAND)	Subsidiary	Purchase	1,384,113	99.52%	75 days	-		(1,096,649)	(99.83)%	
T.Q.M(SWAZILAND)	KASUMI (SWAZILAND)	Affiliated Company	Purchase	180,367	22.24%	75 days	-		(379,695)	(69.55)%	
The Company	GOOD TIME	Sub-subsidiary	Purchase	124,237	8.19%	60 days	-		-	-%	
KMBV	KMT	Subsidiary	Purchase	129,708	96.85%	60 days	-		(28,051)	(99.60)%	
The Company	TEX-RAY (VN)	Sub-subsidiary	Purchase	275,624	18.16%	60 days	-		-	-%	
Z-PLY(NY)	TRYD APPAREL	Affiliated company	Purchase	161,834	18.41%	90 days	-		(30,848)	(40.27)%	

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
T.Q.M.(SWAZILAND)	TEX-RAY(SA)	Parent company	1,096,649	1.29	-		176,947	-
KASUMI(SWAILAND)	T.Q.M.(SWAZILAND)	Affiliated company	379,695	0.48	-		12,841	-
FLYNN	The Company	Parent company	337,810	-	-		-	-
TEX-RAY (SHANGHAI)	TRYD TEXTILE	Affiliated company	266,509	(note 1)	-		-	-
TEX-RAY(CAYMAN)	AMRAY(MEXICO)	Subsidiary	261,035	(note 1)	-		-	-
TEX-RAY(CAYMAN)	TEX-RAY(MEXICO)	Subsidiary	118,848	(note 1)	-		-	-

Note 1: Loan provided by the related party.

