Stock Code: 1417

Carnival Industrial Corp., Ltd.

Unconsolidated Financial Report and CPA's Audit Report

2023 and 2022

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CPA's Audit Report

To Carnival Industrial Corp., Ltd.:

Audit Opinion

We have audited the unconsolidated balance sheets of Carnival Industrial Corp., Ltd. (the "Company") as of December 31, 2023 and 2022, its unconsolidated statements of comprehensive income, unconsolidated statements of changes in equity and unconsolidated statements of cash flows for the periods from January 1 to December 31, 2023 and 2022, and the notes to its unconsolidated financial statements (including the summary of significant accounting policies).

In our opinion, with respect to all material aspects, the foregoing unconsolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus provided a fair presentation of the unconsolidated financial positions of the Company as of December 31, 2023 and 2022 and the unconsolidated financial performance and cash flows for the periods from January 1 to December 31, 2023 and 2022.

Basis for Audit Opinion

We conducted audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and relevant auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Unconsolidated 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 R.O.C. and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have acquired sufficient and appropriate audit evidence as the basis of our audit opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the unconsolidated financial statements of the Company for 2023. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters in the unconsolidated financial statements of the Company for 2023:

<u>Evaluation of inventory impairment</u>

Since the value of inventory may be subject to slow moving and obsolete of inventory due to change of demand market, such that loss may occur as a result of price falling and dead stock. The accounting policy of the Company is to set aside inventory impairment loss according to the net realizable value evaluation and inventory age evaluation. Since the net realizable value evaluation and the inventory age evaluation for the calculation of the inventory impairment loss involves assumption and estimation made by the management such that the amount recognized for the impairment loss is directly affected, accordingly, our CPAs consider the inventory impairment loss as a key audit matter.

For the accounting policies, see the financial statements (Note 4). For inventory related information, see the financial statements (Note 10).

We summarize the audit procedures executed by our CPAs as follows:

1. Obtain the inventory recognized quantity at the end of the year and compare with the annual inventory checking data, in order to verify the existence and integrity of the inventory.
2. Understand the appropriateness and consistency of the inventory falling price loss accounting policy adopted by the Company, and verify the accuracy of its amount according to the evaluation documents of the management.
3. Test the inventory age data and the net realizable value to confirm its accuracy.

Responsibilities of the Management and Governing Bodies for Unconsolidated Financial Statements

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

In preparing the unconsolidated financial statements, the management is also responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to the 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.

The governing bodies of Carnival Industrial Corp., Ltd. (including the Audit Committee) are responsible for supervising the process of financial reporting.

Responsibilities of CPAs for the Audit of Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 means a high degree of assurance. However, there is no guarantee that any material misstatement contained in the unconsolidated financial statements will be discovered during an audit conducted in accordance with relevant auditing standards. Misstatement may be caused by fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

We rely on our professional judgment and professional skepticism during an audit conducted in accordance with relevant auditing standards. We also:

1. Identify and assess the risks of material misstatement of the unconsolidated 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 internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
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 ability of the Company

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 unconsolidated 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 auditor's 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 unconsolidated financial statements (including the relevant notes) and whether the unconsolidated financial statements represents the underlying transactions and events in a manner that achieves fair and proper presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entity of the Company, and expressing an opinion on the unconsolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Company. 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 statements that we have complied with relevant matters that may reasonably be thought to bear on our independence, and we have also communicated with the governance units on all relationships and other matters, including relevant protective measures, that may be considered to affect the independence of auditors.

The key audit matters in the audit of the unconsolidated financial statements of the Company for 2023 have been determined by us from the matters regarding which we have communicated with the governing bodies. We describe these matters in our auditor's report unless law or regulation preclude 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.

Deloitte Taiwan

Certified Public Accountant Huang, Kuo-Ning

Certified Public Accountant Chen, Pei-Te

Financial Supervisory Commission Approval Document No.
Jin-Guan-Zheng-Shen-Zi No. 1100356048

Financial Supervisory Commission Approval Document No.
Jin-Guan-Zheng-Shen-Zi No. 1080321204

March 13, 2024

Carnival Industrial Corp., Ltd.
Unconsolidated Balance Sheets
December 31, 2023 and 2022

Unit: NT$ thousand

Code	ASSETS	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 349,398	10	$ 376,591	9
1120	Financial assets measured at fair value through other comprehensive income (Notes 7 and 28)	620,619	18	584,079	13
1136	Financial assets measured at amortized cost (Note 8)	-	-	61,420	1
1170	Notes and accounts receivable (Notes 9, 21 and 27)	221,933	7	345,579	8
1200	Other receivables (Note 27)	765	-	44,909	1
130X	Inventory (Note 10)	115,685	4	459,695	10
1410	Prepayments	12,259	-	71,080	2
1478	Refundable deposits (Note 28)	40,000	1	30,000	1
1479	Other Current Assets	720	-	886	-
11XX	Total current assets	1,361,379	40	1,974,239	45
	Non-current assets				
1517	Financial assets measured at fair value through other comprehensive income (Note 7)	284,762	8	302,864	7
1550	Investments accounted for using the equity method (Note 12)	820,900	24	963,873	22
1600	Property, plant and equipment (Notes 13, 27 and 28)	538,604	16	810,438	19
1755	Right-of-use assets (Notes 14 and 27)	16,611	-	8,637	-
1760	Investment property (Notes 15 and 28)	394,490	12	146,844	3
1780	Intangible assets (Note 16)	1,607	-	105,298	3
1920	Refundable deposits (Note 28)	14,316	-	59,641	1
15XX	Total non-current assets	2,071,290	60	2,397,595	55
1XXX	Total assets	$ 3,432,669	100	$ 4,371,834	100
Code	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Notes 17 and 28)	$ 175,000	5	$ 650,000	15
2110	Short-term notes and payable (Note 17)	64,951	2	549,494	13
2130	Contract liabilities (Note 21)	42,041	1	16,985	-
2170	Notes and accounts payable (Note 27)	34,202	1	180,900	4
2209	Other payables (Note 27)	75,461	2	112,528	3
2250	Liability provision (Note 18)	-	-	228	-
2280	Lease liabilities (Notes 14 and 27)	4,616	-	7,749	-
2320	Long-term borrowings maturing within 1 year (Notes 17 and 28)	60,000	2	-	-
2399	Other current liabilities	14,752	1	4,261	-
21XX	Total current liabilities	471,023	14	1,522,145	35
	Non-current liabilities				
2540	Long-term borrowings (Notes 17 and 28)	240,000	7	-	-
2570	Deferred income tax liabilities (Note 23)	80,889	2	80,889	2
2580	Lease liabilities (Notes 14 and 27)	11,982	-	2,273	-
2640	Net defined benefit liabilities (Note 19)	5,622	-	10,911	-
2645	Deposits received	19,864	1	36,459	1
2670	Other non-current liabilities (Note 12)	14,312	1	14,490	-
25XX	Total non-current liabilities	372,669	11	145,022	3
2XXX	Total Liabilities	843,692	25	1,667,167	38
	Equity (Note 20)				
	Share capital				
3110	Common stock	1,899,419	55	1,899,419	43
	Retained earnings				
3310	Legal reserve	72,146	2	61,598	2
3320	Special reserve	122,963	4	122,963	3
3350	Accumulated earnings	174,122	5	323,535	7
3300	Total retained earnings	369,231	11	508,096	12
3400	Other equity	320,327	9	297,152	7
3XXX	Total Equity	2,588,977	75	2,704,667	62
	Total Liabilities and Equity	$ 3,432,669	100	$ 4,371,834	100

