

CHENFULL International Co., Ltd.

**2022 Financial Statements
(Parent Company Only Financial Statements)**

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

ChenFull International Annual Report is available at:

<https://www.chenfull.com.tw>

Printed on May 12, 2023

I. Independent Auditors' Report, Financial Statements and Consolidated Financial Statements for 2022

(Parent Company Only Financial Statements)

To the Board of Directors and Shareholders of ChenFull International Corporation:

Opinion

We have audited the accompanying parent financial statements of CHENFULL International Company Limited (the "Company"), which comprise the parent balance sheets as of December 31, 2022 and 2021 (restated), and the parent statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasized Matter

As stated in Note 4 of the recompiled financial statements, based on the letter with Ref. No. 1110358714 from the Financial Supervisory Commission, the Company is required to adjust the accounting estimates for impairment loss on receivables and the resetting of liabilities related to the contract for "Private Participation in the Construction and Operation of Magong 5,500 Ton Seawater Desalination Plant," which was signed between its subsidiary, ChenFull Water Resources, and Taiwan Water Corporation. The recompiled financial statements cover the quarterly periods from Q3 2020 to Q2 2022. For the impact of this recompilation on the consolidated financial statements, please refer to Note 4 of the restated parent company only financial statements. Our auditors have not modified their audit opinion due to this recompilation.

Key Audit Matter

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

Key audit matter for the Company's parent financial statements for the year ended December 31, 2022 are stated as follows:

Assessment of the Authenticity of Revenue from Specific Customers

Regarding the accounting policy for revenue recognition, please refer to Note 4(13) of the financial statements.

The sales revenue of CHENFULL International Co., Ltd. comes from the manufacturing and selling of various shoe machinery equipment, components, and materials for factory engineering pipelines. We analyzed the sales revenue data of each customer and screened customers that meet specific criteria. After evaluating that sales revenue from these customers with specific criteria has a higher risk, the authenticity of revenue recognition for such sales revenue is identified as a key audit matter.

We performed the following main response procedures for the above-mentioned key audit matter:

1. Understand, evaluate, and test the internal control system for revenue recognition, which is reasonable and effectively implemented.
2. Select a sample of specific customer sales revenue details, verify whether the relevant documents for revenue recognition are consistent, and confirm the authenticity of the sales revenue.
3. Obtain the details of sales returns after the period, randomly select and examine the relevant vouchers, and examine the reasonableness of the returns.

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

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

In preparing the Parent 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 Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 the Parent Financial Statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Parent 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 Parent 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 Parent Financial Statements, including the disclosures, and whether the Parent Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Parent Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tseng, Chien-Ming and Liu, Shu-Lin.

Deloitte & Touche
Taipei, Taiwan
The Republic of China

March 13, 2023

	December 31,2022	December 31,2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 118,797	\$ 830,142
Financial assets at fair value through profit or loss - current	65,644	40,145
Contract assets - current	956,645	633,983
Notes receivable	9,392	22,396
Trade receivables	240,301	149,656
Trade receivables - related parties	-	9,721
Other receivables	1,953	5,856
Other receivables - related parties	480	88
Inventories	401,376	330,812
Prepayments	12,618	66,215
Other financial assets - current	101	9,634
Other current assets	<u>6,866</u>	<u>12,647</u>
Total current assets	<u>1,814,173</u>	<u>2,111,295</u>
NON-CURRENT ASSETS		
Financial assets at fair value through other comprehensive income - non-current	30,004	29,053
Investments Accounted for Using Equity Method	1,486,350	1,199,228
Property, plant and equipment	572,286	619,133
Net Investment property	259,250	213,138
Intangible assets	10,870	13,521
Deferred tax assets	42,471	52,926
Other non-current assets	<u>74,377</u>	<u>7,169</u>
Total non-current assets	<u>2,475,608</u>	<u>2,134,168</u>
TOTAL	<u>\$4,289,781</u>	<u>\$4,245,463</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current contract liabilities	\$ 118,633	\$ 94,166
Trade payables	493,369	373,642
Trade payables - related parties	345	-
Other payables	123,698	103,191
Other payables - related parties	-	327
Current tax liabilities	3,688	10,005
Other current liabilities	<u>1,347</u>	<u>1,050</u>
Total current liabilities	<u>741,080</u>	<u>582,381</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	13,551	9,024
Net defined benefit liabilities - non-current	24,683	34,293
Investment in equity method investees, net of impairment	-	40,665
Other non-current liabilities	<u>12</u>	<u>15</u>
Lease liabilities - non-current	<u>38,246</u>	<u>83,997</u>
Total liabilities	<u>779,326</u>	<u>666,378</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital		
Ordinary shares	<u>1,137,605</u>	<u>1,181,925</u>
Capital surplus	<u>1,208,562</u>	<u>1,491,515</u>
Retained earnings		
Legal reserve	465,623	465,623
Special reserve	18,139	17,730
Unappropriated earnings (or accumulated deficits)	<u>725,349</u>	<u>445,636</u>
Total retained earnings	<u>1,209,111</u>	<u>928,989</u>
Other equity	<u>(13,106)</u>	<u>(18,139)</u>
Treasury shares	<u>(31,717)</u>	<u>(5,205)</u>
Total equity attributable to owners of the Company	<u>3,428,649</u>	<u>3,389,545</u>
Total equity	<u>3,510,455</u>	<u>3,579,085</u>
TOTAL	<u>\$4,289,781</u>	<u>\$4,245,463</u>

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

(With Deloitte & Touche audit report dated March 13, 2023)

Chenfull International Co., Ltd.

PARENT STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022	2021 (restated)
OPERATING REVENUE (Note 4, 21 & 30)		
Sales	\$ 615,744	\$ 421,954
Construction revenue	<u>1,355,697</u>	<u>1,137,464</u>
Total operating revenue	<u>1,971,441</u>	<u>1,559,418</u>
OPERATING COSTS (Note 10,19,22 & 30)		
Cost of goods sold	465,112	323,276
Construction costs	<u>1,249,322</u>	<u>897,817</u>
Total operating costs	<u>1,714,434</u>	<u>1,221,093</u>
GROSS PROFIT/(LOSS)	<u>257,007</u>	<u>338,325</u>
UNREALIZED PROFIT ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	<u>-</u>	<u>(4,576)</u>
REALIZED PROFIT ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	<u>4,576</u>	<u>-</u>
OPERATING EXPENSES (Note 19, 22 & 30)		
Selling and marketing expenses	60,999	44,423
General and administrative expenses	167,546	159,482
Research and development expenses	30,251	30,321
Expected credit loss	<u>959</u>	<u>4,717</u>
Total operating expenses	<u>259,755</u>	<u>238,943</u>
PROFIT/(LOSS) FROM OPERATIONS	<u>1,828</u>	<u>94,806</u>
NON-OPERATING INCOME AND EXPENSES (Note 22 & 30)		
Interest income	748	830
Other income	32,291	30,408
Other gains and losses	63,554	(1,033)
Finance costs	(\$ 254)	(\$ 176)
Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method (Note 11)	<u>231,465</u>	<u>190,299</u>
Total non-operating income and expenses	<u>327,804</u>	<u>220,328</u>
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	329,632	315,134
INCOME TAX EXPENSE/(BENEFIT) (Note 4 & 23)	<u>(30,107)</u>	<u>(88)</u>
NET PROFIT/(LOSS) FOR THE PERIOD	<u>299,525</u>	<u>315,046</u>
OTHER COMPREHENSIVE INCOME/(LOSS) Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	6,627	(2,217)
Unrealized (gain)/loss on Fair value through other comprehensive income	951	209
Share of Profit of Associates Accounted for Using Equity Method	1,783	(4,880)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating the financial statements of foreign operations	<u>2,238</u>	<u>(618)</u>
Other comprehensive income/(loss)	<u>11,599</u>	<u>(7,506)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>\$ 311,124</u>	<u>\$ 307,540</u>
EARNINGS PER SHARE (Note 24)		
From continuing operations		
Basic	<u>\$ 2.62</u>	<u>\$ 2.67</u>
Diluted	<u>\$ 2.61</u>	<u>\$ 2.67</u>

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

(With Deloitte & Touche audit report dated March 13, 2023)

Chenfull International Co., Ltd.

PARENT STATEMENTS OF CHANGES IN EQUITY (RESTATED)
(In Thousands of New Taiwan Dollars)

	Retained Earnings					Other Equity			Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Available-for-sale Financial Assets	Treasury Shares	
BALANCE AT JANUARY 1, 2021	\$1,181,925	\$881,342	\$432,288	\$18,257	\$ 465,976	(\$18,584)	\$ 854	(\$ 5,205)	\$2,956,853
Appropriations of prior year's earnings									
Legal capital reserve	-	-	33,335	-	(33,335)	-	-	-	-
Special capital reserve	-	-	-	(527)	527	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(295,481)	-	-	-	(295,481)
Issued to subsidiary dividend adjustment capital reserve	-	704	-	-	-	-	-	-	704
Share-based payments of subsidiaries	-	7,782	-	-	-	-	-	-	7,782
Gain/Loss on changes in non-controlling interests (Note 27)	-	28,488	-	-	-	-	-	-	28,488
Disposal of Partial Equity Interest in ChenFull Precision Subsidiary (Note 27)	-	573,199	-	-	-	-	-	-	573,199
Net loss for the twelve months ended December 31,2021	-	-	-	-	315,046	-	-	-	315,046
Other comprehensive income/(loss) for the twelve months ended December 31,2021 net of income tax	=	=	=	=	(7,097)	(618)	209	=	(7,506)
Total comprehensive income/(loss) for the twelve months ended December 31,2021	=	=	=	=	307,949	(618)	209	=	307,540
BALANCE AT December 31,2021	<u>\$1,181,925</u>	<u>\$1,491,515</u>	465,623	17,730	445,636	(19,202)	1,063	<u>(\$ 5,205)</u>	3,579,085
Appropriations of prior year's earnings									
Special capital reserve	-	-	-	409	(409)	-	-	-	-
Issued to subsidiary dividend adjustment capital reserve	-	736	-	-	-	-	-	-	736
Other capital surplus changes									
Capital surplus distribution	-	(295,481)	-	-	-	-	-	-	(295,481)
Repurchase of Treasury Stock	-	-	-	-	-	-	-	(207,720)	(207,720)
Cancellation of treasury shares	(44,320)	(110,919)	-	-	(25,969)	-	-	181,208	-
Share-based payments of subsidiaries	-	13,118	-	-	-	-	-	-	13,118
Non-controlling interests changes (Note 27)	-	161,618	-	-	-	-	-	-	161,618
Disposal of Partial Equity Interest in ChenFull Precision Subsidiary (Note 27)	-	(52,025)	-	-	-	-	-	-	(52,025)
Net profit/(loss) for the twelve months ended December 31,2022	-	-	-	-	299,525	-	-	-	299,525
Other comprehensive income/(loss) for the twelve months ended December 31,2022, net of income tax	=	=	=	=	6,566	2,238	2,795	=	11,599
Total comprehensive income/(loss) for the twelve months ended December 31,2022	=	=	=	=	306,091	2,238	2,795	=	311,124
BALANCE AT DECEMBER 31,2022	<u>\$1,137,605</u>	<u>\$1,208,562</u>	<u>\$465,623</u>	<u>\$18,139</u>	<u>\$ 725,349</u>	<u>(\$ 16,964)</u>	<u>\$ 3,858</u>	<u>(\$31,717)</u>	<u>\$ 3,510,455</u>

The accompanying notes are an integral part of the parent financial statements.
(With Deloitte & Touche audit report dated March 13, 2023)

Chenfull International Co., Ltd.

PARENT STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Twelve Months Ended December 31	
	2022	2021 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 329,632	\$ 315,134
Adjustments for:		
Depreciation expenses	27,858	28,411
Amortization expense	6,275	7,990
Expected credit loss recognized/(reversed) on trade receivables	959	4,717
Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss	6,590	2,825
Finance costs	254	176
Interest income	(748)	(830)
Dividend income	(6,174)	(3,610)
Stock-based compensation expense	6,762	2,278
Equity in loss (gain) of subsidiary	(231,465)	(190,299)
(Gain)/loss on disposal of property, plant and equipment	(69)	(737)
Net (gain)/loss on disposal of financial assets at fair value through profit or loss	803	(4,663)
Reversal of write-downs of inventories	912	(25,162)
Unrealized Profit on Intercompany Sales	-	4,576
Realized Profit on Intercompany Sales	(4,576)	-
Gain on disposal of subsidiary	(66,092)	-
Changes in operating assets and liabilities		
(Increase)/decrease in contract assets	(322,662)	(78,602)
(Increase)/decrease in notes receivable	13,004	22,745
(Increase)/decrease in trade receivables	(81,883)	(32,674)
(Increase)/decrease in inventories	(71,476)	(75,229)
(Increase)/decrease in prepayments	53,597	(24,698)
(Increase)/decrease in other current assets	9,280	(9,901)
(Increase)/decrease in contract liabilities	24,467	(112,516)
Increase/(decrease) in trade payables	120,072	219,870
Increase/(decrease) in other payables	18,215	12,010
Increase/(decrease) in other current liabilities	297	(15,952)
Increase/(decrease) in net defined benefit liability	(1,326)	(15,268)
Cash generated from/(used in) operations	(167,494)	30,591
Interest received	\$ 760	\$ 828
Interest paid	(254)	(176)
Income tax paid	(92,533)	(45,988)
Net cash generated from/(used in) operating activities	(259,521)	(14,745)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(90,414)	(103,764)
Decrease in FVTOCI financial assets	57,522	80,403
Disposal of subsidiary (Note 26)	42	-
Payments for property, plant and equipment	(23,615)	(16,538)

Proceeds from sale of financial assets at fair value through profit or loss	92	1,132
Increase in deposits and guarantees received	(46)	(832)
Purchase of intangible assets	(3,624)	(7,854)
Proceeds from disposal of intangible assets	-	6,041
Decrease in other financial assets	9,533	160
Increase in other assets-non-current	(68,727)	(1,280)
Dividend received	<u>141,730</u>	<u>33,610</u>
Net cash generated from/(used in) investing activities	<u>22,493</u>	<u>(8,922)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	160,000	135,192
Decrease in short-term loans	(160,000)	(135,192)
Increase in short-term notes	-	30,000
Decrease in short-term notes	-	(30,000)
Increase in guarantee deposits received	-	5
Decrease in guarantee deposits received	(3)	-
Cash dividends paid	(295,481)	(295,481)
Cost of treasury stock	(207,720)	-
Proceeds from disposal of subsidiary's partial equity	<u>28,887</u>	<u>869,657</u>
Net cash generated from/(used in) financing activities	<u>(474,317)</u>	<u>574,181</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(711,345)	550,514
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>830,142</u>	<u>279,628</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 118,797</u>	<u>\$ 830,142</u>

The accompanying notes are an integral part of the parent financial statements.
(With Deloitte & Touche audit report dated March 13, 2023)

ChenFull International Co., Ltd.