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of wnership	Carrying value			
The Company	Great CPT	TAIWAN	Overseas investment holding	124,370	104,370	5,000,000	100.00 %	66,549	(7,563)	(7,661)	Subsidiary
The Company	KMT	TAIWAN	Non-woven fabrics, copper secondary processing and fabric retailing, etc	83,002	83,002	12,924,963	59.22 %	217,818	68,734	40,702	Subsidiary
The Company	ZHENG-RAY	TAIWAN	Trading and manufacturing of Spinning and weaving	63,000	63,000	11,580,000	100.00 %	77,874	(4,222)	(5,362)	Subsidiary
The Company	WLT	TAIWAN	Wholesale trade	27,440	27,440	2,744,000	68.60 %	(20,145)	(27,548)	(18,898)	Subsidiary
The Company	FLYNN (SAMOA)	SAMOA	Overseas investment holding	310,613	310,613	9,100,000	100.00 %	356,880	11,190	11,190	Subsidiary
The Company	TEX-RAY (BELIZE)	BELIZE	Overseas investment holding	1,063,287	1,063,287	32,348,213	100.00 %	423,900	1,022	1,022	Subsidiary
The Company	TEX-RAY (BN)	SAMOA	Overseas investment holding	1,756,813	1,756,813	60,579,330	100.00 %	(384,978)	(221,040)	(221,040)	Subsidiary
The Company	TEX-RAY (SA)	SOUTH AFRICA	Marketing and trading	102,704	102,704	39,651,771	100.00 %	1,470,477	228,908	228,908	Subsidiary
The Company	TEX-RAY (CAYMAN)	CAYMAN	Overseas investment holding	1,414,580	1,353,739	46,042,722	100.00 %	471,334	(85,597)	(85,597)	Subsidiary
The Company	AIQ	TAIWAN	Wholesale trade	163,512	163,512	11,503,200	70.44 %	1,019	(54,561)	(38,434)	Subsidiary
The Company	Z-PLY (NY)	USA	Marketing and trading	314,491	-	200	100.00 %	483,809	11,801	-	Subsidiary
The Company	TRLA GROUP	USA	Marketing and trading	42,109	-	2,936,000	100.00 %	40,960	(611)	-	Subsidiary
TEX-RAY(BN)	GOOD TIME	VIETNAM	Garment processing	227,750	227,750	-	100.00 %	11,528	15,997	Exempt from disclosure	Sub-subsidiary
TEX-RAY(BN)	MSWATI	MAURITIUS	Overseas investment holding	1,160,125	1,160,125	-	100.00 %	(513,076)	(204,685)	Exempt from disclosure	Sub-subsidiary
TEX-RAY(BN)	TEXRAY (VN)	VIETNAM	Garment processing	423,990	423,990	-	100.00 %	134,325	(27,231)	Exempt from disclosure	Sub-subsidiary
TEX-RAY(BN)	TRCA GARMENT	CAMBODIA	Garment processing	63,564	63,564	-	100.00 %	(23,644)	-	Exempt from disclosure	Sub-subsidiary
FLYNN (SAMOA)	TRLA GROUP	USA	Marketing and trading	-	18,384	-	- %	-	(611)	Exempt from disclosure	Sub-subsidiary
FLYNN (SAMOA)	Z-PLY (NY)	USA	Marketing and trading	-	260,443	-	- %	-	11,801	Exempt from disclosure	Sub-subsidiary
Great CPT	TEXRAY (SWAZILAND)	ESWATINI	Garment processing	158,524	158,524	12,417,938	100.00 %	3,622	169	Exempt from disclosure	Sub-subsidiary
ZHENG-RAY	HUAI WEI BIOTECHNOLOGY CO.,LTD	TAIWAN	Biotechnology Service	9,540	9,540	1,200,000	60.00 %	(2,255)	(12,509)	Exempt from disclosure	Sub-subsidiary
ZHENG-RAY	TST	TAIWAN	Printing and dyeing finishing, machinery and equioment manufacturing and whole sale, etc.	68,067	68,067	5,067,217	75.63 %	56,708	5,173	Exempt from disclosure	Sub-subsidiary
KMT	KMBV	NETHERLANDS	Marketing and trading	7,950	7,950	200,000	100.00 %	10,370	1,179	Exempt from disclosure	Sub-subsidiary
AIQ	AIQ-S	UK	Development of smart clothing technology	15,419	15,419	396,266	50.00 %	(1,774)	(5,608)	Exempt from disclosure	Sub-subsidiary
AIQ	Taiwan Innoration(HK)	HONG KONG	Development of smart clothing technology	390	390	100,000	100.00 %	(2,229)	(1,453)	Exempt from disclosure	Sub-subsidiary
TEX-RAY (CAYMAN)	TEX-RAY (MEXICO)	MEXICO	Dyeing	1,168,882	1,168,882	-	100.00 %	293,086	9,099	Exempt from disclosure	Sub-subsidiary
TEX-RAY (CAYMAN)	AMRAY(MEXICO)	MEXICO	Garment processing	178,119	178,119	-	100.00 %	(265,690)	(100,247)	Exempt from disclosure	Sub-subsidiary
TEX-RAY(SA)	KASUMI (SWAZILAND)	ESWATINI	Trading and manufacturing of Spinning and weaving	43,461	43,461	1,657,400	100.00 %	375,413	(111)	Exempt from disclosure	Sub-subsidiary
TEX-RAY(SA)	TQM (SWAZILAND)	ESWATINI	Dyeing	569,316	569,316	132,525,183	100.00 %	1,154,231	110,494	Exempt from disclosure	Sub-subsidiary

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of wnership	Carrying value			
TEX-RAY(SA)	U.I.W (SWAZILAND)	ESWATINI	Garment processing	47,508	47,508	12,031,000	100.00 %	20,157	120	Exempt from disclosure	Sub-subsidiary
TEX-RAY(SA)	J.M Retary Print Industrial Co.Ltd	ESWATINI	Dyeing and finishing of fabrics, clothing sales	12,908	12,908	5,618,729	100.00 %	4,241	5,202	Exempt from disclosure	Sub-subsidiary
TEX-RAY(SA)	GOLDEN JUBILEE APPAREL(PTY)LTD.	ESWATINI	Garment processing	10,800	10,800	5,000,000	100.00 %	42,275	5,290	Exempt from disclosure	Sub-subsidiary