The notes attached hereto constitute part of this unconsolidated financial report.

Chairman: Chen, Bo-Yung Managerial Officer: Yeh, Mei-Ling Accounting Officer: Hsieh, Ming-Yi

Carnival Industrial Corp., Ltd.
Unconsolidated Statements of Comprehensive Income
January 1 to December 31, 2023 and 2022
Unit: NT$ thousand; (Losses) Earnings per share: NT$

		2023		2022 (after restatement)	
Code		Amount	%	Amount	%
4110	Operating revenue (Notes 21 and 27)	$ 1,123,301	100	$ 1,065,655	100
4190	Less: Sales return and allowance	677	-	145	-
4000	Net operating revenue	1,122,624	100	1,065,510	100
5000	Operating cost (Notes 10, 22 and 27)	784,032	70	829,914	78
5900	Gross profit	338,592	30	235,596	22
	Operating expenses (Notes 9, 22 and 27)				
6100	Selling and marketing expenses	301,357	27	335,595	32
6200	Administrative expenses	92,432	8	68,754	6
6300	Research and development expenses	2,358	-	4,036	-
6450	Expected credit impairment loss (reversal profit)	835	-	(686)	-
6000	Total Operating Expenses	396,982	35	407,699	38
6900	Net operating loss	(58,390)	(5)	(172,103)	(16)
	Non-operating revenues and expenses				
7100	Interest income	3,748	-	1,284	-
7010	Other income (Notes 22 and 27)	96,414	9	99,132	9
7020	Other profits and losses (Notes 22 and 27)	(99,240)	(9)	30,130	3
7050	Financial cost (Note 27)	(17,544)	(2)	(11,616)	(1)
7070	Share of profits of subsidiaries accounted for using the equity method	8,815	1	151,620	14
7000	Net non-operating revenues and expenses	(7,807)	(1)	270,550	25

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Code		2023 Amount	2023 %	2022 (after restatement) Amount	2022 (after restatement) %
7900	Pre-tax net profit (loss)	($ 66,197)	(6)	$ 98,447	9
7950	Income tax expense (Note 23)	-	-	-	-
8100	Profit (Loss) from discontinued operations (Note 11)	(3,279)	-	7,904	1
8200	Net profit (loss) for the current year	(69,476)	(6)	106,351	10
	Other comprehensive income (Note 20)				
8310	Items not reclassified as profit/loss				
8311	Remeasurement of defined benefit plans	889	-	(866)	-
8316	Unrealized equity instrument profit or loss measured at fair value through other comprehensive income	18,438	2	(29,077)	(3)
8330	Share of other comprehensive income of subsidiaries accounted for using the equity method	(1,032)	-	-	-
8360	Items likely to be subsequently reclassified as profit/loss:				
8380	Share of other comprehensive income of subsidiaries accounted for using the equity method	5,769	-	9,582	1
8300	Other comprehensive income of the current year	24,064	2	(20,361)	(2)
8500	Total comprehensive income of the current year	($ 45,412)	(4)	$ 85,990	8
	Net profit (loss) of the current year attributable to				
8610	Continuing operations	($ 66,197)	(6)	$ 98,447	9
8620	Discontinued operations	(3,279)	-	7,904	1
8600		($ 69,476)	(6)	$ 106,351	10

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Code		2023 Amount	2023 %	2022 (after restatement) Amount	2022 (after restatement) %
	Comprehensive income attributable to				
8710	Continuing operations	($ 39,969)	(4)	$ 77,708	7
8720	Discontinued operations	(5,443)	-	8,282	1
8700		($ 45,412)	(4)	$ 85,990	8
	Earnings (Losses) per share (Note 24)				
9750	Basic earnings (losses) per share				
9710	Continuing operations	($ 0.35)		$ 0.52	
9720	Discontinued operations	($ 0.02)		$ 0.04	
9850	Diluted earnings (losses) per share				
9810	Continuing operations	($ 0.35)		$ 0.52	
9820	Discontinued operations	($ 0.02)		$ 0.04	

The notes attached hereto constitute part of this unconsolidated financial report.