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

1. Company history:

ChenFull International Co., Ltd. (the "Company") was established in April 1982. ChenFull's business scope includes semiconductor control equipment system engineering; buying, selling, designing, manufacturing, and constructing cleanroom, ultrapure water equipment pipelines, and various chemical engineering equipment; manufacturing and trading of various hydraulic, mechanical parts, factory engineering pipeline materials, and precision molds; design planning of machinery and equipment for entire shoe factories and the manufacturing, processing, and trading of related material products; as well as the manufacturing and trading of various aircraft equipment.

ChenFull's stock has been listed and traded on the Taipei Exchange (TPEX) since September 2004.

This consolidated financial report is expressed in functional New Taiwan dollars of ChenFull.

2. Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2023.

3. New standards, amendments and interpretations adopted:

- 1) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on ChenFull and its subsidiaries' (collectively as the "Company") accounting policies:

- 2) IFRSs approved by the Financial Supervisory Commission (FSC) for the year 2023.

New standards, amendments and interpretations adopted	Effective Date Issued by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

Note 1: This amendment is applicable to annual reporting periods beginning on or after January 1, 2023.

Note 2: Changes in accounting estimates and accounting policies that occur during reporting periods beginning on or after January 1, 2023 shall apply this amendment.

Note 3: Except for the recognition of deferred tax related to temporary differences of leases and decommissioning obligations as of January 1, 2022, this amendment is applicable to transactions occurring on or after January 1, 2022.

As of the date of approval of this consolidated financial report, the Company has assessed that the amendments to other standards and interpretations will not have a significant impact on its financial position and financial performance.

- 3) IFRSs that have been issued by the IASB but have not yet been approved and published by the FSC for implementation.

New standards, amendments and interpretations adopted	Effective Date Issued by IASB
Amendment to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Undefined
Amendment to IFRS 16 "Leases: Lease Liability in a Sale and Leaseback"	January 1, 2024
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendment to IAS 1 "Non-current Liabilities that are within the Scope of a Disposal Group"	January 1, 2024

Note 1: Unless otherwise specified, the above new, revised, or amended standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: A seller-lessee shall retrospectively apply the amendments to IFRS 16 to sale and leaseback transactions entered into after the initial application of IFRS 16.

As of the date of issuance of this consolidated financial report, the Company continues to

evaluate the impact of other new or revised standards or interpretations on its financial position and performance, and such impacts will be disclosed upon completion of the assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

This consolidated financial report is prepared in accordance with the Financial Reporting Standards for Issuers of Securities and the IFRSs approved and issued by the Financial Supervisory Commission.

b. Reasons for financial statements restatement and their impact

On November 1, 2022, the Consolidated Company received a letter from the Financial Supervisory Commission (FSC) requesting the Company to adjust accounting estimates related to the impairment of accounts receivable and the reset of liability reserves for the contract of "Private Participation in the Construction and Operation of the 5,500 Tons per day Seawater Desalination Plant in Magong" signed between its subsidiary, CTCI Water Co., Ltd. and Taiwan Water Corporation. The adjustment involved shortening the estimated operating period from 20 years to 15.7 years and recognizing the adjusted reset costs since the date of signing the supplemental agreement on October 29, 2020. Therefore, the Consolidated Company restated its financial statements for the periods from Q3 of 2020 to Q2 of 2021 according to the FSC's directive.

The impact of the restatement on the comprehensive income statement for the year ended December 31, 2021, is as follows:

Impact on Comprehensive Income for the Year 2021

	Original Amount	Adjustment Amount	Revised Amount
Revenue	\$ 1,559,418	\$ -	\$ 1,559,418
Cost of sales	(1,221,093)	-	(1,221,093)
Unrealized Profit on Intercompany Sales	(4,576)	-	(4,576)
Operating expenses	(238,943)	-	(238,943)
Other income and expenses	(251,468)	471,796	220,328
Income tax expense	(88)	-	(88)
Net (loss) profit for the year	(156,750)	471,796	315,046
Other comprehensive income (net)	(7,506)	-	(7,506)
Total comprehensive income for the year	(\$ 164,256)	\$ 471,796	\$ 307,540

c. Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liability recognized at fair value less plan assets, the consolidated financial statements are prepared on a historical cost basis.

Fair value measurement is categorized into Level 1, Level 2, and Level 3 based on the degree of observability and significance of the inputs as follows:

- (1) Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in an active market on the measurement date.
- (2) Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- (3) Level 3 inputs: Unobservable inputs for the asset or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 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.

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

The Group engages in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

e. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including structured entities).

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

See Note 12 for the detailed information of subsidiaries (including the percentage of ownership and main business).

f. Foreign currencies

When preparing financial statements, transactions denominated in currencies other than the functional currency of each entity are translated into the functional currency at the exchange rates prevailing on the transaction dates.

Monetary items denominated in foreign currencies are translated into the functional currency at the closing exchange rates on each balance sheet date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rates on the dates when the fair values were determined, and any resulting exchange differences are recognized in profit or loss or in other comprehensive income, depending on the nature of the item. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates on the transaction dates and are not re-measured subsequently.

When preparing consolidated financial statements, assets and liabilities of foreign operations (including subsidiaries, associates, joint ventures, or branches whose operations are conducted in countries or currencies different from those of the Thousand Summit Corporation) are translated into New Taiwan dollars at the exchange rates prevailing on each balance sheet date. Revenues and expenses are translated at the average exchange rates for the period, and any resulting exchange differences are recognized in other comprehensive income.

g. Inventories

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

h. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

i. Investment property

Investment properties are held for earning rental income or capital appreciation or both.

Investment properties owned by the company are initially measured at cost (including transaction costs) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Straight-line depreciation is used for the company's investment properties.

Real estate, plant and equipment that are transferred to investment properties are measured at their carrying amounts at the date of reclassification.

When investment properties are disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Intangible Assets

1. Acquired Separately

Intangible assets with a limited useful life acquired separately are initially measured at cost,

including transaction costs, and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized using the straight-line method over their useful lives. At least annually, the estimated useful lives, residual values and amortization method are reviewed, with changes in accounting estimates deferred. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment losses.

2. Disposal

When intangible assets are disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement.

k. Impairment of Property, Plant and Equipment, Right-of-use Assets, Investment Properties, Intangible Assets (excluding Goodwill) and Contract Costs

At each balance sheet date, the consolidated company assesses whether there are any indications that Property, Plant and Equipment, Right-of-use Assets, Investment Properties, and Intangible Assets (excluding Goodwill) may be impaired. If any impairment indicators exist, the consolidated company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the consolidated company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to individual cash-generating units on a reasonable and consistent basis.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. When the recoverable amount of an individual asset or a cash-generating unit is lower than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in the income statement.

When an impairment loss reverses in a subsequent period, the carrying amount of the asset, cash-generating unit, or contract costs related asset is increased to the revised recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognized in prior years (after deducting depreciation or amortization). The reversal of the impairment loss is recognized in the income statement.

l. Assets held for sale

The carrying amount of a non-current asset (or disposal group) is classified as held for sale when its expected primary means of recovery is through sale rather than continuing use, and the asset (or disposal group) is available for immediate sale in its present condition, and the sale is highly probable. When an appropriate level of management commits to a plan to sell the asset and the sale is expected to be completed within one year from the date of classification, the asset is considered to be held for sale and meets the criteria of being highly probable for sale.

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 29.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and accounts receivable at amortized cost, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial

asset.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables) and lease receivables.

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivables and lease receivables.

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

The Group recognizes an impairment gain or loss in profit or loss for financial assets stated above with a corresponding adjustment to their carrying amount through a loss allowance

account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

n. Provision for liabilities

The amount recognized as a provision for liabilities (including contractual obligations to maintain or restore infrastructure explicitly specified in service concession agreements) is the best estimate of the expenditure required to settle the present obligation at the balance sheet

date, taking into account the risks and uncertainties associated with the obligation.

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue from the sale of property in the course of ordinary activities is recognized when the construction is completed and the property is transferred to the buyer. Until such revenue is recognized, deposits and installment payments received from sales of properties are carried in the consolidated balance sheets under current liabilities.

The sale of goods that results in awarded credits for customers under the Group's award scheme is accounted for as a multiple element revenue transaction, and the fair value of the consideration received or receivable is allocated between the goods supplied and the awarded credits granted. The consideration allocated to the awarded credits is measured by reference to their fair value, the amount for which the awarded credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the awarded credits are redeemed and the Group's obligations have been fulfilled.

2) Rendering of services

Service income is recognized when services are provided.

3) Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

p. Government grants

Government grants are recognized only when it is reasonably certain that the combined company will comply with the conditions attached to the government grant and that the grant will be received.

Government grants are recognized in profit or loss on a systematic basis during the period in which the related costs that they intend to compensate are recognized as expenses by the merged company. Government subsidies on the condition that the merged company should purchase, construct, or otherwise obtain non-current assets are recognized as deferred income and are transferred to profit or loss on the reasonable and systematic basis over the useful life of the relevant assets.

If the government subsidy is used to compensate for the expenses or losses that have occurred, or for the purpose of giving immediate financial support to the merged company and has no future related costs, it is recognized in profit or loss during the period it can be received.

q. Leasing

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

a. The Company as lessor

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

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

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which

case, the entire lease is classified as an operating lease.

b. The Company as lessee

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

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

Right-of-use assets are presented on a separate line in the consolidated balance sheets. Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when

employees have rendered services entitling them to the contributions.

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

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

s. Employee share options

Employee share options are measured at fair value on the grant date, taking into account the best estimate of the number of options expected to vest, and are expensed on a straight-line basis over the vesting period. Non-controlling interests are adjusted at the same time. If the options vest immediately on the grant date, the entire expense is recognized on that date. For subsidiaries of the consolidated company that issue employee share options through a cash capital increase, the grant date is the date approved by the board of directors.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all [deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures] to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits

against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes for the year

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

5. Critical accounting judgements and key sources of estimation uncertainty

When adopting accounting policies, the management of the consolidated company must make judgments, estimates, and assumptions based on historical experience and other relevant factors when information is not readily available from other sources. Actual results may differ from estimates.

Provision for restructuring liabilities

The consolidated company estimates the related restructuring costs in accordance with regulations, based on the schedule and estimated costs of the relevant equipment to reflect the best estimate. Changes in important parameters such as underlying assumptions and timing of related costs may significantly affect the amount of the consolidated company's provision for restructuring liabilities.

The management will continue to review estimates and underlying assumptions. If the revision of estimates affects only the current period, it will be recognized in that period. If the revision of accounting estimates affects both the current period and future periods, it will be recognized in both the current and future periods.

6. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 635	\$ 431
Checking accounts and demand deposits	118,162	719,711
Cash equivalents (investments with original maturities of less than 3 months)		

Time deposits	-	12,456
RP		110,000
Fully entrusted investment accounts		
Current account deposits	-	-
	<u>\$ 118,797</u>	<u>\$ 830,142</u>

The merged company signed a discretionary asset management agreement with Time Securities Investment Consulting Co., Ltd. The bank deposits held in the discretionary account as of December 31, 2022 and December 31, 2021 were NT\$21,269 thousand dollars and NT\$20,132 thousand dollars, respectively. The interest rate ranges for bank deposits, time deposits, and repurchase agreements on the balance sheet dates were as follows:

	December 31, 2022	December 31, 2021
Bank balance	0.395%~0.85%	0.001%~0.2%
RP	-	0.22%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2022	December 31, 2021
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares investments	\$ 8,540	\$ 9,315
Mutual funds	<u>57,104</u>	<u>30,830</u>
	<u>\$ 65,644</u>	<u>\$ 40,145</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	December 31, 2022	December 31, 2021
<u>Non-current</u>		
Domestic investments		
Unlisted (OTC) stocks		
Ordinary shares	<u>\$ 30,004</u>	<u>\$ 29,053</u>

The merging company invests in unlisted (OTC) stocks for its medium to long-term strategic objectives and expects to earn profits through long-term investments. The management believes that if the short-term fair value fluctuations of these investments are recognized in the income statement, it would not align with the aforementioned long-term investment plan. Therefore, the company chooses to designate these investments as measured at fair value through other comprehensive income.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

December 31, 2022	December 31, 2021
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<u>Notes receivable</u>		
Incurring in the course of business	\$ 9,663	\$ 22,667
Less: Allowance for impairment loss	(271)	(271)
	<u>\$ 9,392</u>	<u>\$ 22,396</u>
 <u>Trade receivable-non related parties</u>		
At amortized cost		
Gross carrying amount	\$ 243,737	\$ 152,898
Less: Allowance for impairment loss	(3,436)	(3,242)
	<u>\$ 240,301</u>	<u>\$ 149,656</u>
 <u>Trade receivable- related parties</u>		
At amortized cost		
Gross carrying amount	\$ -	\$ 9,721
Less: Allowance for impairment loss	-	-
	<u>\$ -</u>	<u>\$ 9,721</u>
 <u>Other receivables</u>		
Others	\$ 1,953	\$ 5,856
 <u>Other receivables- related parties</u>		
Others	\$ 480	\$ 88
 <u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 10,810	\$ 10,045
Less: Allowance for impairment loss	(10,810)	(10,045)
	<u>\$ -</u>	<u>\$ -</u>