Note: Voting interest percentage differed due to secured bonds converted to ordinary shares.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow						
TEX-RAY (SHANGHAI)	Operating textile storage, trading, distribution, display and technology development	282,574	(2)	282,574	-	-	282,574	1,163	100.00%	1,163	422,882	-
TEX-RAY (YANCHENG)	Manufacturing and sales of textiles, clothing, shoes and hats	45,527	(3)	-	-	-	-	(4,932)	100.00%	(4,932)	(54,778)	-
TEXRAY (KUNSHAN)	Development of composite fabrics	168,268	(3)	-	-	-	-	1,486	100.00%	1,486	187,851	-
TRYD TEXTILE	Garment processing and engaged in spinning, weaving, highend fabrics, bleaching and dyeing, printing and garment production	1,749,139	(2)	1,235,108	-	-	1,235,108	(146,480)	100.00%	(146,480)	(233,485)	-
TRYD ARRAREL	Knitted garment processing	164,220	(2)	86,711	-	-	86,711	(60,934)	100.00%	(60,934)	(188,262)	-
KING'S METAL FIBER (SHANGHAI)	Wholesale of glass products, high-efficiency insulation materials, textiles, clothing, apparel and accessories	62,008	(2)	51,221	10,787	-	62,008	(20,577)	70.44%	(14,494)	(11,702)	-
AIQ (Zhejiang)	System development, production and sales of smart devices	20,947	(3)	-	-	-	-	(20,643)	70.44%	(14,541)	(23,770)	-
TRYD ARRAREL (HENAN) (Note 3)	Garment processing	-	(2)	46,494	-	-	46,494	-	-%	-	-	-
TRYD TEXTILE RESEARCH INSTITUTE (Note 4)	Technology research and development of polymer composite materials and new textile material	49,149	(3)	-	-	-	-	-	-%	-	-	-

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow						
Wei-Da Testing	Testing service and environmental assessment	31,065	(3)	-	-	-	-	2,134	100.00%	2,134	9,366	-
SHANGHAI JIN PEILI (Note 5)	Weaving, dyeing and finishing of high-end fabrics, sales of products of the company	111,088	(2)	14,321	-	-	14,321	-	-%	-	-	-
JIANAN TEXTILE (Note 6)	Weaving, dyeing and finishing of high-grade fabrics	29,613	(2)	29,613	-	-	29,613	-	-%	-	-	-

Note 1: Three types of investment method are as follows:
1. Directly investing in the mainland area
2. Investing in the mainland through companies in another country (Please refer to consolidated financial statements for the year ended December 31, 2022 Noter 4(c)).
3. Other methods

Note 2: The investment gains and losses recognized at the equity method are based on the financial information of the mainland investee companies, which was audited by the auditors of parent company during the same fiscal period.

Note 3: The business was deregistered in November 2015, and the share capital was remitted back to the upper parent company MSWATI in March 2016.

Note 4: The business was liquidated in October 2019.

Note 5: The business was liquidated in December 2012.

Note 6: The business was deregistered in June 2012, and only the investment fund was remitted back to the upper parent company MSWATI.

Note 7: The numbers listed above are presented in NTD, according to the currency rate on December 31, 2022. (USD: 30.710, CNY: 4.408)

(ii) Limitation on investment in Mainland China

The Company had obtained the certification letter of the operating headquarters from the Ministry of Economic Affairs on July 12, 2021. The validity period is from June 29, 2021 to June 28, 2024, and there is no such restriction of ceiling on investment in Mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(Continued)

TEX-RAY INDUSTRIAL CO., LTD.
Notes to the Financial Statements

(d) Major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
Yue-Da Textile holdings, Ltd B.V	42,052,440	17.99 %
Nan-Yu, Guo	23,680,000	10.13 %
Suzhou Wei-De Co., Ltd.	23,362,466	9.99 %
Feng-Ying, Yeh	14,280,000	6.11 %

(14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2022.

TEX-RAY INDUSTRIAL CO., LTD.

Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash		$ 442
Check accounts and demand deposits		45,676
Foreign currency deposits	USD 4,046 thousand	124,064
Time deposits	USD 11,050 thousand	338,793
		$ 508,975

Statement of accounts receivables.

Name of customers	Description	Amount	Note
Customer A	Sales of inventories	$ 94,270	
Customer B	Sales of inventories	23,146	
Customer C	Sales of inventories	16,192	
Customer D	Sales of inventories	6,376	
Customer E	Sales of inventories	4,927	
Customer F	Sales of inventories	3,425	
Customer G	Sales of inventories	2,764	
Customer H	Sales of inventories	2,705	
Others	Sales of inventories	13,717	The balances of each customers did not exceed 2% of the account.
		167,522	
Less：Loss allowance		(6)	
Net amount		**$ 167,516**	

TEX-RAY INDUSTRIAL CO., LTD.

Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount		Note
		Cost	Net realizable value	
Raw materials	Weaving	$ 16,719	15,274	Replacement cost
	Obsolete	9,004	-	Replacement cost
	Subtotal	25,723	15,274	
Work in process	Weaving	33,477	27,616	Net realizable value
	Garment	216,961	216,951	Net realizable value
	Obsolete	20,432	-	Net realizable value
	Subtotal	270,870	244,567	
Finished goods	General administration office	289	289	Net realizable value
	Obsolete	5,740	-	Net realizable value
	Subtotal	6,029	289	
Merchandise	Weaving	75	47	Net realizable value
	Garment	46,066	46,064	Net realizable value
	General administration office	176	176	Net realizable value
	Obsolete	474	-	Net realizable value
	Subtotal	46,791	46,287	
		349,413	**306,417**	
Less:Allowance		(42,996)		
Net amount		**$ 306,417**		

TEX-RAY INDUSTRIAL CO., LTD.

Statement of changes in investments accounted for using the equity method

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name	Beginning balance		Increase in the current period		Decrease in the current period		Investment profit and loss	Difference of foreign operating agency financial report conversion	Others	Ending balance			Net value of equity	Condition of providing guarantee or pledge
	shares	amount	shares	amount	shares	amount				shares	% Ownership	Amount		
GREAT CPT	4,500,000	$ 54,627	2,000,000	20,000	1,500,000	-	(7,661)	125	(542)	5,000,000	100.00 %	66,549	66,549	None
KMT	12,924,963	196,427	-	-	-	-	40,702	357	(19,668)	12,924,963	59.22 %	217,818	217,818	None
ZHENG-RAY	11,580,000	73,975	-	-	-	-	(5,362)	-	9,261	11,580,000	100.00 %	77,874	77,874	None
AIQ	11,503,200	29,245	-	-	-	-	(38,434)	(474)	10,682	11,503,200	70.44 %	1,019	1,019	None
WLT	2,744,000	(1,247)	-	-	-	-	(18,898)	-	-	2,744,000	68.60 %	(20,145)	(20,145)	None
FLYNN (SAMOA)	9,100,000	462,479	-	-	-	-	11,190	51,380	(168,169)	9,100,000	100.00 %	356,880	356,880	None
TEX-RAY (CAYMAN)	44,042,722	447,399	2,000,000	60,841	-	-	(85,597)	48,691	-	46,042,722	100.00 %	471,334	471,334	None
TEX-RAY (BELIZE)	32,348,213	413,132	-	-	-	-	1,022	9,746	-	32,348,213	100.00 %	423,900	423,900	None
TEX-RAY(BN)	60,579,330	(157,854)	-	-	-	-	(221,040)	(7,042)	958	60,579,330	100.00 %	(384,978)	(384,978)	None
TEX-RAY(SA)	39,651,771	1,190,276	-	-	-	-	228,908	48,324	2,969	39,651,771	100.00 %	1,470,477	1,470,477	None
TRLA	-	-	2,936,000	42,109	-	-	-	-	(1,149)	2,936,000	100.00 %	40,960	40,960	None
Z-PLY	-	-	200	314,491	-	-	-	-	169,318	200	100.00 %	483,809	483,809	None
		$ 2,708,459		437,441		-	(95,170)	151,107	3,660			3,205,497	3,205,497	

TEX-RAY INDUSTRIAL CO., LTD.

Statement of changes in property, plant and equipment

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(f) for related information.

Statement of changes in investment property

Please refer to Note 6(h) for related information.