Chairman:	Managerial Officer:	Accounting Officer:
Chen, Bo-Yung	Yeh, Mei-Ling	Hsieh, Ming-Yi

Carnival Industrial Corp., Ltd.
Unconsolidated Statements of Changes in Equity
January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

Code		Share capital: Thousand shares	Share capital: Amount	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Undistributed earnings	Other equity items: Exchange differences on translation of financial statements of foreign operations	Other equity items: Unrealized profit or loss on financial assets measured at fair value through other comprehensive income	Total Equity
A1	Balance as of January 1, 2022	189,942	$ 1,899,419	$ 51,941	$ 122,963	$ 294,187	($ 104,843)	$ 421,490	$ 2,685,157
	Allocation and distribution of earnings in 2021								
B1	Legal reserves set aside	-	-	9,657	-	(9,657)	-	-	-
B5	Company shareholders' cash dividends	-	-	-	-	(66,480)	-	-	(66,480)
D1	Net profit of 2022	-	-	-	-	106,351	-	-	106,351
D3	Other after-tax comprehensive income in 2022	-	-	-	-	(866)	9,582	(29,077)	(20,361)
D5	Total comprehensive income of 2022	-	-	-	-	105,485	9,582	(29,077)	85,990
Z1	Balance as of December 31, 2022	189,942	1,899,419	61,598	122,963	323,535	(95,261)	392,413	2,704,667
	2022 Distribution of earnings								
B1	Legal reserves set aside	-	-	10,548	-	(10,548)	-	-	-
B5	Company shareholders' cash dividends	-	-	-	-	(70,278)	-	-	(70,278)
D1	Net loss of 2023	-	-	-	-	(69,476)	-	-	(69,476)
D3	Other after-tax comprehensive income of 2023	-	-	-	-	889	5,769	17,406	24,064
D5	Total comprehensive income of 2023	-	-	-	-	(68,587)	5,769	17,406	(45,412)
Z1	Balance as of December 31, 2023	189,942	$ 1,899,419	$ 72,146	$ 122,963	$ 174,122	($ 89,492)	$ 409,819	$ 2,588,977

The notes attached hereto constitute part of this unconsolidated financial report.

Chairman: Chen, Bo-Yung　　Managerial Officer: Yeh, Mei-Ling　　Accounting Officer: Hsieh, Ming-Yi

Carnival Industrial Corp., Ltd.
Unconsolidated Statements of Cash Flows
January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

Code		2023	2022 (after restatement)
	Cash flows from operating activities		
A00010	Pre-tax net profit (loss) of continuing operations	($ 66,197)	$ 98,447
A00020	Pre-tax net profit (loss) of discontinued operations	(3,279)	7,904
A10000	Pre-tax net profit (loss) for the current year	(69,476)	106,351
	Adjustments		
A20100	Depreciation expense	40,140	40,411
A20200	Amortization expenses	30,314	29,986
A20300	Expected credit impairment loss (reversal profit)	835	(686)
A20900	Financial cost	17,544	11,616
A21200	Interest income	(3,748)	(1,284)
A21300	Dividend income	(31,257)	(55,462)
A22400	Share of profits of subsidiaries accounted for using the equity method	(5,536)	(159,524)
A22500	Net loss on disposal of property, plant and equipment	12,466	9
A22700	Net profit on disposal of investment property	(1,664)	(1,620)
A22800	Loss on disposal of intangible assets	50,766	-
A23700	Impairment loss	27,198	33,570
A23800	Loss on devaluation (Profit on recovery) of inventory	(15,645)	74,605
	Changes in assets/liabilities relating to operating activities		
A31150	Notes and accounts receivable	122,811	(31,854)
A31180	Other receivables	44,144	(44,181)
A31200	Inventories	359,655	(123,138)
A31230	Prepayments	58,821	(9,554)
A31240	Other Current Assets	565	(24)
A32125	Contract liabilities	25,056	(1,762)
A32150	Notes and accounts payable	(146,698)	32,899
A32180	Other payables	(37,462)	(4,444)
A32200	Liability provision	(228)	228
A32230	Other current liabilities	10,491	(662)
A32240	Net defined benefit liabilities	(4,400)	(533)
A33000	Cash inflow (outflow) from operations	484,692	(105,053)
A33500	Income tax paid	(399)	-
AAAA	Cash inflow (outflow) from operating activities	484,293	(105,053)

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Code		2023	2022 (after restatement)
	Cash flow from investing activities		
B00400	Decrease (Increase) in financial assets measured at amortized cost	$ 61,420	($ 5,920)
B02400	Share payments returned on capital reduction in investee companies accounted for using the equity method	154,732	-
B02700	Acquisition of property, plant and equipment	(21,786)	(8,025)
B03800	Decrease in deposits paid	35,325	25,783
B04500	Acquisition of Intangible assets	(4,587)	(79,364)
B07500	Interest income received	3,748	1,284
B07600	Dividends received	31,257	55,462
BBBB	Net cash inflow (outflow) from investing activities	260,109	(10,780)
	Cash flow from financing activities		
C00200	Increase (Decrease) in short-term borrowings	(475,000)	295,000
C00600	Increase (Decrease) in short-term notes and bills payable	(485,000)	200,000
C01600	Increase in long-term borrowings	300,000	-
C03100	Decrease in deposits received	(16,595)	(1,032)
C04020	Repayment of principal of lease liabilities	(8,030)	(7,370)
C04500	Distribution of cash dividends	(70,208)	(66,480)
C05600	Interest paid	(16,762)	(12,040)
CCCC	Net cash inflow (outflow) from financing activities	(771,595)	408,078
EEEE	Increase (Decrease) in cash and cash equivalents of the current year	(27,193)	292,245
E00100	Starting balance of cash and cash equivalents	376,591	84,346
E00200	Ending balance of cash and cash equivalents	$ 349,398	$ 376,591

The notes attached hereto constitute part of this unconsolidated financial report.

Chairman: Chen, Bo-Yung　　Managerial Officer: Yeh, Mei-Ling　　Accounting Officer: Hsieh, Ming-Yi

Carnival Industrial Corp., Ltd.
Notes to Unconsolidated Financial Report
January 1 to December 31, 2023 and 2022
(All amounts are in NTD thousand unless otherwise specified)

1. History of the Company

Carnival Industrial Corp., Ltd. (the "Company"), established in 1969, is a publicly listed company and primarily engages in the production and sales of garment and apparel. The Chairman of the Company is assigned by Tai Yuen Textile Co., Ltd. Accordingly, it has the substantial control power over the Company and is the parent company of the Company. The unconsolidated financial Report were expressed in New Taiwan dollars, which is the Company's functional currency.

2. Date and Procedure for Approval of Financial Statements

This unconsolidated financial report was approved by the Board of Directors on March 13, 2024.

3. Application of New and Amended Standards and Interpretations

(1) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (of IFRIC) and pronouncements of interpretation (of SIC) (the "IFRSs"), which have been approved and published by the Financial Supervisory Commission (the "FSC"), have been applied for the first time.