Trade receivables

1) At amortized cost

The average credit period of sales of goods was 60 days. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current

financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

Notes receivable
December 31, 2022

	Not Past Due	1 to 90 Days	Total
Expected credit loss rate	2.80%	-	
Gross carrying amount	\$ 9,663	-	\$ 9,663
Loss allowance (Lifetime ECL)	(271)	-	(271)
Amortized cost	<u>\$ 9,392</u>	<u>\$ -</u>	<u>\$ 9,392</u>

December 31, 2021

	Not Past Due	1 to 90 Days	Total
Expected credit loss rate	1.20%	-	
	\$ 22,667		
Gross carrying amount	(271)	-	\$ 22,667
Loss allowance (Lifetime ECL)	<u>\$ 22,396</u>	-	(271)
	1.20%		<u>\$ 22,396</u>
Amortized cost	\$ 22,667	<u>\$ -</u>	\$ 22,667

Trade receivable
December 31, 2022

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Expected credit loss rate	0.66%	28.20%	45.47%	59.93%	100%	
	\$ 239,031	\$ 2,907	\$ 1,094	\$ 409	\$ 296	
Gross carrying amount	(1,578)	(820)	(497)	(245)	(296)	\$ 243,737
Loss allowance (Lifetime ECL)	<u>\$ 237,453</u>	<u>\$ 2,087</u>	<u>\$ 597</u>	<u>\$ 164</u>	-	(3,436)
Amortized cost	<u>\$ 237,453</u>	<u>\$ 2,087</u>	<u>\$ 597</u>	<u>\$ 164</u>		<u>\$ 240,301</u>

Trade receivable
December 31, 2021

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 270 Days	Total
Expected credit loss rate	0.53%	14.30%	42.35%	57.31%	100%	
	\$ 148,719	\$ 12,426	\$ 817	\$ 657	\$ -	\$ 162,619
Gross carrying amount	(742)	(1,777)	(346)	(377)	-	(3,242)
Loss allowance (Lifetime ECL)	<u>\$ 147,977</u>	<u>\$ 10,649</u>	<u>\$ 471</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 159,377</u>

The movements of the loss allowance of trade receivables were as follows:

	December 31, 2022	December 31, 2021
Balance at January 1	\$ 3,242	\$ 5,027
Add: Impairment losses recognized on receivables	959	4,717
Less: Reclassification adjustments	(765)	(6,444)
Less: Amounts written off	-	(58)
Balance at December 31	<u>\$ 3,436</u>	<u>\$ 3,242</u>

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

	December 31, 2022	December 31, 2021
Balance at January 1	\$ 10,045	\$ 3,601
Add: Reclassification adjustments	765	6,444
Balance at December 31	<u>\$ 10,810</u>	<u>\$ 10,045</u>

10. INVENTORIES

	December 31, 2022	December 31, 2021
Finished goods	\$ 151,893	\$ 149,235
Work in progress	159,495	140,296
Raw materials	89,590	40,524
Merchandise	398	757
	<u>\$ 401,376</u>	<u>\$ 330,812</u>

The cost goods sold

	December 31, 2022	December 31, 2021
The cost of goods sold	\$ 453,108	\$ 318,721
Inventory write-downs (gain from price recovery)	912	(25,162)
Others	<u>11,092</u>	<u>29,717</u>

\$ 465,112

\$ 323,276

11. SUBSIDIARIES

Investor	Investee	Proportion of Ownership (%)	
		December 31, 2022	December 31, 2021
ChenFull International Co., Ltd.	Chenfeng Machinery & Enterprise Co., Ltd	100%	100%
	ChenFull Water Resource Co., Ltd.	100%	100%
	ChenFull Precision Co., Ltd	63%	70.12%
	CHEN FULL HOLDING CO., LTD.	100%	100%

Investee	Ownership	
	December 31, 2022	December 31, 2021
Chenfeng Machinery & Enterprise Co., Ltd	\$ 6,751	\$ 5,743
CHEN FULL HOLDING CO., LTD.	22,636	6,484
ChenFull Water Resource Co., Ltd.	(25,385)	(45,880)
ChenFull Precision Co., Ltd	<u>227,463</u>	<u>223,952</u>
	<u>\$ 231,465</u>	<u>\$ 190,299</u>

Investee	Investment	
	December 31, 2022	December 31, 2021
Chenfeng Machinery & Enterprise Co., Ltd	\$ 128,389	\$ 117,971
CHEN FULL HOLDING CO., LTD.	124,960	94,951
ChenFull Water Resource Co., Ltd.	-	(40,665)
ChenFull Precision Co., Ltd	<u>1,233,001</u>	<u>986,306</u>
	1,486,350	1,158,563
Add: transferring the balance of investment loans using the equity method	=	<u>40,665</u>
	<u>\$ 1,486,350</u>	<u>\$ 1,199,228</u>

12. PROPERTY, PLANT AND EQUIPMENT 2022

	Freehold Land	Buildings	Equipment	Others	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 398,601	\$ 349,950	\$ 76,371	\$ 52,508	\$ 1,858	\$ 879,288
Additions	-	6,954	8,210	7,813	2,603	25,580
Disposals	-	(335)	(88)	(6,266)	-	(6,689)
Reclassified	-	1,857	1,076	490	(1,857)	1,566
Reclassification Investment Property	(<u>39,124</u>)	(<u>12,603</u>)	-	-	-	(<u>51,727</u>)
Balance at December 31, 2022	<u>\$ 359,477</u>	<u>\$ 345,823</u>	<u>\$ 85,569</u>	<u>\$ 54,545</u>	<u>\$ 2,604</u>	<u>\$ 848,018</u>
Accumulated depreciation						

<u>and impairment</u>						
Balance at January 1, 2022	\$ -	\$ 158,208	\$ 55,053	\$ 46,894	\$ -	\$ 260,155
Disposals	-	(335)	(64)	((6,267)	-	(6,666)
Reclassified	-	13,909	7,466	2,870	-	24,245
Reclassification Investment Property	-	(2,002)	-	-	-	(2,002)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 169,780</u>	<u>\$ 62,455</u>	<u>\$ 43,497</u>	<u>\$ -</u>	<u>\$ 275,732</u>
Carrying amounts at January 1, 2022	<u>\$ 359,477</u>	<u>\$ 176,043</u>	<u>\$ 23,114</u>	<u>\$ 11,048</u>	<u>\$ 2,604</u>	<u>\$ 572,286</u>
Carrying amounts at December 31, 2022						

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

Building	
Main buildings	5-56 years
Elevators	20-21 years
Drainage	10-11 years
Air-conditioning	7-9 years
Others	2-21 years
Equipment	2-11 years
Others	2-11 years

13. LEASE AGREEMENT

Other Lease Information

	December 31, 2022	December 31, 2021
Short-term lease expense	<u>\$ 18,591</u>	<u>\$ 7,927</u>
Lease expense for low-value assets	<u>\$ 974</u>	<u>\$ 841</u>
Total cash outflow from lease	<u>(\$ 19,565)</u>	<u>(\$ 8,768)</u>

Our company elects to apply the exemption for recognition of right-of-use assets and lease liabilities for short-term leases and leases of low-value assets."

14. INVESTMENT POROPERTY

	<u>Completed Investment Properties</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 242,157
From Real Estate, Factory, and Equipment	<u>51,727</u>
Balance at December 31, 2022	<u>\$ 293,884</u>
<u>Accumulated depreciation and impairment</u>	

Balance at January 1, 2022	\$ 29,019
From Real Estate, Factory, and Equipment	2,002
Depreciation expense	<u>3,613</u>
Balance at December 31, 2022	<u>\$ 34,634</u>
Carrying amounts at December 31, 2022"	<u>\$ 259,250</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 242,157
Balance at December 31, 2021	<u>\$ 242,157</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ 25,790
Depreciation expense	<u>3,229</u>
Balance at December 31, 2021	<u>\$ 29,019</u>
Carrying amounts at December 31, 2021	<u>\$ 213,138</u>

The lease term for the investment property being leased is 1 year. The lessee does not have a purchase option for the investment property at the end of the lease.

The total lease payments expected to be received in the future from operating lease of investment property are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Year 1	<u>\$ 3,690</u>	<u>\$ 4,176</u>

The main buildings were depreciated on a straight-line basis over the estimated useful lives as follows:

Main buildings 20 years

The fair value of the investment property as of December 31, 2022 was 488,930 thousand dollars. This fair value was not determined by independent appraisers but assessed by the company's management based on market quotations of similar properties in the nearby area.

15. INTANGIBLE ASSETS

	<u>Computer software costs</u>
<u>Current</u>	
Balance at January 1, 2022	\$ 27,715
Additions	3,624
Disposals	<u>(8,545)</u>

Balance at December 31, 2022	<u>\$ 22,794</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 14,194
Amortization expense	6,275
Disposals	(<u>8,545</u>)
Balance at December 31, 2022	<u>\$ 11,924</u>
Carrying amounts at December 31, 2022	<u>\$ 10,870</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ -
Additions	7,854
Reclassification	27,345
Disposals	(<u>7,484</u>)
Balance at December 31, 2021	<u>\$ 27,715</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ -
Amortization expense	7,990
Reclassification	7,647
Disposals	(<u>1,443</u>)
Balance at December 31, 2021	<u>\$ 14,194</u>
Net amount at December 31, 2021	<u>\$ 13,521</u>

Apart from recognizing amortization expense, there were no significant disposals or impairments of intangible assets for the period from January 1 to December 31, 2022.

The amortization expense is recognized on a straight-line basis over the following useful lives: :

Computer software costs: 1 to 5 years

Amortization expenses aggregated by functional category :

	<u>Year 2022</u>	<u>Year 2021</u>
Operating costs	\$ 970	\$ -
Operating expenses	<u>5,305</u>	<u>7,990</u>
	<u>\$ 6,275</u>	<u>\$ 7,990</u>

16. OTHER ASSETS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Prepayments	<u>\$ 12,618</u>	<u>\$ 66,215</u>

Other financial assets - current		
Pledged fixed deposits	\$ <u>101</u>	\$ <u>9,634</u>
Other current assets		
Advances from customers	\$ 6,822	\$ 12,493
Employee advances	<u>44</u>	<u>154</u>
	\$ <u>6,866</u>	\$ <u>12,647</u>
<u>Non-current</u>		
Other non-current assets		
Other receivables		
Other receivables	\$ 73,948	\$ 73,948
Less: Allowance for doubtful accounts	(73,948)	(73,948)
Advances for equipment	68,729	1,567
Land pending transfer	1,114	1,114
Deposits paid	<u>4,534</u>	<u>4,488</u>
	\$ <u>74,377</u>	\$ <u>7,169</u>

- (1) As of December 31, 2022 and December 31, 2021, the interest rates for pledged fixed deposits were as follows:

For Year 2022: Annual interest rate of 1.44%.

For Year 2021: Interest rates ranged from 0.04% to 0.815%.

- (2) Other non-current receivables

The company was contracted by Hao Han Zhong Xiao Engineering Co., Ltd. (referred to as "Hao Han Company") for subcontracted projects. Due to disputes between the parties regarding contract interpretation, payment amounts, and deductions, a claim of 110,821 thousand dollars was filed against Hao Han Company for project payments and other expenses. On September 30, 2011, except for a remaining amount of 7,368 thousand dollars that continued to be under litigation, the remaining portion was settled through a notarized agreement with Hao Han Company paying 92,499 thousand dollars to the company (consisting of receivables for project payments and performance guarantee payments of 84,851 thousand dollars, and litigation fees and other expenses of 7,648 thousand dollars, recorded as other non-current assets). The aforementioned litigation was ruled by the higher court on March 25, 2014, with a judgment requiring Hao

Han Company to pay the company a total of 9,383 thousand dollars in project payments and interest. The court issued debt certificates on July 25, 2014. Furthermore, due to Hao Han Company's failure to comply with the settlement conditions, a request for compulsory execution was submitted to the court, and the related documentation has been filed. A successful judgment has been obtained against the former responsible person of Hao Han Company, Chen Shui-tu, for the endorsed liability of 92,499 thousand dollars, and debt certificates issued by the court are on file. Through compulsory execution, an amount of 10,903 thousand dollars has been recovered. The company has already provisioned 100% allowance for doubtful accounts for the remaining net claim against Hao Han Company of 73,948 thousand dollars.

(3) Land pending transfer

The company acquired land with a total area of 6,454 m², consisting of Taoyuan County, Dayuan Township, Xucuo Harbor, Plot Numbers 1065-0086 and 0015, for the purpose of expanding its operations. The cost of this agricultural land was recorded as 25,120 thousand dollars. Due to legal restrictions, the company was not able to register ownership of agricultural land. Therefore, the company (referred to as Party A) entered into an agreement on October 21, 2002, with Mr. Xu Zhihong, the former chairman of the company and a self-farming farmer (referred to as Party B), for Party B to act as an agent to purchase the land on behalf of Party A. The transfer of ownership was completed on November 5, 2002. The agreement stipulated that Party B unconditionally waived any claims to the land and would provide all necessary documents for the transfer when the laws governing the transfer of agricultural land were relaxed or when urban planning changes allowed for the transfer. The company obtained approval from the competent authority for the change of land use in August 2009 and completed the transfer process.

As of December 31, 2022, there are still two plots of land, Plot Numbers 0488-0000 and 0484-0000, with a total area of 281.98 m², which were derived from Plot Number 1065-0015. These plots are still classified as agricultural and livestock land and are reserved for government water management projects. They are recorded as other non-current assets - others, with a carrying amount of 1,114 thousand dollars.

17. ACCOUNTS PAYABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Accounts payable (including related parties)</u>		
Arising from business operations.	<u>\$ 493,714</u>	<u>\$ 373,642</u>

The average credit period for the purchase of certain goods is 1 to 4 months, with no interest being charged on accounts payable. The company has established a financial risk management policy to ensure that all payables are settled within the agreed credit terms.

18. OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Payables for purchases of equipment	\$ 3,391	\$ 1,426
Payables for salaries and premium	46,945	57,913
Payables for bonuses	20,804	6,278
Payable for compensation	3,810	-
Payable for annual leave	4,906	4,863
Others	<u>43,842</u>	<u>32,711</u>
	<u>\$ 123,698</u>	<u>\$ 103,191</u>
Other payables - related parties	<u>\$ -</u>	<u>\$ 327</u>
Other current liabilities		
Receivables on behalf	<u>\$ 1,347</u>	<u>\$ 1,050</u>
<u>Non-current</u>		
Other non-current liabilities		
Deposits received	<u>\$ 12</u>	<u>\$ 15</u>

19. RETIREMENT BENEFIT PLANS

(1) Defined Contribution Plan

The retirement plan adopted by the company is governed by the "Labor Pension Act" and is a government-managed defined contribution retirement plan. Employees contribute 6% of their monthly salary towards retirement benefits, which are allocated to individual accounts with the Labor Insurance Bureau.

(2) Defined Benefit Plan

The retirement plan implemented by the company, in accordance with the "Labor Standards Act" of our country, is a government-managed defined benefit retirement plan. The payment of employee retirement benefits is calculated based on years of service and the average salary for the six months prior to the approved retirement date. The company contributes 2% of the total monthly salary of employees towards retirement benefits, which is deposited into a designated account with the Taiwan Bank in the name of the Labor Retirement Reserve Supervisory Committee. If the estimated balance in the account is insufficient to cover the expected retirements within the following year by the end of the fiscal year, the shortfall will be contributed in a lump sum by the end of March of the following year. The account is managed by the Labor Pension Fund Operations Office of the Ministry of Labor, and the company has no authority to influence investment management strategies.

The amount related to the defined benefit plan included in the individual financial statements is presented as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present Value of Defined Benefit Obligations	\$ 36,199	\$ 50,242
Fair Value of Plan Assets	(<u>11,516</u>)	(<u>15,949</u>)
Net Defined Benefit Liability	<u>\$ 24,683</u>	<u>\$ 34,293</u>

The changes in net defined benefit liability are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2022	\$ 50,242	(\$ 15,949)	\$ 34,293

Service cost			
Current service cos	58	-	58
Interest cost (income)	<u>251</u>	<u>(81)</u>	<u>170</u>
Recognized in income statement	<u>309</u>	<u>(81)</u>	<u>228</u>
Remeasurement amount			
Return on plan assets (excluding amounts included in net interest)	-	(1,666)	(1,666)
Actuarial gains/losses - financial assumption changes	(3,741)	-	(3,741)
Actuarial gains/losses - experience adjustments	<u>(2,877)</u>	<u>-</u>	<u>(2,877)</u>
Recognized in other comprehensive income	<u>(6,618)</u>	<u>(1,666)</u>	<u>(8,284)</u>
Employer contributions	-	(537)	(537)
Benefit payments	<u>(7,734)</u>	<u>6,717</u>	<u>(1,017)</u>
December 31, 2022	<u>\$ 36,199</u>	<u>(\$ 11,516)</u>	<u>\$ 24,683</u>
January 1, 2021	\$ 71,021	(\$ 24,231)	\$ 46,790
Service cost			
Current service cost	216	-	216
Interest cost (income)	<u>261</u>	<u>(92)</u>	<u>169</u>
Recognized in income statement	<u>477</u>	<u>(92)</u>	<u>385</u>
Remeasurement amount			
Return on plan assets (excluding amounts included in net interest)	-	(317)	(317)
Actuarial gains/losses - financial assumption changes	(258)	-	(258)
Actuarial losses - experience adjustments	<u>3,346</u>	<u>-</u>	<u>3,346</u>
Recognized in other comprehensive income	<u>3,088</u>	<u>(317)</u>	<u>2,771</u>
Employer contributions	-	(627)	(627)
Benefit payments	<u>(24,344)</u>	<u>9,318</u>	<u>(15,026)</u>
December 31, 2021	<u>\$ 50,242</u>	<u>(\$ 15,949)</u>	<u>\$ 34,293</u>

The amounts recognized in income statement for the defined benefit plan, aggregated by function, are as follows:

	<u>Year 2022</u>	<u>Year 2021</u>
Cost of goods sold	\$ 117	\$ 158
Selling expenses	16	15
Administrative expenses	85	200
Research and development expenses	<u>10</u>	<u>12</u>
	<u>\$ 228</u>	<u>\$ 385</u>

The company is exposed to the following risks related to the retirement pension system under the Labor Standards Act:

1. Investment risk: The Labor Retirement Fund Management Office of the Ministry of Labor invests the labor retirement fund in domestic and foreign equity securities, debt securities, and bank deposits through self-management and entrusted operations. However, the return on plan assets for the company is calculated based on the interest rate of a local bank's 2-year fixed deposit, ensuring a minimum return.
2. Interest rate risk: A decrease in government bond interest rates will increase the present value of the defined benefit obligation. However, it will also increase the investment return on plan assets, partially offsetting the impact on the net defined benefit liability.
3. Salary risk: The calculation of the present value of the defined benefit obligation considers the future salaries of plan members. Therefore, an increase in plan members' salaries will increase the present value of the defined benefit obligation.

The present value of the defined benefit obligation for the company is determined through actuarial valuation conducted by a qualified actuary. The significant assumptions used in the valuation are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.6940%	0.5010%
Salary growth rate	2.5000%	2.5000%

The mortality rate is based on the 2021 Taiwan life insurance industry experience mortality table.

The disability rate is based on 10% of the expected mortality rate.

The turnover rate is based on the data derived from the company's historical employee turnover rate and considering future trends, after being smoothed and adjusted.

If there are reasonable possible changes in the significant actuarial assumptions, while keeping all other assumptions unchanged,

the resulting increase (decrease) in the present value of the defined benefit obligation would be as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount Rate		
Increase by 0.5%	(\$ <u>1,444</u>)	(\$ <u>2,317</u>)
Decrease by 0.5%	<u>\$ 1,541</u>	<u>\$ 2,487</u>
Salary Expected Increase Rate		
Increase by 0.5%	<u>\$ 1,508</u>	<u>\$ 2,406</u>
Decrease by 0.5%	(\$ <u>1,428</u>)	(\$ <u>2,266</u>)

Since actuarial assumptions may be interrelated, it is unlikely that only a single assumption would change independently. Therefore, the sensitivity analysis mentioned above may not accurately reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contribution amount within 1 year	<u>\$ 551</u>	<u>\$ 643</u>
Average remaining service period of the defined benefit obligation	8.5 years	10 years

20. EQUITY

(1) Share capital

Ordinary shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares authorized (in thousands)	<u>150,000</u>	<u>150,000</u>
Shares authorized	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>113,761</u>	<u>118,193</u>
Shares issued	<u>\$ 1,137,605</u>	<u>\$ 1,181,925</u>

The issued common stock has a par value of 10 dollars per share, entitling each share to one voting right and the right to receive dividends.

On May 12, 2022, the Board of Directors of the company resolved to cancel 4,432 thousand shares of treasury stock. The reduction of capital became effective on May 27, 2022, and the registration of the canceled

shares was completed on June 20, 2022. As a result, the share capital was reduced by 44,320 thousand dollars, the capital surplus decreased by 110,919 thousand dollars, and the retained earnings decreased by 25,969 thousand dollars.

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Stock issuance premium	\$ 258,010	\$ 268,062
Convertible bond conversion premium	207,018	215,084
Treasury stock transactions	736	80,875
Difference between the actual value and book value of acquired or disposed subsidiary equity	521,174	573,199
Consolidation surplus	10,618	318,025
<u>Can only be used to offset losses</u>		
Recognition of changes in equity attributable to the subsidiary's shareholders.	211,006	36,270
	<u>\$ 1,208,562</u>	<u>\$ 1,491,515</u>

(3) Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors

and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 22-7.

The Company's Articles also stipulate a dividends policy whereby the issuance of stock dividends takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 10% of the total dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The company held shareholder meetings on May 27, 2022 and July 1, 2021, respectively, and approved the profit distribution proposals for 2021 and 2020 as follows:

	<u>Profit Distribution Proposal:</u>	
	<u>Year 2021</u>	<u>Year 2020</u>
Legal Reserve	\$ -	\$ 33,335
Special Reserve	\$ 409	(\$ 527)
Cash Dividends	\$ -	\$ 295,481
Cash Dividend per Share	\$ -	\$ 2.5

Furthermore, during the shareholders' meeting held on May 27, 2022, the company resolved to distribute cash from the capital surplus in the amount of 295,481 thousand dollars.

The proposed profit distribution plan for 2022 was presented by the board of directors on March 13, 2023, as follows: :

	<u>Profit Distribution Plan</u>
Legal Reserve	\$ 28,012
Special Reserve	(\$ 5,034)
Cash Dividends	\$ 282,726
Cash Dividend per Share	\$ 2.5

The proposed profit distribution plan for the 2022 is expected to be decided at the shareholders' meeting scheduled to be held on May 31, 2023.

(4) Other equity items

1. Exchange differences on translating the financial statements of foreign operations

	<u>Year 2022</u>	<u>Year 2021</u>
Beginning balance	(\$ 19,202)	(\$ 18,584)
Amount generated during the current year		
Exchange differences arising from the translation of net assets of foreign operations	<u>2,238</u>	(<u>618</u>)
Other comprehensive income for the current year	<u>2,238</u>	(<u>618</u>)
Ending balance	<u>(\$ 16,964)</u>	<u>(\$ 19,202)</u>

2. Unrealized gains or losses on financial assets measured at fair value through other comprehensive income.

	<u>Year 2022</u>	<u>Year 2021</u>
Beginning balance	\$ 1,063	\$ 854
Amount generated during the current year		
Unrealized gains or losses on equity instruments	951	209
Impact of equity method accounting for subsidiaries	<u>1,844</u>	<u>-</u>
Other comprehensive income for the current year	<u>2,795</u>	<u>209</u>
Ending balance	<u>\$ 3,858</u>	<u>\$ 1,063</u>

(5) Treasury shares

Purpose of Buy-Back	Number of shares of stock dividends distributed by the parent company (in thousands of shares)	Shares Transferred to Employees (In Thousands of Shares)	Number of shares repurchased for cancellation (in thousands of shares).	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2022	63	-	-	219	282
Increase in the current year	-	670	4,432	-	5,102
Decrease in the current year	<u>-</u>	<u>-</u>	(<u>4,432</u>)	<u>-</u>	(<u>4,432</u>)
Number of	<u><u>63</u></u>	<u><u>670</u></u>	<u><u>-</u></u>	<u><u>219</u></u>	<u><u>952</u></u>

shares at Dec 31, 2022	Number	of	shares at Jan 1, 2021	<u>63</u>	<u>-</u>	<u>-</u>	<u>219</u>	<u>282</u>
	Number	of	shares at Dec 31, 2021	<u>63</u>	<u>-</u>	<u>-</u>	<u>219</u>	<u>282</u>

In order to motivate employees, enhance employee morale, and protect the company's reputation and shareholder interests, our company, on March 9, 2022, decided to repurchase 10,000 thousand shares of stock through a board resolution. Out of these, 2,000 thousand shares were transferred to employees, while 8,000 thousand shares were repurchased to maintain the company's credit and shareholder equity. The repurchase period was from March 10, 2022, to March 18, 2022, and from March 21, 2022, to May 8, 2022. The repurchase price ranged from NTD 28.63 to NTD 48. Even when the stock price falls below the lower limit of the repurchase price range, the repurchase of company shares can still be executed. In year 2022, our company has repurchased 5,102 thousand shares, totaling 207,720 thousand dollars.

According to the Securities and Exchange Act, the shares repurchased this time should be transferred to employees within 5 years. Failure to transfer within the designated period will be treated as unissued shares by the company, requiring a change in registration.

The treasury shares held by our company are not eligible for pledging under the regulations of the Securities and Exchange Act. They also do not have the rights to receive dividends or voting rights.

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

<u>Name of Subsidiary</u>	<u>Number of Shares Held (In Thousands of Shares)</u>	<u>Carrying Amount</u>	<u>Market Price</u>
<u>December 31, 2022</u>			
Chenfeng Machinery & Enterprise Co., Ltd	282	<u>\$ 10,636</u>	<u>\$ 10,636</u>

<u>December 31, 2021</u>			
Chenfeng Machinery & Enterprise Co., Ltd	282	<u>\$ 11,608</u>	<u>\$ 11,608</u>

The subsidiary's holding of the company's stock is treated as treasury stock, which means it cannot participate in the company's cash capital increase and has no voting rights. However, it retains the same rights as other shareholders in all other aspects.

21. REVENUE

	<u>Year 2022</u>	<u>Year 2021</u>
Customer contract revenue		
Sale of goods revenue	\$ 615,744	\$ 421,954
Construction revenue	<u>1,355,697</u>	<u>1,137,464</u>
	<u>\$ 1,971,441</u>	<u>\$ 1,559,418</u>

(1) Description of the customer contract

a. Revenue from the sale of goods

As the goods are delivered to the customer's designated place, the customer has the right to set the price and use of the goods and has the primary responsibility for reselling, and bears the risk of obsolescence of the goods. The combined company recognizes the income and receivable at that time.

2. Construction revenue

During the construction process, real estate that is under customer control is recognized by the company as revenue gradually over time.