Statement of short-term borrowings

December 31, 2022

Type of loan	Bank	Ending balance	Contract period	Interest rate range	Mortgage or guarantee	Note
Credit loan	Bank A	$ 20,000	2022/12/09~2023/01/09	1.90%	None	
Credit loan	Bank B	80,000	2022/12/28~2023/01/25	1.85%	None	
Credit loan	Bank C	50,000	2022/10/31~2023/03/31	1.88%	None	
Credit loan	Bank D	100,000	2022/12/27~2023/03/30	1.75%~1.90%	None	
Credit loan	Bank E	90,000	2022/10/20~2023/02/10	1.73%	None	
Credit loan	Bank F	100,000	2022/11/18~2023/02/24	1.5%~1.58%	None	
Credit loan	Bank G	10,000	2022/09/07~2023/01/05	1.97%	None	
		$ 450,000				

TEX-RAY INDUSTRIAL CO., LTD.

Statement of short-term notes and bills payable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(j) for related information.

Statement of long-term borrowings

Creditor	Description	Amount	Contract period	Interest rate	Mortgage or guarantee	Note
Bank H	Mortgage loan	$ 500,000	2022/05/05~2027/05/05	1.79%~1.97%	Land and buildings	
Bank I	Mortgage loan	1,052,066	2022/05/05~2029/05/05	1.99%~2.04%	Land and Buildings	
Less: Current portion		(48,543)				
Less: Fee		(4,167)				
		$ 1,499,356				

TEX-RAY INDUSTRIAL CO., LTD.

Statement of accounts payable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of clients	Description	Amount	Note
Company A	Payment for goods	$ 55,162	
Company B	Payment for goods	17,245	
Company C	Payment for goods	14,675	
Company D	Payment for goods	10,419	
Company E	Payment for goods	8,525	
Company F	Payment for goods	7,779	
Others	Payment for goods	126,426	The balances of each company did not exceed 3% of the account.
		$ 240,231	

Statement of operating revenue

For the year ended December 31, 2022

Items	Quantities	Amount	Note
Sales revenue of garments	2,498,754 pieces	$ 651,142	
Sales revenue of fabrics	695,911Y, 43,035KG, 35,229 pieces, 6,799M	78,819	
Sales revenue of merchandise	2,981,670 pieces, 6 sets,	73,478	
Sales of raw yarn and colored yarn	1,564,195KG	181,351	
Garments revenue	10,003,699 pieces	1,647,750	
Weaving revenue	847,589KG, 1,256,350 pieces	243,678	
Others		2,165	
		$ 2,878,383	

TEX-RAY INDUSTRIAL CO., LTD.

Statement of operating costs

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Note
Merchandising		
Beginning balance of inventory	$ 71,564	
Add：Purchase	791,816	
Less：Ending balance of inventory	(46,791)	
Transfer to expenses	(110)	
Merchandising costs	816,479	
Manufacturing		
Beginning balance of raw material	32,256	
Add：Purchase	725,737	
Transfer to expenses	(435)	
Ending balance of inventory	(25,723)	
Raw material used	731,835	
Manufacturing overhead	733,939	
Manufacturing costs	1,465,774	
Add：Beginning balance of work in process	438,842	
Less：Ending balance of work in process	(270,870)	
Cost of finished goods	1,633,746	
Add：Beginning balance of finished goods	6,259	
Ending balance of finished goods	(6,029)	
Transfer to expenses	(503)	
Other －Sales of raw material	(10,537)	
Costs of goods sold	1,622,936	
Add：Loss for valuation of inventories	(28,233)	
Operating costs	**$ 2,411,182**	

TEX-RAY INDUSTRIAL CO., LTD.

Statement of operating expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Selling expenses	Administrative expenses	Research and development expenses	Total
Salary expense	$ 112,190	75,306	12,563	200,059
Commission expense	15,571	743	-	16,314
Traveling expenses	5,987	1,455	83	7,525
Utility bill	-	3,657	-	3,657
Sample fee	5,992	129	96	6,217
Insurance expense	11,267	10,779	1,214	23,260
Shipping fee	44,852	187	87	45,126
Depreciation expense	815	14,986	212	16,013
Amortization expense	4,718	1,851	-	6,569
Service fee	1,722	6,603	15	8,340
Pension expense	4,357	2,171	556	7,084
Import and export expense	74,361	1	-	74,362
Miscellaneous expenses	7,878	6,744	259	14,881
Other expenses	13,768	29,860	1,882	45,510
Total	**$ 303,478**	**154,472**	**16,967**	**474,917**

Statement of the net amount of other revenues and gains and expenses and losses

Please refer to Note 6(t) for related information.