Initial application of the amended IFRSs which have been approved and published by the FSC is unlikely to cause any significant change to the Company's accounting policies.

(2) IFRSs approved by the FSC which are applicable in 2024

New/Amended/Revised Standards and Interpretations	Effective Date Published by the IASB (Note 1)
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless otherwise specified, each of the new/amended/revised standards or interpretations above shall come into effect during the annual reporting periods beginning from its relevant date.

Note 2: The amendments to IFRS 16 shall be applied retroactively by sellers and lessees to sale and leaseback transactions for which contracts have been signed after the date of initial application of IFRS 16.

Note 3: When these amendments are applied for the first time, the disclosure requirements are partially waived.

As of the date of approval and publication of this unconsolidated financial report, the Company has assessed that the amendments to the standards and interpretations above are unlikely to cause any significant effect on the financial condition and performance.

(3) IFRSs published by the IASB which have not been approved and published by the FSC

New/Amended/Revised Standards and Interpretations	Effective Date Published by the IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	TBD
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 - "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless otherwise specified, each of the new/amended/revised standards or interpretations above shall come into effect during the annual reporting periods beginning from its relevant date.

Note 2: Applicable during the annual reporting period beginning from January 1, 2025. When the amendments are applied for the first time, the effect is recognized in the retained earnings on the date of initial application. When the Company uses any non-functional currency as the presentation currency, the effect will be used to adjust the exchange difference of foreign operations under equity on the date of initial application.

As of the date of approval and publication of this unconsolidated financial report, the Company has continued to assess the effect of the amendments to the standards and interpretations above on the financial condition and performance. The relevant effect will be disclosed after completion of the assessment.

4. Summary of Significant Accounting Polices

(1) Statement of compliance

This unconsolidated financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of plan assets, this unconsolidated financial report has been prepared on the basis of historical cost.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

A. Level 1 inputs: Quoted prices in active markets for identical assets or liabilities accessible on the measurement date (unadjusted).

B. Level 2 inputs: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., the price) or indirectly (i.e., deriving from the price).

C. Level 3 inputs: Unobservable inputs for the asset or liability.

(3) Criteria for classification of assets and liabilities as current and non-current

Current assets include:

A. Assets held primarily for the purpose of trading;

B. Assets that are expected to be realized within twelve months from the balance sheet date; and

C. Cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the date of statement of financial position).

Current liabilities include:

A. Liabilities held primarily for the purpose of trading;

B. Liabilities that are to be settled within 12 months from the balance sheet date; and

C. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

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

(4) Foreign currency

NTD is the Company's functional currency. In preparing this unconsolidated financial report, a transaction in a currency other than the Company's functional currency (a foreign currency) has been recorded by translating that currency into the Company's functional currency at the exchange rate on the date of the transaction.

Foreign currency monetary amount is translated at the closing rate at each date of the balance sheet. Such exchange differences due to settled monetary items or retranslated monetary items are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Foreign currency non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction without being retranslated.

In preparing the unconsolidated financial report, assets and liabilities from foreign operation, including subsidiaries whose location or currency are different from the Company, are translated into the presentation currency, the New Taiwan dollar, at the exchange rates prevailing at the end of the reporting period. Profit, expense and loss items are translated at the average exchange rate in the current period, and the resulting exchange differences are recognized in other comprehensive income.

(5) Inventories

Inventories include raw materials, finished goods Inventory, work in process. Inventories are stated at the lower of cost or net realizable value. During the comparison of the cost and the net realizable value, except for the inventories of the same category, individual item is used as the basis thereof. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The calculation of the inventory cost uses the weighted average method.

(6) Investment in subsidiaries

The Company's investments in the subsidiaries are accounted for using the equity method.

Subsidiaries are entities which the Company holds the control of.

Under the equity method, an investment is initially recognized in the statements of financial positional cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiaries as well as the distribution received. In addition, the Company also recognizes its share in the changes in equities of subsidiaries.

Changes in equity in the ownership of subsidiaries which do not result in loss of control are disposed as equity transaction. The difference between carrying amount invested and the fair value paid and payable or received and receivable is directly recognized as equity.

The loss of shares of the subsidiary equals or exceeds the Company's interest in that subsidiary, including the carrying amount of that subsidiary under equity method and other long-term equity as the Company's net investment in that subsidiary, is recognized as loss according to proportion of shareholding.

If the Company loses control of a subsidiary, the residual investment in the former subsidiary is measured at the fair value on the date of loss of control. The difference between the fair value of the residual investment and any disposal proceeds, and the carrying amount of investment on the date of loss of control, is recognized in profit or loss of the period. Additionally, the accounting treatment of all amounts related to the subsidiary recognized in other comprehensive income is on the same basis as that required for the Company's direct disposal of the relevant assets or liabilities.

Unrealized profit and loss from downstream transactions with a subsidiary are eliminated in the unconsolidated financial report. Profits or losses arising from upstream and side-stream transactions between us and a subsidiary are recognized in the unconsolidated financial report only to the extent where such profits or losses do not involve the Company's equity in the subsidiary.

(7) Property, plant and equipment

Property, plant and equipment are initially recognized at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

Except for private land which is not accounted for in depreciation, other property, plant and equipment is accounted for in depreciation on a straight line basis over its useful life with respect to each of its significant parts. The Company reviews the estimated useful life, the residual value and the depreciation method at least at the end of each year and prospectively accounts for the effect of the application of changes in accounting estimates.

For derecognition of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(8) Investment property

Investment property means property held for earning rents or capital appreciation or for both purposes.

Private investment property is initially measured at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and impairment losses.

Investment property is accounted for in depreciation on a straight-line basis.

For derecognition of investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(9) Intangible assets

A. Separate acquisition

Any separately acquired intangible asset with a limited useful life is initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. An intangible asset is amortized on a straight line basis over its useful life. The Company reviews the estimated useful life, the residual value and the amortization method at least at the end of each year and prospectively accounts for the effect of the application of changes in accounting estimates.