(2) Contract Balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Trade receivables	<u>\$ 240,301</u>	<u>\$ 159,377</u>	<u>\$ 131,420</u>
Contract assets-current			
Construction	<u>\$ 956,645</u>	<u>\$ 633,983</u>	<u>\$ 555,381</u>
Contract liabilities-current			
Sale of goods	\$ 8,542	\$ 8,520	\$ 33,855
Construction	<u>110,091</u>	<u>85,646</u>	<u>172,827</u>
	<u>\$ 118,633</u>	<u>\$ 94,166</u>	<u>\$ 206,682</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

(1) Interest Income

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 665	\$ 279
Repurchase agreements collateralized by bonds	5	529
Other	<u>78</u>	<u>22</u>
	<u>\$ 748</u>	<u>\$ 830</u>

(2) Other income

	<u>2022</u>	<u>2021</u>
Lease income		
Investment properties	\$ 6,109	\$ 5,642
Rental income from operating leases - other	351	360
Interest Income	6,174	3,610
Others	<u>19,657</u>	<u>20,796</u>
	<u>\$ 32,291</u>	<u>\$ 30,408</u>

(3) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gain/(loss) on disposal of property, plant and equipment	\$ 69	\$ 737
Gain/(loss) on disposal of financial assets		
Financial assets at FVTPL	(803)	4,663
Financial asset losses		
Gain/(loss) on disposal of financial assets		
Financial assets at FVTPL	(\$ 6,590)	(\$ 2,825)
Profit from disposal of subsidiary	66,092	-
Net foreign exchange gain (loss)	5,151	(3,608)
Other losses	<u>(365)</u>	<u>-</u>
	<u>\$ 63,554</u>	<u>(\$ 1,033)</u>

(4) Finance costs

	<u>2022</u>	<u>2021</u>
Interest on bank loans	\$ 254	\$ 176

(5) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant, and equipment	\$ 24,245	\$ 25,182
Investment properties	3,613	3,229
Intangible assets	<u>6,275</u>	<u>7,990</u>
	<u>\$ 34,133</u>	<u>\$ 36,401</u>
Depreciation Expenses by Functional Category		
Cost of Goods Sold	\$ 14,536	\$ 13,698
Operating Expenses	<u>13,322</u>	<u>14,713</u>
	<u>\$ 27,858</u>	<u>\$ 28,411</u>
Amortization Expenses by Functional Category:		
Cost of Goods Sold	\$ 970	\$ -
Operating Expenses	<u>5,305</u>	<u>7,990</u>
	<u>\$ 6,275</u>	<u>\$ 7,990</u>

(6) Employee benefits expense

	<u>2022</u>	<u>2021</u>
Post-employment benefits		
Defined contribution plans	\$ 12,292	\$ 11,108
Defined benefit plans	<u>228</u>	<u>385</u>
	<u>12,520</u>	<u>11,493</u>
Share-based payment		
Equity settlement	\$ 6,762	\$ 2,278
Other employee benefits	<u>336,730</u>	<u>284,003</u>
Total employee benefits expense	<u>\$ 356,012</u>	<u>\$ 297,774</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 203,391	\$ 152,796
Operating expenses	<u>152,621</u>	<u>144,978</u>
	<u>\$ 356,012</u>	<u>\$ 297,774</u>

(7) Employees' compensation and remuneration of directors and supervisors

The company sets aside employee compensation and director remuneration based on the pre-tax profit before deducting such payments, ranging from not less than 2% to not more than 2%. The allocations for employee compensation and director remuneration for the years 2022 and 2021 were determined by the board of directors on March 13, 2023, and March 9, 2022, respectively.

Provision Ratio

	<u>2022</u>	<u>2021</u>
Employees' compensation	4.30%	-%
Remuneration of directors and supervisors	1.09%	-%

Amount

	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 15,000	\$ -
Remuneration of directors and supervisors	3,810	-

If there are any changes in the amounts after the issuance date of the annual individual financial statements, they will be handled based on accounting estimates and adjusted in the following year's financial statements.

The actual amounts distributed for employee compensation and director and supervisor remuneration, as determined by the resolutions of the board of directors for the years 2021 and 2020, do not differ from the recognized amounts in the individual financial statements for the respective years.

For information regarding the board of directors' resolutions on employee compensation and director and supervisor remuneration, please refer to the "Public Information Observation System" of the Taiwan Stock Exchange.

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

(1) Income tax recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current period	\$ 3,741	\$ 10,080
Income tax on unappropriated earnings	<u>13,600</u>	<u>(1,681)</u>
	<u>17,341</u>	<u>8,399</u>
Deferred tax		
In respect of the current period	4,301	7,751
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>8,465</u>	<u>(16,062)</u>
	<u>12,766</u>	<u>(8,311)</u>
Income tax expense recognized in profit or loss	<u>\$ 30,107</u>	<u>\$ 88</u>

Adjustments to accounting income and income tax expense are as follows: :

	<u>111年度</u>	<u>110年度</u>
Net income before tax from continuing operations	<u>\$ 329,632</u>	<u>\$ 315,134</u>
Income tax expense calculated based on the statutory tax rate on taxable income	\$ 65,926	\$ 63,027
Non-deductible expenses	5,283	103,587
Tax-exempt income	(61,564)	(145,006)
Investment tax credits offset for the current period	(1,603)	(3,777)
Adjustment of deferred tax expense from prior years to the current year	8,465	(16,062)
Adjustment of current tax expense from prior years to the current year	<u>13,600</u>	<u>(1,681)</u>
Income tax expense recognized in the income statement	<u>\$ 30,107</u>	<u>\$ 88</u>

(2) Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
<u>Deferred tax</u>		
In respect of the current period		

– Translation exposure of foreign operations	(\$ 559)	\$ 155
– Remeasurement of defined benefit plans	(<u>1,657</u>)	<u>554</u>
Income tax recognized in other comprehensive income	(<u>\$ 2,216</u>)	<u>\$ 709</u>

(3) Current income tax liability

	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Current income tax liability		
Income tax payable	<u>\$ 3,688</u>	<u>\$ 10,005</u>

(4) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows :

Year 2022

	Beginning Balance	Recognized in Income	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized cost of sales	\$ 702	(\$ 160)	\$ -	\$ 542
Accrued vacation pay	1,095	9	-	1,104
Unrealized gross profit	915	(915)	-	-
Unrealized foreign exchange gains/losses	268	(262)	-	6
Unrealized inventory write-down and obsolete losses	20,068	(5,544)	-	14,524
Allowance for doubtful accounts exceeding limit	19,752	(2,736)	-	17,016
Defined benefit retirement plans	6,858	-	(1,657)	5,201
Foreign operations translation differences	3,135	-	(559)	2,576
Financial assets measured at fair value through profit or loss	<u>133</u>	<u>1,369</u>	<u>-</u>	<u>1,502</u>
	<u>\$ 52,926</u>	<u>(\$ 8,239)</u>	<u>(\$ 2,216)</u>	<u>\$ 42,471</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Overseas investments	(<u>\$ 9,024</u>)	(<u>\$ 4,527</u>)	<u>\$ -</u>	(<u>\$ 13,551</u>)

Year 2021

	Beginning Balance	Recognized in Income	Recognized in Other Comprehensive Income	Ending Balance

<u>Deferred income tax assets</u>				
<u>Temporary differences</u>				
Unrealized cost of sales	\$ 653	\$ 49	\$ -	\$ 702
Overseas investments	(7,727)	7,727	-	-
Accrued vacation pay	1,145	(50)	-	1,095
Unrealized gross profit	-	915	-	915
Unrealized foreign exchange gains/losses	144	124	-	268
Unrealized inventory write-down and obsolete losses	25,100	(5,032)	-	20,068
Provision for unrealized inventory obsolescence loss	3,936	(3,936)	-	-
Allowance for doubtful accounts exceeding limit	18,840	912	-	19,752
Defined benefit retirement plan	(9,757)	16,061	554	6,858
Foreign operation translation differences	2,980	-	155	3,135
Financial assets measured at fair value through profit or loss	(<u>432</u>)	<u>565</u>	<u>-</u>	<u>133</u>
	<u>\$ 34,882</u>	<u>\$ 17,335</u>	<u>\$ 709</u>	<u>\$ 52,926</u>
<u>Deferred income tax liabilities</u>				
<u>Temporary differences</u>				
Overseas investments	<u>\$ -</u>	<u>(\$ 9,024)</u>	<u>\$ -</u>	<u>(\$ 9,024)</u>

(5) Income Tax Assessment Status

The income tax returns of the company have been assessed by the tax authorities until the fiscal year 2020.

24. EPS

Earnings and weighted average number of ordinary shares used to calculate earnings per share are as follows:

Net profit for the year

	<u>2022</u>	<u>2021</u>
Net income used to calculate basic earnings per share	<u>\$ 299,525</u>	<u>\$ 315,046</u>
Net income used to calculate diluted earnings per share	<u>\$ 299,525</u>	<u>\$ 315,046</u>

Shares

Unit: thousand shares

	<u>2022</u>	<u>2021</u>
Weighted average number of common shares used to calculate basic earnings (loss) per share	114,179	117,911

Effect on dilutive potential ordinary shares:		
employee compensation	<u>397</u>	<u>124</u>
Weighted average number of common shares used to calculate diluted earnings per share (loss)	<u>114,576</u>	<u>118,035</u>

If the company can choose to issue employee remuneration in stock or cash, when calculating diluted earnings per share, it is assumed that the employee remuneration will be issued in the form of stock, and when the potential ordinary shares have a dilutive effect, it will be included in the weighted average number of outstanding shares to calculate Diluted earnings per share. When calculating the diluted earnings per share before deciding on the number of shares issued for employee compensation in the next year, the dilutive effect of these potential ordinary shares will also continue to be considered.

25. SHARE-BASED BENEFIT TRANSACTIONS

Cash capital increase retains employee stock options

On December 10, 2021, the board of directors of Chenfull Precision Co., Ltd., a subsidiary of the company, resolved to issue 5,379,000 new shares in cash before the initial OTC listing. This cash capital increase project was approved and declared by the Counter Buying Center on December 28, 2022, and was resolved by the board of directors, with March 9, 2022 as the capital increase base date.

The reserved part of the new shares issued by the above-mentioned cash capital increase is used as subscription by the employees of the controlling and subordinate companies, with January 21, 2022 as the grant date.

The relevant information of employee stock options is as follows:

	2022	
<u>employee stock options</u>	<u>Unit (thousand)</u>	<u>Weighted average Execution price</u>
Circulation at the beginning of the year	-	\$ -
Give this year	215	66
Exercising this year	(215)	66
Circulation at the end of the year	<u>-</u>	-

Executable at the end of the year	=====	-
Weighted employee stock options granted this year average fair value	<u>\$ 31.4515</u>	

The weighted average exercise price of the employee stock options executed in 2022 was 66 on the execution date.

The company uses the Black-Scholes evaluation model for employee stock options, and the input values used in the evaluation model are as follows:

	<u>March 2022</u>
Number of shares	215 thousand shares
Restricted transfer period	no limit
Fair value per share on vesting date	97.42
execution price	66
expected volatility	18.563%
Duration	0.1123 year
risk free rate	0.48755%

On November 3, 2020, the board of directors of Chenfull Precision Company, a subsidiary of the company, resolved to issue 4,890,000 new shares through cash capital increase. This cash capital increase project was approved and declared effective on March 5, 2021 by the TPEX, and was resolved by the board of directors, taking April 22, 2021 as the capital increase base date.

The reserved part of the new shares issued by the above-mentioned cash capital increase is used as subscription by employees of the controlling and subordinate companies, with March 2, 2021 as the grant date.

The relevant information of employee stock options is as follows:

	<u>2021</u>	
employee stock options	<u>Unit (thousand)</u>	<u>Weighted average Execution price</u>
Circulation at the beginning of the year	-	\$ -
Give this year	166	28
Exercising this year	(<u>166</u>)	28
Circulation at the end of the year	=====	-
Exercisable at the end of the year	=====	-
Weighted employee stock options granted this year average fair value	<u>\$ 13.7248</u>	

The weighted average execution price of the employee stock options executed in 2022 on the execution day was 28.

The employee stock options granted by the company's subsidiary Chenfull Precision Co., Ltd. use the Black-Scholes evaluation model. The input values used in the evaluation model are as follows:

	<u>March 2021</u>
Number of shares	166 thousand shares
Restricted transfer period	no limit
Fair value per share on vesting date	13.7248
execution price	28
expected volatility	24.432%
Duration	0.1205 years
risk free rate	0.4388%

Remuneration costs recognized in 2022 and 2021 were 6,762 thousand and 2,278 thousand, respectively.

26. DISPOSAL OF INVESTMENT SUBSIDIARIES - LOSS OF CONTROL

In May 2021, the company signed an equity transfer agreement with Yuanshan Enterprise Management Consulting Co., Ltd. to transfer all the shares of Chenfull Water Resources Company. The company completed the share transfer on May 30, 2021, and lost control of these subsidiaries. For the description of the disposal of Chenfull Water Resources Company, please refer to Note 28 of the Company's 2021 consolidated financial report.

27. PARTIAL ACQUISITION OR DISPOSAL OF INVESTMENT SUBSIDIARIES - DOES NOT AFFECT CONTROL

On April 22, 2021, the company gave up the subscription of Chenfull Precision Company's cash capital increase shares, resulting in a decrease in the comprehensive shareholding ratio from 100% to 90.93%. The company disposed of its 20.81% shareholding in Chenfull Precision Company in September 2021, resulting in a decrease in the shareholding ratio from 90.93% to 70.12%.

On March 9, 2022, the company gave up the subscription of Chenfull Precision Company's cash capital increase shares and disposed of its 0.74% shareholding, resulting in a decrease in the shareholding ratio from 70.12% to 63%.

Since the above transactions did not change the company's control over these subsidiaries, the company treated them as equity transactions. For related explanations, please refer to Note 29 of the Company's 2022 consolidated financial report.

28. CAPITAL RISK MANAGEMENT

The company conducts capital management to ensure that it can maximize shareholder returns by optimizing the balance of debt and equity before continuing to operate.

The company's capital structure is composed of net debt (that is, borrowings minus cash and cash equivalents) and equity (that is, share capital, capital reserves, retained earnings and other equity items).

The Company is not subject to other external capital requirements.

The main management of the company re-examines the capital structure of the company every year, and the content of the review includes considering the cost of various types of capital and related risks. Based on the recommendations of the main management, the company will balance its overall capital structure by paying dividends, issuing new shares, buying back shares, and issuing new debts or repaying old debts.

29. FINANCIAL INSTRUMENTS

- (1) Fair value information - financial instruments not measured at fair value

The management of the company believes that the carrying amounts of financial assets and financial liabilities that are not measured at fair value approach their fair values. (二) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair Value Hierarchy

December 31, 2022

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Domestic listed (counter) stocks	\$ 8,540	\$ -	\$ -	\$ 8,540
Fund beneficiary certificate	<u>57,104</u>	<u>-</u>	<u>-</u>	<u>57,104</u>
	<u>\$ 65,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,644</u>
Financial assets at fair value through other comprehensive income				
Equity instrument investment				
-Domestic unlisted (counter) stocks				
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,004</u>	<u>\$ 30,004</u>

December 31, 2021

	<u>T i e r 1</u>	<u>T i e r 2</u>	<u>T i e r 3</u>	<u>T o t a l</u>
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed (counter) stocks	\$ 9,315	\$ -	\$ -	\$ 9,315
Fund beneficiary certificate	<u>30,830</u>	<u>-</u>	<u>-</u>	<u>30,830</u>
	<u>\$ 40,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,145</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instrument investment				
-Domestic unlisted (counter) stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,053</u>	<u>\$ 29,053</u>

In 2022 and 2021, there was no transfer between 1 and tier 2 fair value measurement.

(2) Reconciliation of Financial Instruments Measured at Level 3 Fair Value

2022

	through other comprehensive Profit or loss on financial assets at <u>fair value</u> equity instrument
<u>F i n a n c i a l a s s e t s</u>	
initial balance	\$ 29,053
Recognized in other comprehensive profit or loss (unrealized valuation gains and losses of financial assets measured at fair value through other comprehensive profit or loss)	<u>951</u>
Year-end balance	<u>\$ 30,004</u>

2021

	through other comprehensive Profit or loss on financial assets at <u>fair value</u> equity instrument
<u>F i n a n c i a l a s s e t s</u>	
initial balance	\$ 28,844
Recognized in other comprehensive profit or loss (unrealized valuation gains and losses of financial assets measured at fair value through other comprehensive profit or loss)	<u>209</u>
Year-end balance	<u>\$ 29,053</u>

3. Appraisal techniques and assumptions used to measure fair value

The fair value of financial assets and financial liabilities is determined as follows:

The fair values of financial assets and financial liabilities that have standard terms and conditions and are traded in active markets are determined with reference to market quotations. If there is no market price for reference, it shall be estimated by evaluation method. The estimates and assumptions used by the company in the evaluation methods are consistent with the information used by market participants as estimates and assumptions when pricing financial products.

Stocks without public quotes

The company's financial statements include unquoted stocks measured at fair value. The fair value is based on the market-based

valuation method - the price-to-earnings ratio method and the stock price-to-book value ratio method, to evaluate a reasonable fair value.

(3) Types of Financial Instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets		
Fair value through profit or loss		
Mandatory through profit and loss at arm's length value measure	\$ 65,644	\$ 40,145
Financial at amortized cost	371,024	1,027,493
Assets (Note 1)	4,534	4,488
Refundable deposits	30,004	29,053
At fair value through other comprehensive income		
Financial Assets Measured by Value		
Equity instrument investment	537,710	401,235

Note 1: The balance includes cash and cash equivalents, other financial assets, notes receivable, accounts receivable (including related parties) and other receivables (including related parties) and other financial assets measured at amortized cost.

Note 2: The balance includes accounts payable (including related parties) and other payables (excluding employee benefits payable, including related parties) and other financial liabilities measured at amortized cost.

(4) Financial Risk Management Objectives and Policies

The company's risk management objectives are mainly to manage market risks, credit risks and liquidity risks related to operating activities. The company conducts the identification, measurement and management of the aforementioned risks in accordance with the group's policies and risk preferences.

The company has established appropriate policies, procedures and internal controls for the aforementioned financial risk management in accordance with relevant regulations, and important financial activities must be reviewed by the board of directors in accordance with relevant regulations and internal control systems. During the period of financial management activities, the company must strictly abide by the relevant provisions of financial risk management.

1. Market risk

The main financial risks borne by the company's operating activities are the risk of foreign currency exchange rate changes (see (1) below) and the risk of interest rate changes (see (2) below).

(1) Exchange rate risk

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currency on the balance sheet date, please refer to Note 33.

Sensitivity Analysis

The company is mainly affected by fluctuations in the US dollar exchange rate.

The following table details the sensitivity analysis of the company when the exchange rate of the New Taiwan dollar (functional currency) to each relevant foreign currency increases and decreases by 1%. 1% is the sensitivity rate used by the company when reporting exchange rate risk to the main management, and it also represents the management's assessment of the reasonably possible range of changes in foreign currency exchange rates. The positive numbers in the table below represent

the amount that will increase the pre-tax net profit or equity when the NT dollar depreciates by 1% relative to the relevant currencies; The effect will be the negative of the same amount.

	<u>The impact of the US dollar</u>	
	<u>2022</u>	<u>2021</u>
Profit and loss	\$ 420	\$ 303

(2) Interest Rate Risk

Interest rate risk is the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates.

The carrying amount of the financial assets and financial liabilities of the Company subject to interest rate exposure on the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
-monetary assets	\$ 101	\$ 119,634
- Financial liabilities	-	-
Cash flow interest rate risk		
-monetary assets	118,162	719,711
- Financial liabilities	-	-

The company has exposure to fair value interest rate risk due to holding fixed-rate time deposits, but the time deposits are fixed-rate and have not engaged in the operation of various derivative financial instruments, so the company's risks arising from interest rate changes in 2022 and 2021 Not big.

2. credit risk

Credit risk refers to the risk that the counterparty defaults in contractual obligations and causes financial losses to the Group. As of the balance sheet date, the company's maximum credit risk exposure that may cause financial losses due to the counterparty's failure to perform its obligations mainly comes from the book value of financial assets recognized in the individual balance sheet.

The policy adopted by the company is to only conduct transactions with reputable objects, and to obtain sufficient guarantees under necessary circumstances to reduce the risk of financial losses due to default. In order to reduce credit risk, the company's management has established management control procedures for the determination of credit line and credit approval to ensure the recovery of overdue receivables. In addition, the company will review the recovery amount of receivables one by one on the balance sheet date to ensure that unrecoverable receivables have been appropriately derogated. Accordingly, the company's management believes that the company's credit risk has been significantly reduced, so the credit risk is limited. The company's credit risk is mainly concentrated in the company's top five customers. As of December 31, 2022 and 2021, the percentages of receivables from the top five customers to the company's total receivables were 87% and 69%. , the credit concentration risk of the remaining receivables is relatively insignificant.

3. liquidity risk

The company manages and maintains sufficient cash and equivalent cash to support operations and mitigate the impact of cash flow fluctuations. The management of the company supervises the use of bank financing lines and ensures compliance with the terms of the loan contract.

Bank borrowings are an important source of liquidity for the Company. As of December 31, 2022 and 2021, the company's unused financing line, please refer to the description of the following (2) financing line.

(1) Liquidity and interest rate risk table for non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities is prepared on the basis of the undiscounted cash flows (including principal and estimated interest) of financial liabilities based on the earliest date on which the Company may be required to repay. The maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

December 31, 2022

	<u>less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>over 3 years</u>	<u>t o t a l</u>
<u>Non-derivative</u> <u>financial</u> <u>liabilities</u>					
accounts payable	\$ 493,714	\$ -	\$ -	\$ -	\$ 493,714
Other payables	<u>43,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,997</u>
	<u>\$ 537,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 537,711</u>

December 31, 2021

	<u>less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>over 3 years</u>	<u>t o t a l</u>
<u>Non-derivative</u> <u>financial</u> <u>liabilities</u>					
accounts payable	\$ 373,642	\$ -	\$ -	\$ -	\$ 373,642
Other payables	<u>27,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,593</u>
	<u>\$ 401,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,235</u>

(2) financing amount

December 31, 2022 December 31, 2021

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured Bank Line of Credit and Commercial Paper Issue Facility (reviewed annually)		
- Amount used	\$ 2,000	\$ 5,003
- Unused amount	<u>1,198,000</u>	<u>844,997</u>
	<u>\$ 1,200,000</u>	<u>\$ 850,000</u>

30. RELATED PARTY TRANSACTION

Except as disclosed in other notes, the transactions between the company and related parties are as follows:

- (1) The name of the person involved and their relationship

<u>Name of related party</u>	<u>Relationship with the company</u>
CHEN FULL Water CO., LTD.	Subsidiary
Dongguan Quanfeng Machinery Co., Ltd.	Subsidiary
Quan Feng International Co., Ltd.	Subsidiary
CHEN FULL PRECISION CO., LTD.	Subsidiary

- (2) operating income

<u>Accounting item</u>	<u>Name of related party</u>	<u>2022</u>	<u>2021</u>
sales revenue	Dongguan Quanfeng Machinery Co., Ltd.	<u>\$ 2,768</u>	<u>\$ 22,914</u>
sales revenue	CHEN FULL PRECISION CO., LTD.	<u>\$ -</u>	<u>\$ 21</u>
Returned goods	Dongguan Quanfeng Machinery Co., Ltd.	<u>\$ 8,057</u>	<u>\$ -</u>

The transaction price and terms of receipt and payment of the company's sales to related parties are not significantly different from those of ordinary customers.

- (3) Purchase

<u>Name of related party</u>	<u>2022</u>	<u>2021</u>
Quan Feng International Co., Ltd.	<u>\$ 17,571</u>	<u>\$ 38,567</u>
Dongguan Quanfeng Machinery Co., Ltd.	<u>\$ 603</u>	<u>\$ 432</u>

The transaction price and terms of receipt and payment of the company's purchases from related parties are not significantly different from those of general manufacturers.

(4) Receivables from related parties

Accounting item	Name of related party	December 31, 2022	December 31, 2021
Accounts receivable	Dongguan Quanfeng Machinery Co., Ltd.	\$ -	\$ 9,721
other receivables	Quan Feng International Co., Ltd.	\$ 480	\$ 88

There is no guarantee for the outstanding receivables from related parties. The amount receivable from related parties in 2022 and 2021 has not been provisioned for loss.

(5) Amount payable to related parties

Accounting item	Name of related party	December 31, 2022	December 31, 2021
accounts payable	Dongguan Quanfeng Machinery Co., Ltd.	\$ 345	\$ -
Other payables	CHEN FULL PRECISION CO., LTD.	\$ -	\$ 327

The outstanding balance of payables to related parties has not been guaranteed.

(6) Disposal of other assets

Accounting item	Name of related party	2022	
		Disposal price	Disposal benefit
Intangible assets	CHEN FULL PRECISION CO., LTD.	\$ 6,041	\$ -

(7) Other

Accounting item	Name of related party	December 31, 2022	December 31, 2021
Payment in advance (account line contract liabilities)	Dongguan Quanfeng Machinery Co., Ltd.	\$ 7,326	\$ 5,549
	Quan Feng International Co., Ltd.	\$ -	\$ 1,005
Prepayments	Quan Feng International Co., Ltd.	\$ 1,189	\$ 672
rental income (account)	CHEN FULL PRECISION CO., LTD.	\$ 4,920	\$ 4,970

Other income)	Quan Feng International Co., Ltd.	<u>\$ 3,715</u>	<u>\$ 1,079</u>
rental income (account	CHEN FULL PRECISION CO., LTD.	<u>\$ 14,058</u>	<u>\$ 14,089</u>
Other income)	CHEN FULL PRECISION CO., LTD.	<u>\$ 96</u>	<u>\$ 120</u>
Service income (account	CHEN FULL PRECISION CO., LTD.	<u>\$ 25</u>	<u>\$ -</u>

(8) Salary of main management

	<u>2022</u>	<u>2021</u>
short-term employee benefits	\$ 17,628	\$ 15,489
Post-employment benefits	494	6,197
share based payment	-	274
	<u>\$ 18,122</u>	<u>\$ 21,960</u>

The remuneration of directors and other key management personnel is determined by the remuneration committee in accordance with individual performance and market trends.

31 、 PLEDGED ASSETS

The following assets of the company are performance guarantees for business needs:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other financial assets - current		
Pledge Certificate of Deposit	<u>\$ 101</u>	<u>\$ 9,634</u>

32 、 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Except as stated in other notes, the company still has the following major commitments and contingencies:

- (1) On December 31, 2022, the company issued a deposit guarantee note amounting to 1,257,470,000 yuan for credit line, business performance, and project warranty.
- (2) On December 31, 2022, due to contract performance or warranty guarantee, the company issued and deposited guarantee notes totaling 101,702 thousand yuan.
- (3) The company contracts with various manufacturers to purchase land, equipment and factory decoration, etc. The total contract price is

NT\$174,164,000. As of December 31, 2011, NT\$71,333,000 has been paid (account prepaid equipment and Real estate under construction), NT\$102,831,000 has not yet been paid.

33、 MATERIAL FOREIGN CURRENCY ASSET AND LIABILITY INFORMATION

The following information is summarized and expressed in terms of foreign currencies other than the functional currency of the company, and the exchange rate disclosed refers to the exchange rate converted from these foreign currencies to the functional currency. Assets and liabilities denominated in foreign currencies with significant impact are as follows:

December 31, 2022

	<u>Currency</u>	<u>Rate</u>	<u>Amount</u>
<u>Financial assets</u>			
monetary item			
Dollar	\$ 1,392	30.71 (USD : TWD)	\$ 42,747
RMB	447	4.408 (CNY : TWD)	1,971
EUR	62	32.72 (EUR : TWD)	2,028
Japanese yen	2,508	0.232 (JPY : TWD)	<u>582</u>
			<u>\$ 47,328</u>
non-monetary items			
equity method			
subsidiary			
US dollar	4,069	30.71 (USD : TWD)	<u>\$ 124,960</u>
<u>financial liabilities</u>			
monetary item			
US dollar	25	30.71 (USD : TWD)	<u>\$ 776</u>

December 31, 2021

	<u>C u r r e n c y</u>	<u>R a t e</u>	<u>A m o u n t</u>
<u>Financial assets</u>			
monetary item			
Dollar	\$ 2,342	27.68 (USD : TWD)	\$ 64,819
RMB	446	4.344 (CNY : TWD)	1,938
EUR	149	31.32 (EUR : TWD)	4,651
Japanese yen	29,991	0.2405 (JPY : TWD)	<u>7,213</u>
			<u>\$ 78,621</u>
non-monetary items			
equity method			
subsidiary			
US dollar	3,596	27.68 (USD : TWD)	<u>\$ 99,527</u>
<u>financial liabilities</u>			
monetary item			
US dollar	1,246	27.68 (USD : TWD)	<u>\$ 34,490</u>

The company's foreign currency exchange gains and losses (including realized and unrealized) in 2022 and 2021 were profits of 5,151,000 and losses of 3,608,000, respectively. Due to the variety of foreign currency transactions, it is impossible to disclose the exchange gains and losses according to the major foreign currencies.