B. Derecognition

For derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

(10) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets

The Company assesses whether there is any sign of possible impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets on each balance sheet date. If any such sign of impairment exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to individual cash generating unit or the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Where impairment losses are reversed subsequently, the carrying amount of the asset or cash generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (less amortization or depreciation) of the asset or cash generating unit determined under the assumption that impairment losses were not recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

(11) Financial instruments

Financial assets and liabilities shall be recognized in the unconsolidated financial statements when the Company 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 acquisition or issuance of financial assets or liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

A. Financial assets

Regular transactions of financial assets are recognized and derecognized using the transaction date accounting method.

(A) Types of measurement

The Company holds the following types of financial assets: Financial assets measured at amortized cost, and investments in equity instruments measured at fair value through other comprehensive income.

a. Financial assets measured at amortized cost

When the financial assets invested by the Company satisfies the following two criteria at the same time, it is classified as the amortized cost financial assets:

(a) Where the financial assets are held under certain business model, and the purpose of such model is to hold the financial assets in order to collect contract cash flows; and

(b) Where contract terms generated cash flow of specific date, and such cash flow is completely for the payment of the interest of principal and external circulating principal amount.

On initial recognition, financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables and guarantee deposits paid) are measured at the total carrying amount determined using the effective interest method less the amortized cost of any impairment loss, and any profit or loss on foreign currency exchange is recognized in profit or loss.

Except for the following two conditions, the interest income is calculated by multiplying the effective interest rate with the financial asset total carrying amount:

(a) For purchased or originated credit-impaired financial assets, the interest income is calculated by multiplying the effective interest rate after credit adjustment with the financial asset amortized cost.

(b) For non-purchased or originated credit-impaired financial assets but subsequently becoming credit-impaired financial assets, the interest income shall be calculated by multiplying the effective interest rate from the next reporting period after the credit impairment with the financial asset amortized cost.

Cash equivalents include time deposits with original maturities within three 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.

b. Equity instrument investments at fair value through other comprehensive income

On initial recognition, the Company may irrevocably designate investments in equity instruments that is not held for trading and not recognized as contingent consideration as at FVTOCI.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value. Subsequently the changes in fair value are reported in other comprehensive income and accumulated in other equity. On disposal of investments, the accumulated profit or loss is directly transferred to retained earnings and it is not reclassified to profit or loss.

The dividend from investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss upon the Company's right to receive payment is established, except for the dividend representing the recovery of the partial investment cost.

(B) Impairment of financial assets

At the date of each balance sheet, the Company reviews expected credit losses to estimate the impairment loss of financial assets (including notes receivable and accounts receivable) measured at amortized cost.

The loss allowance for notes receivable and accounts receivable is measured at an amount equal to useful lives expected credit losses. Other financial assets are assessed to determine whether the credit risk has significantly increased since the original recognition. If there is no significant increase, then the allowance loss is recognized according to the 12-month expected credit loss. If it has increased significantly, then allowance loss is recognized according to the lifetime expected credit loss.

The expected credit loss uses the risk of occurrence of breach as the weighted average credit loss. The 12-month expected credit loss refers to the expected credit loss occurred due to possible breach of the financial instrument within 12 months after the reporting date. The lifetime expected credit loss refers to the expected credit loss occurred due to possible breach of financial instrument during the expected lifetime.

All impairment losses on financial assets is decreased its carrying amount through contra accounts.

(C) Derecognition of financial assets

The Company derecognizes the financial assets only when the contractual rights to the cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to another entity.

On derecognition of financial assets 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 Investments in equity instruments measured at fair value through other comprehensive income, 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.

B. Financial liabilities

(A) Follow-up measurement

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

(B) Derecognition of financial liabilities

On the derecognition of financial liabilities, the difference between their carrying amount and the consideration paid and payable (including any transfer of non-cash assets or liabilities) is recognized as profit or loss.

(12) Liability provision

An amount recognized as liability provision is an optimal estimate of expenses required for the settlement obligations on the balance sheet date, taking into account the risk and uncertainty of the obligations. A liability provision is measured at the estimated discounted value of cash flows of settlement obligations.

(13) Revenue recognition

The Company allocates the transaction price to each performance obligation and recognizes the revenue when each of the obligation is satisfied after the customer has identified it.

<u>Revenue from sales of goods</u>

Revenue from sales of goods comes from the sale of garment and apparel products. At the time garment and apparel products are transferred, the customer already possesses the right to price and use the goods, assumes the primary responsibility to resell them, and bears the risk of the goods being out-of-date. Therefore, the Company recognizes revenue and accounts receivable at that point in time. Garment and apparel products of own stores, department booth sale and military supply stations are recognized for revenue during the purchase of such products by customers. Group uniforms manufactured for customers are recognized for revenue when the products are delivered to the location designated by customers. Advance receipt from customers is recognized as contract liabilities.

(14) Leases

The Company assesses whether a contract constitutes (or contains) a lease on the date of conclusion of the contract.

A. The Company as lessor

A lease is classified as a finance lease if, under its terms, substantially all the risks and rewards incident to ownership of the asset are transferred to the lessee. All other leases are classified as operating leases.

Under an operating lease, lease payments less the lease incentives are recognized in profit on a straight-line basis over the relevant lease term.

B. The Company as lessee

Except that the lease payments for leases of low-value underlying assets and short-term leases to which the recognition exemption applies are recognized in expense on a straight-line basis over the lease term, other leases are recognized in right-of-use assets and lease liabilities on the lease commencement date.

Right-of-use assets are initially measured at cost (including the initially measured amount of lease liabilities, lease payments made before the lease commencement date less the lease incentives received, the initial direct cost and the estimated cost of restoring underlying assets) and subsequently measured at cost less accumulated depreciation and impairment losses, with adjusted remeasurement of lease liabilities. Right-of-use assets are presented on a separate line in the unconsolidated balance sheets.

Right-of-use assets are accounted for in depreciation on a straight-line basis over the period from the lease commencement date to the earlier of the date of expiration of the useful life or the lease term.

Lease liabilities are initially measured at the present value of the lease payments (including fixed payments). The lease payments are discounted using the interest rate in a lease if that rate can be readily determined. Where such interest rate cannot be readily determined, the lessee’s incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expenses are amortized over the lease term. In the event of any change in the lease term resulting in changes to future lease payments, the Company remeasures lease liabilities and adjust right-of-use assets accordingly. If the carrying amount of right-of-use assets is reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are separately presented in the unconsolidated balance sheet.