34. NOTES DISCLOSURES

(1) Major transactions and (2) Reinvestment related information

No.	Item	Description
1	Funds are loaned to others.	none
2	Endorsement for others.	Schedule 1
3	The situation of securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture control parts).	Schedule 2
4	Accumulated buying or selling of the same securities amounted to NT\$300 million or more than 20% of the paid-in capital.	none
5	The amount of real estate acquired is NT\$300 million or more than 20% of the paid-in capital.	none
6	The amount of disposing of real estate is NT\$300 million or more than 20% of the paid-in capital.	none
7	The amount of goods purchased and sold with related parties reaches NT\$100 million or more than 20% of the paid-in capital.	none
8	Receivables from related parties amount to NT\$100 million or more than 20% of the paid-in capital.	none
9	engage in derivative transactions.	none
10	Invested company information.	Schedule 3

(3) China Investment Information

No.	Item	Description
1	The name of the mainland invested company, main business items, paid-in capital, investment method, capital remittance, shareholding ratio, investment profit and loss, investment book amount at the end of the period, repatriated investment profit and loss, and investment quota in China.	Schedule 4
2	The following major transactions, prices, payment terms, and unrealized gains and losses with mainland investee companies directly or indirectly via third regions:	
	(1) The purchase amount and percentage and the ending balance and percentage of related payables.	Schedule 5
	(2) The amount and percentage of sales and the closing balance and percentage of related receivables.	Schedule 5
	(3) The amount of the property transaction and the resulting profit or loss.	none
	(4) Ending balance of bill endorsement guarantee or provision of collateral and its purpose.	none
	(5) The maximum balance of financing, the balance at the end of the period, the interest rate range and the total amount of interest for the current period.	none
(6) Other transactions that have a significant impact on the current profit or loss or financial status, such as the provision or receipt of labor services, etc.	none	

(4) Major shareholder information: Please refer to Attachment 6 for the name, shareholding amount and proportion of shareholders with a shareholding ratio of 5% or more.

CHEN FULL INTERNATIONAL CO., LTD.

endorsement for others

From January 1 to December 31, 2022

Schedule I

Unit: unless otherwise specified, is
Thousands of New Taiwan dollars and foreign currencies

serial number (Note 1)	endorser Company Name	Guaranteed by the endorsement		Guarantee limit for endorsement of a single enterprise (Note 3: —、 (2))	The highest endorsement in this period guaranteed balance	End of term endorsement guaranteed balance	Actual spending amount	secured by property Guarantee Amount	The ratio of the cumulative endorsement amount to the net value of the latest financial statement%	endorsement guarantee maximum limit (註 3)	It is the parent company's endorsement guarantee to the subsidiary company	Subsidiar y company's endorsem ent guarantee to the parent company	It is an endorsem ent guarantee for the mainland
		Company Name	relation (Note 2)										
0	CHEN FULL INTERNATIO NAL CO., LTD.	千附精密股份有限 公司	(2)	\$ 702,091	\$ 38,487	\$ 38,487	\$ 38,487	\$ -	1.10	\$ 702,091	Y	N	N

Note 1: The description of the number column is as follows:

- (1) Fill in 0 for the issuer.
- (2) Invested companies are numbered sequentially starting from the Arabic numeral 1 by company.

Note 2: The relationship between the endorser and the endorsed guarantor is as follows:

- (1) Companies with business contacts.
- (2) A company in which the company directly and indirectly holds more than 50% of the voting shares.
- (3) Companies that directly and indirectly hold more than 50% of the company's voting shares.
- (4) Between companies in which the company directly and indirectly holds more than 90% of the voting shares.
- (5) Based on the needs of contracting projects, companies in the same industry or co-builders are mutually insured in accordance with the contract.
- (6) A company that is endorsed by all shareholders in accordance with their shareholding ratio due to a joint investment relationship.
- (7) Joint and several guarantees for performance guarantees of pre-sale housing sales contracts among peers in accordance with the Consumer Protection Law.

Note 3: The calculation method and amount of the endorsement guarantee limit.

1. Guarantee limit for endorsement of a single enterprise:

- (1) The company's endorsement guarantee limit for a single enterprise shall not exceed 10% of the company's current net value (111.12.31) in accordance with the company's endorsement guarantee operating procedures.
- (2) The company's endorsement guarantee limit for a single affiliated company shall not exceed 20% of the company's current net value (111.12.31) in accordance with the company's endorsement guarantee operating procedures.

2. The maximum limit of endorsement guarantee:

(1) The company's cumulative external endorsement guarantee limit shall not exceed 20% of the company's current net value (111.12.31) in accordance with the company's endorsement guarantee operating procedures.

CHEN FULL INTERNATIONAL CO., LTD.

Securities held at the end of the period

December 31,2022

Schedule I

Unit: unless otherwise specified, is
Thousands of New Taiwan dollars and foreign currencies

C o m p a n y h e l d	Type and name of securities (Note 1)	Issuer of securities r e l a t i o n s h i p	a c c o u n t s u b j e c t	e n d o f p e r i o d				R e m a r k
				Number of Shares / Number of Units	carrying amount	Shareholding %	F a i r v a l u e	
CHEN FULL INTERNATIONAL CO., LTD.	Stocks - Unlisted OTC							
	Ming Chao Enterprise Co., Ltd.	none	Financial assets at fair value through other comprehensive income - non-current	2,703,905	\$ 22,056	9.45	\$ 22,056	
	Stocks - Private							
	Taiwan Yucheng Small and Medium Enterprise Development Co., Ltd.	none	Financial assets at fair value through other comprehensive income - non-current	854,360	\$ 7,948	1.21	\$ 7,948	
	Fund Beneficiary Certificate - Domestic Yuanta Taiwan Excellence 50 Securities Investment Trust Fund	none	Financial assets at fair value through profit or loss - current	160,000	\$ 17,632	0.01	\$ 17,632	
	Cathay FTSE China A50 Fund	"	"	462,000	9,878	0.33	9,878	
	Yuanta 2-10 Years Investment Grade Corporate Bond Fund	"	"	3,000,000	29,594	3.11	29,594	
				\$ 57,104		\$ 57,104		
	Stocks - Listed OTC							
	Fubon Special Shares	none	Financial assets at fair value through profit or loss - current	155,000	\$ 8,540	0.05	\$ 8,540	
Quan Feng INTERNATIONAL CO., LTD	Stocks - Listed OTC							
	CHEN FULL INTERNATIONAL CO., LTD.	parent company	Financial assets at fair value through other comprehensive	281,759	\$ 10,636	0.25	\$ 10,636	

	Stocks - Emerging Cabinets meiqiang optical co., ltd.	none	income - non-current Financial assets at fair value through other comprehensive income - non-current	66,000	<u>\$ 1,844</u>	0.2	<u>\$ 1,844</u>
	Stocks - Private Meikai Technology Co., Ltd.	none	Financial assets at fair value through other comprehensive income - non-current	46,750	\$ -	0.19	\$ -
	Huanmeng International Enterprise Co., Ltd.	"	"	35,000	<u>-</u>	0.25	<u>-</u>
	Fund Beneficiary Certificate - Domestic Cathay FTSE China A50 Fund	none	Financial assets at fair value through profit or loss - current	490,000	\$ 10,476	0.35	\$ 10,476
	Yuanta Taiwan Excellence 50 Securities Investment Trust Fund	"	"	100,000	<u>11,020</u>	-	<u>11,020</u>
	Stocks - Listed OTC Fubon Gold Bite	none	Financial assets at fair value through profit or loss - current	155,000	\$ 8,540	0.05	\$ 8,540
	feng tai enterprise co., ltd. Discretionary Investment Account (Note 2)	"	"	22,000	4,543	-	4,543
	Jianzhun Electric Industrial Co., Ltd.	"	"	40,000	1,708	0.02	1,708
	Wacheng Taitong Co., Ltd.	"	"	7,945	1,629	0.03	1,629
	IGS Electronics Co., Ltd.	"	"	4,000	1,734	-	1,734
	Jinan Nature New Materials Co., Ltd.	"	"	12,000	2,136	0.02	2,136
	Fanquan Technology Co., Ltd.	"	"	14,000	<u>1,359</u>	0.03	<u>1,359</u>
	Stocks - Emerging Cabinets Litong Biomedical Technology Co., Ltd.	none	Financial assets at fair value through profit or loss - current	66,459	<u>\$ 3,643</u>	0.11	<u>\$ 3,643</u>

Note 1: Securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of International Accounting Standard No. 9 "Financial Instruments".

Note 2: It is a method of signing a discretionary asset management contract with an investment consulting company, and the trustee will buy and sell in the centralized trading market by himself.

Note 3: For information about the equity of investment subsidiaries, please refer to Schedule 3 and Schedule 4.

CHEN FULL INTERNATIONAL CO., LTD.

The name of the invested company, its location... and other relevant information

From January 1st to December 31st in the 2022 and 2021

Schedule 3

Unit: unless otherwise specified
, in thousands of NT dollars

Investment Company	Name Investee Company	Location	Main Business Items	Original investment amount		Held at the end of the period			Invested company Current period (profit) loss	recognized in this period Investment (loss) loss	Remark
				The end of the current period	The end of the previous period	Number of Shares	Ratio %	Book Amount			
CHEN FULL INTERNATIONAL CO., LTD.	Quan Feng INTERNATIONAL CO., LTD	12th Floor, No. 107, Section 4, Zhongxiao East Road, Daan District, Taipei City	Business center operation and shoe-making equipment sales	\$ 132,800	\$ 132,800	15,280,000	100	\$ 128,389	\$ 7,487	\$ 6,751	Subsidiary
	CHEN FULL HOLDING CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	conduct holding business	60,448 (USD 2,000)	60,448 (USD 2,000)	-	100	124,960	22,636	22,636	Subsidiary
	CHEN FULL Water Resources Co., Ltd.	2nd Floor, 9th Floor, No. 99, Section 1, Nankan Road, Luzhu District, Taoyuan City	Other chemical manufacturing, water supply business, piping engineering	-	418,000	-	-	-	(25,385)	(25,385)	Note 2
	CHEN FULL PRECISION CO., LTD.	No. 28, Houke South Road, Houli District, Taichung City	Processing and manufacturing of precision components and aviation equipment	372,780	377,170	37,278,000	63	1,233,001	355,409	227,463	Subsidiary
Quan Feng INTERNATIONAL CO., LTD	CHEN FULL PRECISION CO., LTD.	No. 28, Houke South Road, Houli District, Taichung City	Processing and manufacturing of precision components and aviation equipment	23,516	23,516	242,909	0.41	8,034	355,409	1,479	Subsidiary
CHEN FULL HOLDING CO., LTD.	NEW OPPORTUNITY LIMITED	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	conduct holding business	60,448 (USD 2,000)	60,448 (USD 2,000)	-	100	107,024 (USD 3,485)	23,831 (USD 776)	23,831 (USD 776)	Subsidiary
NEW OPPORTUNITY LIMITED	Dongguan Quanfeng Machinery Co., Ltd. (Note 1)	No. 23, Yanhe Road, Houjie, Houjie Town, Dongguan City, Guangdong Province	Sales and contracting of precision mechanical equipment, shoemaking equipment, ventilation equipment and their spare parts	60,448 (USD 2,000)	60,448 (USD 2,000)	-	100	107,024 (USD 3,485)	23,831 (USD 776)	23,831 (USD 776)	Subsidiary

Note 1: Please refer to Attachment 4 for relevant information on investee companies in mainland China.

Note 2: The merged company disposed of Qianfu Water Resources Co., Ltd. on May 30, 2011, and lost control over these subsidiaries.

CHEN FULL INTERNATIONAL CO., LTD.

China Investment Information

From January 1st to December 31st in the 2022 and 2021

Schedule 4

Unit: unless otherwise specified, is

Thousands of New Taiwan dollars and foreign currencies

China investee company	Main business items	Paid-in capital	investment method (Note 1)	Since the beginning of the period Taiwan remittance accumulation investment amount	Remittance or withdrawal of investment amount in the current period		From the end of the current period Accumulated investment amount remitted from Taiwan	Invested company Profit and loss for the period	The company invests directly or indirectly Shareholding %	Recognized in this period Investment (loss) loss (Note 2)	Book value of investment at the end of the period	As of this period repatriated to Taiwan investment income
					Remittance	withdrawal						
Dongguan Quanfeng Machinery Co., Ltd.	Sales and contracting of precision mechanical equipment, shoemaking equipment, ventilation equipment and their spare parts	\$ 60,488 (USD 2,000)	(2)	\$ 60,448 (USD 2,000)	\$ -	\$ -	\$ 60,448 (USD 2,000)	\$ 23,831 (USD 776)	100	\$ 23,831 (USD 776) (2)-2	\$ 107,024 (USD 3,485)	\$ -

At the end of the current period, the accumulative amount of investment remitted from Taiwan to China	The investment amount approved by the Investment Review Committee of the Ministry of Economic Affairs	According to the regulations of the Ministry of Economic Affairs Investment Review Committee, the investment limit for China
NTD 60,448 (USD 2,000)	NTD 60,448 (USD 2,000)	NTD 2,106,273 (USD 68,586)

Note 1: The investment methods are divided into the following three types, and the type of type can be marked:

(1) Directly go to the mainland to engage in investment.

(2) Reinvest in mainland China through an investment company in a third area (please specify the investment company in the third area).

A. NEW OPPORTUNITY LIMITED

(3) Other methods.