(15) Borrowing costs

Borrowing Costs requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are included in the cost of the asset.

Other borrowing costs at the period are recognized as profit or loss.

(16) Employee benefits

A. 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.

B. Post-employment benefits

For defined contribution plans, the amount of contribution payable in respect of service rendered by employees in that period should be recognized as expenses.

Defined benefit costs (including service cost, net interest and remeasurement) under the 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 benefits expense in the period they occur. Remeasurement (including actuarial gains and losses, change to asset limit effects and the return on plan assets after deduction of interest) is recognized in other comprehensive income in the period in which it occurs. Remeasurement at later period will not be reclassified to profit or loss.

Net defined benefit liability (asset) represent the actual deficit in the Group's defined benefit plan. Net defined benefit liability shall not exceed the present value of refunds from the plan or reductions in future contributions to the plan.

(17) Income tax

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

A. Current tax

The Company has determined the current income (losses) and calculated taxes payable (receivable) in accordance with regulations established by the jurisdiction for tax return.

According to Income Tax Act in Republic of China, an additional income tax levied at undistributed surplus earnings are recognized in the shareholders' annual meeting.

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

B. 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 difference; unused loss carry forward and unused tax credits 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, except where the Company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits to realize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the date of balance sheet 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 deferred tax asset to be recovered. The deferred tax assets originally not recognized is also reviewed at the date of balance sheet and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of 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 year in which the liability is settled or the asset is recovered, based on tax rates and laws that have been enacted or substantively enacted by the date of the balance sheet. The measurement of deferred tax liabilities and assets reflects the tax consequences that arise from the manner in which the Company expects, at the date of balance sheet, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred tax

Current and deferred tax 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 tax are also recognized in other comprehensive income or directly in equity respectively.

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

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered relevant. Actual results may differ from these estimates.

When developing significant accounting estimates, the Company has taken the possible effects of the economic environment or market fluctuations into the consideration of significant estimates including cash flow estimation, growth rate, discount rate and profitability. The management will continue to review the estimates and basic assumptions.

Evaluation of inventory impairment

Inventory net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Such estimation is evaluated based on the current market condition and the sale history of similar products, and any change to the market condition may result in significant effect on the result of such estimation.

6. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	$ 488	$ 414
Check and demand deposit	201,526	360,822
Cash equivalents		
Time deposits with an initial maturity date within three months	147,384	15,355
	$ 349,398	$ 376,591

7. Financial assets measured at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Current		
Domestic investment		
Stocks listed on domestic markets	$ 620,619	$ 584,079
Non-current		
Domestic investment		
Emerging stocks	$ 284,762	$ 302,864

The Company invests in the common stocks of publicly listed companies and unlisted companies in accordance with the long-term strategic objectives and expects to profit from the long-term investments. The management of the Company deems if the short-term volatility at fair value of such investments recognized in profit or loss is not consistent with the aforementioned long-term investment plan, it will be determined that such investments are measured through other comprehensive income at fair value.

For the amount of financial assets measured at fair value through other comprehensive income pledged by the Company as collateral for loans, see Note 28.

8. Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Time deposits with an initial maturity of more than three months	$ -	$ 61,420

9. Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable		
arising from operations	$ 109	$ -
Accounts receivable (including related party)		
Measured at amortized cost		
Total carrying amount	223,310	346,230
Less: Allowance for bad debts	(1,486)	(651)
	221,824	345,579
	$ 221,933	$ 345,579

The Company's average loan period for sales of goods is 60 to 90 days, with zero interest accrued on accounts receivable. The policy adopted by the Company is to engage in transaction with subjects rated to be equivalent to the investment level and above (inclusive), and if it is determined necessary, collateral of sufficient amount is obtained to reduce the risk of financial loss due to delay of repayment. Credit of key customers is rated by using other publicly available financial information and historic transaction records. The Company continues supervising credit risk exposure and credit rating of the counterparty, as well as distributing the total transaction amount into different qualified customers. In addition, the management assigns responsible team to perform review and approve counterparty's line of credit for the purpose of managing credit risk exposure.

The loss allowance for accounts receivable of the Company is measured at an amount equal to useful lives expected credit losses. For the useful lives expected credit losses, customers' default on records and present financial status.

If any evidence shows the counterparty faces significant financial difficulty and the collectible amount cannot be reasonably expected, such as the counterparty is rendered by the court to declare bankruptcy, the Company will directly offset the relevant accounts receivable but keep track of the receivables. The recovered amount is recognized in profit or loss.

The loss allowance for accounts receivable of the Company (including related party) is as follows:

December 31, 2023

	Not overdue	Overdue for 1 to 30 days	Overdue for 30 to 90 days	Overdue for 90 days	Total
Total carrying amount	$ 222,718	$ 460	$ 89	$ 43	$ 223,310
Loss allowance for loss (lifetime expected credit loss)	(1,251)	(130)	(62)	(43)	(1,486)
Amortized cost	$ 221,467	$ 330	$ 27	$ -	$ 221,824

December 31, 2022

	Not overdue	Overdue for 1 to 30 days	Overdue for 30 to 90 days	Overdue for 90 days	Total
Total carrying amount	$ 344,535	$ 1,599	$ 17	$ 79	$ 346,230
Loss allowance for loss (lifetime expected credit loss)	(622)	(19)	(8)	(2)	(651)
Amortized cost	$ 343,913	$ 1,580	$ 9	$ 77	$ 345,579

The changes in allowance loss for accounts receivable were as follows:

	2023	2022
Balance at the beginning of the year	$ 651	$ 1,337
Plus: Impairment loss accounted for (reversed) in the current year	835	(686)
Balance at end of the year	$ 1,486	$ 651

10. Inventories

	December 31, 2023	December 31, 2022
Finished goods	$ 74,246	$ 406,357
Work in process	1,255	32,424
Raw materials	40,184	20,914
	$ 115,685	$ 459,695

The costs of sales related to inventories in 2023 and 2022 were NT$784,032 thousand and NT$829,914 thousand respectively. The costs of sales, including losses on devaluation (profits on recovery) of inventory, were NT$(15,645) thousand and NT$74,605 thousand respectively.

11. Discontinued operations

On May 5, 2023, the Board of Directors adopted a resolution to dispose of 100% of the shares of its subsidiary LI-YUEN GARMENT. The disposal was completed in September 2023. Therefore, the cash generating unit of the above-mentioned subsidiary is presented as a discontinued operation. In line with the presentation of discontinued operations in the 2023 statement of comprehensive income, the Company also reclassifies the income of discontinued operations in 2022 to make the information in the statement of comprehensive income more relevant.

The subsidiary Wuxi Hujia Garment Co., Ltd. was originally presented as a discontinued operation. However, the company's premises have been expropriated by the government of Binhu District, Wuxi City, and its operating policy has changed since September 20, 2023. In the future, its primary business will be the lease of private premises. Thus, the operating results previously presented for the discontinued operation are reclassified and included in the profits/losses of continuing operations during all presentation periods.

The profits/losses of discontinued operations are detailed as follows:

	2023	2022 (after restatement)
Share of profits (losses) of subsidiaries accounted for using the equity method	($ 3,279)	$ 7,904

12. Investment accounted for under the equity method

	December 31, 2023	December 31, 2022
Investment in subsidiaries – non-public companies		
Carnival International Industrial Corporation	$ 657,569	$ 835,458
BVI Carnival Overseas Corporation	(7,523)	(6,037)
Jia-Yuan Investment Co., Ltd.	90,559	90,366
BVI Carnival Universal Corporation	71,257	35,929
PHILMOSA GARMENTS	1,515	2,120
Plus: Other non-current liabilities recognized	7,523	6,037
	$ 820,900	$ 963,873

For disclosures related to the Company's disposal of the subsidiary LI-YUEN GARMENT, see Note 28 to the 2023 consolidated financial report. For details of the Company's indirect investee subsidiaries, see Note 35 to the consolidated financial report.

Except for the ones shown in the following table, the ownership equity and voting rights of the Company in subsidiaries as of the balance sheet date were 100%.

Company name	December 31, 2023	December 31, 2022
PHILMOSA GARMENTS	47.50%	47.50%

The shareholding of the Company in PHILMOSA GARMENTS is 47.5%, and the rest of shareholding of 52.5% is held by the subsidiary of BVI Carnival Overseas Corporation. Accordingly, the Company is determined to have the substantial power on related activities of PHILMOSA GARMENTS, such that it is listed as a subsidiary.

In 2023, BVI Carnival International Industrial Corporation reduced its capital and returned share payments of NT$154,732 thousand.

13. Property, plant and equipment

	Land	Buildings and modifications	Machinery and equipment	Other equipment	Total
Cost					
Balance as of January 1, 2022	$ 633,377	$ 509,601	$ 31,048	$ 85,206	$ 1,259,232
Addition	-	4,348	575	3,102	8,025
Disposals	-	(7,997)	(2,376)	(3,047)	(13,420)
Balance as of December 31, 2022	$ 633,377	$ 505,952	$ 29,247	$ 85,261	$ 1,253,837
Accumulated depreciation and impairment					
Balance as of January 1, 2022	$ -	$ 325,356	$ 23,868	$ 72,534	$ 421,758
Depreciation expense	-	21,425	3,141	5,104	29,670
Disposals	-	(7,997)	(2,374)	(3,040)	(13,411)
Impairment loss	-	5,382	-	-	5,382
Balance as of December 31, 2022	$ -	$ 344,166	$ 24,635	$ 74,598	$ 443,399
Net amount as of December 31, 2022	$ 633,377	$ 161,786	$ 4,612	$ 10,663	$ 810,438
Cost					
Balance as of January 1, 2023	$ 633,377	$ 505,952	$ 29,247	$ 85,261	$ 1,253,837
Addition	-	19,062	84	2,640	21,786
Recognized as investment property	(210,670)	(100,389)	-	-	(311,059)
Disposals	-	(49,700)	(105)	(8,828)	(58,633)
Balance as of December 31, 2023	$ 422,707	$ 374,925	$ 29,226	$ 79,073	$ 905,931
Accumulated depreciation and impairment					
Balance as of January 1, 2023	$ -	$ 344,166	$ 24,635	$ 74,598	$ 443,399
Depreciation expense	-	22,218	2,389	5,130	29,737
Recognized as investment property	-	(59,642)	-	-	(59,642)
Disposals	-	(37,302)	(105)	(8,760)	(46,167)
Balance as of December 31, 2023	$ -	$ 269,440	$ 26,919	$ 70,968	$ 367,327
Net amount as of December 31, 2023	$ 422,707	$ 105,485	$ 2,307	$ 8,105	$ 538,604

The Company expects a decrease in the future cash inflows from certain property, plant and equipment, causing its recoverable amount to fall below the carrying amount. As a result, the management recognized an impairment loss of NT$5,382 thousand in 2022. The impairment loss was recognized in other profits and losses. The Company adopts the value of use as the recoverable amount at a discount rate of 9.3%.

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

House and buildings	3–55 years
Machinery and equipment	3–10 years
Other equipment	2–20 years

Please see Note 28 for the amount of property, plant, and equipment used by the Company pledged as collaterals.

14. Lease agreements

(1) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amount of right-of-use assets		
Buildings	$ 16,611	$ 8,637

	2023	2022
Addition to right-of-use assets	$ 14,961	$ 5,214
Depreciation expense of right-of-use assets		
Buildings	$ 6,632	$ 7,477

	2023	2022
Impairment loss on right-of-use assets		
Buildings	$ -	$ 1,077

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	$ 4,616	$ 7,749
Non-current	$ 11,982	$ 2,273

Ranges of discount rates for lease liabilities are as follow:

	December 31, 2023	December 31, 2022
Buildings	1.52%-1.98%	1.08%-1.93%

(3) Material leases and terms

The Company leases buildings for the use of retail stores with a lease term of 1–6 years. Upon the termination of the lease period, the Company has no bargain purchase option for leased buildings. In addition, according to the agreement, unless the consent of the lessor is obtained, the Company shall not sublease or transfer all or a portion of the lease subject matter to others.

(4) Information on other leases

For agreements concluded by the Company to rent out private investment property under operating leases, see Note 15.