Note 2: In the current period recognized investment profit and loss column:

(1) If it is under preparation and there is no investment profit or loss, it should be indicated.

(2) The recognition basis for investment gains and losses is divided into the following three types, which shall be specified.

1. Financial statements audited and certified by an international accounting firm that has a cooperative relationship with an accounting firm in the Republic of China.

2. Financial statements audited and certified by certified accountants of the parent company in Taiwan.

3. Others.

Note 3: The relevant amounts in this table are listed in New Taiwan Dollars, and those involving foreign currencies are converted into New Taiwan Dollars at the spot exchange rate on the financial reporting date. (The US dollar spot exchange rate on 2022.12.31 is 30.71)

CHEN FULL INTERNATIONAL CO., LTD.

The following major transactions and their prices, payment terms, unrealized gains and losses, and other relevant information that occurred directly or indirectly with the China investee company through the third region

From January 1st to December 31st in the 2022 and 2021

Schedule 5

Unit: unless otherwise specified
, in thousands of NT dollars

China investee company	Transaction Type	Buy and sell		Price	transaction terms		Notes receivable (payment), accounts		Unrealized gains and losses	Remark
		Amounts	share		payment terms	with general transactions comparison	Amounts	share		
Dongguan Quanfeng Machinery Co., Ltd. company	Sales	\$ 2,768	0.07	Same as regular customers	Same as regular customers	Same as regular customers	\$ -	-	\$ -	
	Returned goods	(8,057)	(0.20)	Same as regular customers	Same as regular customers	Same as regular customers	-	-	-	
	Purchase	603	0.02	Same as regular customers	Same as regular customers	Same as regular customers	345	0.01	-	

CHEN FULL INTERNATIONAL CO., LTD.

Major shareholder information

December 31 2022

Schedule 6

M a j o r s h a r e h o l d e r n a m e	S h a r e	
	H o l d	%
Rich Sky Investment Co., Ltd.	9,004,180	7.91%
Kule Cultural Creation Co., Ltd.	5,738,000	5.04%

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Cash and cash equivalents

December 31 2022

Schedule 1

Unit: Thousands of NT dollars and
foreign currencies

<u>client's name</u>	<u>Summary</u>	<u>Amount</u>
cash		
cash in stock		\$ 260
petty gold		<u>375</u>
		<u>635</u>
Bank savings		
Check and demand deposit		108,219
Foreign Currency Demand Deposit	Including USD245,000@30.71, EUR14,000@32.72, RMB446,000@4.408	<u>9,943</u>
		<u>118,162</u>
		<u>\$ 118,797</u>

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Notes receivable

December 31 2022

Schedule 2

Unit: Thousands of NT dollars and
foreign currencies

<u>client's name</u>	<u>Summary</u>	<u>Amount</u>
non-related person		
feng tai enterprise co., ltd.	operating income	\$ 8,913
Yongxin Enterprise Co., Ltd.	"	490
Other (Note)	"	<u>260</u>
		9,663
Less: Allowance for doubtful debts		(<u>271</u>)
		<u>\$ 9,392</u>

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of receivable

December 31 2022

Schedule 3

Unit: Thousands of NT dollars and
foreign currencies

<u>c l i e n t ' s n a m e</u>	<u>Summary</u>	<u>Amount</u>
Accounts of unrelated persons		
Han Tang Integration Co., Ltd.	operating income	\$ 109,452
taiwan semiconductor manufacturing co., ltd.	"	90,727
Other (Note)	"	<u>43,558</u>
		243,737
Less: Allowance for doubtful debts		(<u>3,436</u>)
		<u>\$ 240,301</u>

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Inventory

December 31 2022

Schedule 4

Unit: Thousands of NT dollars and
foreign currencies

Item	Summary	A C	m o s t	u n t market price
raw material		\$ 186,306		\$ 155,461
WIP		187,547		265,368
finished product		99,642		133,764
commodity inventory		501		399
		473,996		\$ 554,992
Less: Provision for inventory decline and sluggish loss		(72,620)	
				\$ 401,376

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of prepayments

December 31 2022

Schedule 5

Unit: Thousands of NT dollars and
foreign currencies

<u>I</u> <u>t</u> <u>e</u> <u>m</u>	<u>S</u> <u>u</u> <u>m</u> <u>m</u> <u>a</u> <u>r</u> <u>y</u>	<u>A</u> <u>m</u> <u>o</u> <u>u</u> <u>n</u> <u>t</u>
Advance payment		\$ 10,313
Residual tax credit		943
Other prepaid expenses (Note)		<u>1,362</u>
		<u>\$ 12,618</u>

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Financial assets at fair value through other comprehensive income - breakdown of non-current movements

From January 1st to December 31st in the 2022 and 2021

Schedule 6

Unit: unless otherwise specified
, in thousands of NT dollars

I M	T S H A R E S	E A M O U N T S	O p e n i n g B a l a n c e		O p e n i n g B a l a n c e		D e c r e a s e i n t h i s p e r i o d		E n d i n g b a l a n c e			p r o v i d e a g u a r a n t e e o r P l e d g e s i t u a t i o n
			S H A R E S	A M O U N T S	S H A R E S	A M O U N T S	S H A R E S	A M O U N T S	S H A R E S	S h a r e %	A M O U N T S	
Ming Chao Enterprise Co., Ltd.	2,703,905	\$ 21,303	-	\$ 753	-	\$ -	-	\$ -	2,703,905	9.45	\$ 22,056	N/A
Taiwan Small and Medium Enterprise Development Corporation	854,360	<u>7,750</u>	-	<u>198</u>	-	<u>-</u>	<u>-</u>	<u>-</u>	854,360	1.21	<u>7,948</u>	"
		<u>\$ 29,053</u>		<u>\$ 951</u>		<u>\$ -</u>		<u>\$ -</u>			<u>\$ 30,004</u>	

CHEN FULL INTERNATIONAL CO., LTD.
Schedule of investment changes using the equity method
From January 1st to December 31st in the 2022 and 2021

Schedule 7

Unit: unless otherwise specified
, in thousands of NT dollars

	Opening Balance		Opening Balance		Decrease in this period		Investment (profit) loss	Defined benefits Actuarial profit and loss	S u r p l u s distribution	c u m u l a t i v e conversion adjustment	equity method net worth adjustment	A c h i e v e d Gross profit on s a l e s	Ending balance			market price or net equity value		Evaluation basis	p r o v i d e a guarantee or Pledge situation	
	SHARES	AMOUNTS	SHARES	AMOUNTS	SHARES	AMOUNTS							S h a r e s	S h a r e %	AMOUNTS	P r i c e	T o t a l			
Unlisted company																				
Quan Feng Industrial Co., Ltd.	15,280,000	\$ 117,971	-	\$ 1,823	-	\$ -	\$ 6,751	\$ -	\$ -	\$ -	\$ 1,844	\$ -	15,280,000	100	\$ 128,389	8.40	\$ 128,389	Equity method	無	
Qianfu Water Resources Co., Ltd.	41,800,000	(40,665)	-	-	41,800,000	(66,050)	(25,385)	-	-	-	-	-	-	-	-	-	-	-	-	-
CHEN FULL HOLDING CO., LTD.	-	94,951	-	-	-	-	22,636	-	-	2,797	-	4,576	-	100	124,960	-	124,960	Equity method	無	
CHENFU PRECISION CO., LTD.	37,717,000	<u>986,306</u>	-	<u>114,862</u>	439,000	<u>(39,987)</u>	<u>227,463</u>	<u>(61)</u>	<u>(135,556)</u>	<u>-</u>	<u>-</u>	<u>-</u>	37,278,000	63	<u>1,233,001</u>	33.08	<u>1,233,001</u>	"	"	
		<u>\$ 1,158,563</u>		<u>\$ 116,685</u>		<u>(\$ 106,037)</u>	<u>\$ 231,465</u>	<u>(\$ 61)</u>	<u>(\$ 135,556)</u>	<u>\$ 2,797</u>	<u>\$ 1,844</u>	<u>\$ 4,576</u>			<u>\$ 1,486,350</u>		<u>\$ 1,486,350</u>			

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Accounts Payable

From January 1st to December 31st in the 2022 and 2021

Schedule 8

Unit: in thousands of NT dollars

<u>C u s t o m e r N a m e</u>	<u>S u m m a r y</u>	<u>A m o u n t</u>
Accounts of unrelated persons		
qianheng stainless steel co., ltd.	payment	\$ 57,305
Huang Yi Technology Co., Ltd.	"	37,486
Qichang Machinery Industry Co., Ltd.	"	27,532
Zhao Guang International Co., Ltd.	"	27,415
other	"	<u>343,631</u>
		<u>493,369</u>
Related person		
Dongguan Quanfeng Machinery Co., Ltd.	payment	<u>345</u>
		<u>\$ 493,714</u>

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of operating Cost

From January 1st to December 31st in the 2022 and 2021

Schedule 9

Unit: in thousands of NT dollars

I m a n u f a c t u r i n g c o s t	Summary	Amount
	Beginning raw materials	\$ 183,284
	Current purchase	532,874
	Inventory surplus	351
	Raw materials at the end of the period	(186,306)
	Engineering picking	(245,503)
	Raw materials for sale other	(74,683)
	Scrap - raw material	(15,482)
	Current consumption	(<u>1,820</u>)
	Direct labor	192,715
	Manufacturing costs	63,922
	manufacturing cost	<u>251,156</u>
	WIP at the beginning of the period	507,793
	Current purchase	166,974
	Inventory surplus	282,522
	WIP	94
	Engineering picking other	(187,547)
	Scrap - WIP	(91,753)
	WIP	(7,358)
	finished product cost	(8,394)
	Beginning finished goods	(<u>55,815</u>)
	Current purchase	606,516
	Inventory loss other	51,413
	Scrap - Finished Goods	36,620
	Engineering picking	(1,225)
	Finished Goods	(94)
	manufacturing cost of goods sold	(2,508)
	Beginning Inventory	(294,653)
	Current purchase	(<u>99,642</u>)
	other	296,427
commodity inventory	Ending inventory	849
	Merchandise Inventory Cost of Goods Sold	26,323
	other	(9)
	cost of raw materials sold	(<u>501</u>)
	cost of work in process sold	26,662
	Inventory depreciation and sluggish loss	(\$ 479)
	Inventory loss	74,683
		55,815
		912
		780

Inventory scrapping		12,722
Proceeds from the sale of scraps		(<u>2,410</u>)
		<u>465,112</u>
engineering cost	Input materials in this period	631,909
	Investment outsourcing in this period	270,287
	Labor invested in this period	148,070
	Input cost in this period	<u>199,056</u>
		<u>1,249,322</u>
		<u>\$ 1,714,434</u>

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of operating expenses

From January 1 to December 31 in 2022 and 2021

Schedule 10

Unit: in thousands of NT dollars

<u>I</u> <u>t</u> <u>e</u> <u>m</u>	<u>M</u> <u>a</u> <u>r</u> <u>k</u> <u>e</u> <u>t</u> <u>i</u> <u>n</u> <u>g</u>	<u>A</u> <u>d</u> <u>m</u> <u>i</u> <u>n</u> <u>i</u> <u>s</u> <u>t</u> <u>r</u> <u>a</u> <u>t</u> <u>i</u> <u>v</u>	<u>R</u> <u>e</u> <u>s</u> <u>e</u> <u>a</u> <u>r</u> <u>c</u> <u>h</u> <u>a</u> <u>n</u> <u>d</u>	<u>T</u> <u>o</u> <u>t</u> <u>a</u> <u>l</u>
	<u>e</u> <u>x</u> <u>p</u> <u>e</u> <u>n</u> <u>s</u> <u>e</u> <u>s</u>	<u>e</u> <u>x</u> <u>p</u> <u>e</u> <u>n</u> <u>s</u> <u>e</u> <u>s</u>	<u>d</u> <u>e</u> <u>v</u> <u>e</u> <u>l</u> <u>o</u> <u>p</u> <u>m</u> <u>e</u> <u>n</u> <u>t</u>	
Salary expenses (including pension, etc.)	\$ 23,328	\$ 90,219	\$ 19,995	\$ 133,542
freight	5,271	109	3	5,383
Water and electricity bills	-	12,692	-	12,692
Insurance fee	2,458	8,165	1,915	12,538
Depreciation expense	149	13,130	43	13,322
research fee	-	-	6,675	6,675
Commission expense	2,062	-	-	2,062
other fee	<u>27,731</u>	<u>43,231</u>	<u>1,620</u>	<u>72,582</u>
	<u>\$ 60,999</u>	<u>\$ 167,546</u>	<u>\$ 30,251</u>	<u>\$ 258,796</u>

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Summary of employee benefits and depreciation expenses incurred in the current period

From January 1 to December 31 in 2022 and 2021

Schedule 11

	2022			2021		
	belonging to operating costs	belonging to operating expenses	total	belonging to operating costs	belonging to operating expenses	total
Employee benefits expenses						
Salary costs	\$ 172,068	\$ 127,658	\$ 299,726	\$ 126,659	\$ 119,982	\$ 246,641
labor health insurance	16,335	11,977	28,312	13,385	12,110	25,495
Pension costs	6,856	5,664	12,520	5,572	5,921	11,493
Director's remuneration	-	220	220	-	340	340
Other employee benefit expenses	<u>8,132</u>	<u>7,102</u>	<u>15,234</u>	<u>7,180</u>	<u>6,625</u>	<u>13,805</u>
	<u>\$ 203,391</u>	<u>\$ 152,621</u>	<u>\$ 356,012</u>	<u>\$ 152,796</u>	<u>\$ 144,978</u>	<u>\$ 297,774</u>
Depreciation expense	<u>\$ 14,536</u>	<u>\$ 13,322</u>	<u>\$ 27,858</u>	<u>\$ 13,698</u>	<u>\$ 14,713</u>	<u>\$ 28,411</u>
Amortization fee	<u>\$ 970</u>	<u>\$ 5,305</u>	<u>\$ 6,275</u>	<u>\$ -</u>	<u>\$ 7,990</u>	<u>\$ 7,990</u>