	2023	2022
Expenses relating to short-term leases	$ 5,863	$ 6,790
Total cash outflow of lease	$ 14,044	$ 14,245

The Company leases certain building leases which qualify as short-term leases. The Company has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

15. Investment property

	2023	2022
Cost		
Balance at the beginning of the year	$ 257,532	$ 257,532
From property, plant and equipment	311,059	-
Balance at end of the year	$ 568,591	$ 257,532
Accumulated depreciation and impairment		
Balance at the beginning of the year	$ 110,688	$ 107,424
Depreciation expense	3,771	3,264
From property, plant and equipment	59,642	-
Balance at end of the year	$ 174,101	$ 110,688
Net amount at beginning of the year	$ 146,844	$ 150,108
Net amount at end of the year	$ 394,490	$ 146,844

Investment properties are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	3–55 years

The operating lease payments receivable for the lease out of investment property is as follows:

	December 31, 2023	December 31, 2022
Year 1	$ 35,686	$ 27,135
Year 2	31,044	8,035
Year 3	26,532	5,000
Year 4	24,839	2,063
Year 5	23,906	-
Over 5 years	62,249	-
	$ 202,256	$ 42,233

The fair value of the investment property was evaluated by independent appraiser but had been evaluated by the management of the Company based on market evidences of similar real property transaction prices. The fair value obtained from the valuation is as follows:

	December 31, 2023	December 31, 2022
Fair value	$ 1,599,861	$ 1,288,174

All investment properties of the Company are own equities. Please see Note 28 for the amount of investment property used by the Company pledged as collaterals.

16. Intangible assets

Computer software

	2023	2022
Cost		
Balance at the beginning of the year	$ 151,625	$ 72,261
Separate acquisition	4,587	79,364
Disposals	(102,046)	-
Balance at end of the year	$ 54,166	$ 151,625
Accumulated amortization and impairment		
Balance at the beginning of the year	$ 46,327	$ 4,858
Amortization expenses	30,314	29,986
Disposals	(51,280)	-
Impairment loss	27,198	11,483
Balance at end of the year	$ 52,559	$ 46,327
Net amount at end of the year	$ 1,607	$ 105,298

For 2022, the management expects the recoverable amount of certain intangible assets to fall below the carrying amount. As a result, an impairment loss of NT$11,483 thousand was recognized. The impairment loss was recognized in other profits and losses. The Company adopts the value of use as the recoverable amount at a discount rate of 9.3%.

For 2023, the management expects a decrease in the future cash inflows from certain intangible assets, causing their recoverable amount to become 0. As a result, an impairment loss of NT$27,198 thousand was recognized in 2023. The impairment loss was recognized in other profits and losses.

Intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Computer software	1–5 years

17. Borrowings

(1) Short-term borrowings

	December 31, 2023	December 31, 2022
Secured borrowings (Note 28)		
Secured borrowings of bank	$ 162,500	$ 650,000
Unsecured borrowings		
Credit borrowings of bank	12,500	-
	$ 175,000	$ 650,000
Annual interest rate		
Secured borrowings of bank	1.860%-2.050%	1.860%-2.000%
Credit borrowings of bank	1.960%	-

(2) Short-term notes and bills payable

	December 31, 2023	December 31, 2022
Commercial papers payable	$ 65,000	$ 550,000
Less: Short-term notes and bills payable discount	(49)	(506)
	$ 64,951	$ 549,494
Discount rate	1.938%-1.988%	1.908%-1.938%

(3) Long-term borrowings

	December 31, 2023	December 31, 2022
Secured borrowings (Note 28)		
Bank borrowings	$ 300,000	$ -
Less: Portion listed as maturing within 1 year	(60,000)	-
Long-term borrowings	$ 240,000	$ -
Annual interest rate		
Secured borrowings of bank	1.990%	-

On March 17, 2023, the Company acquired a new bank loan of NT$300,000 thousand. The loan was issued for three installments, with each installment equaling 12 months. 20% of the principal will be repaid for each of the first two installments, and 60% of the principal will be repaid for the third installment. After issuance of the loan, its price is subject to negotiation every 3 months, with interest paid quarterly. According to the requirements of the loan notice, the borrowing amount should be checked against the following financial ratios based on the consolidated annual or semi-annual financial statements:

(A) Current ratio (current assets/current liabilities) ≧ 100%;

(B) Financial liabilities ratio (financial liabilities/shareholders' equity) ≦ 80%;

(C) Shareholders' equity ≧ NT$2 billion.

18. Liability provision

	December 31, 2023	December 31, 2022
Current		
Compensation expense	$ -	$ 228

	2023	2022
Balance at the beginning of the year	$ 228	$ -
Newly added amount in the current year	(228)	228
Balance at end of the year	$ -	$ 228

19. Retirement benefits plan

(1) Defined contribution plans

The pension system of the "Labor Pension Act" is applicable to the Company, belonging to the affirmed appropriation of pension plan under the management of the government, and pension is appropriated at the rate of 6% of the monthly salary of employees into the personal dedicated account of the Bureau of Labor Insurance.

The pension expenses recognized by the Company in 2023 and 2022 were NT$8,818 thousand and NT$8,066 thousand respectively.

(2) Defined benefit plans

The Company has labor pension system as defined benefit plans under the Labor Standards Act of R.O.C. The payment of the employee pension is made based on an employee's length of service and average monthly salary for the six-month period prior to retirement approved. The Company contributes an amount equal to 2% of salaries paid each month to the employee respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the balance in the Funds is assessed. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees qualified with retirement requirements in the next year, the Company is required to make up the difference all at once with one appropriation, which is required to be made before the end of March of next year. The Funds are operated and managed by the government's designated authorities. Accordingly, the Company does not have any right to intervene in the investments of the Funds.

The amount of defined benefit plans recognized in the unconsolidated balance sheets is as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	$ 19,314	$ 24,419
Fair value of plan assets	(13,692)	(13,508)
Net defined benefit liabilities	$ 5,622	$ 10,911

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2022	$ 30,199	($ 19,621)	$ 10,578
Service cost			
Current service costs	851	-	851
Interest expense (income)	227	(150)	77
Recognized in profit or loss	1,078	(150)	928
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	-	(2,881)	(2,881)
Actuarial gain- changes in financial assumptions	(1,223)	-	(1,223)
Actuarial loss – experience adjustments	4,970	-	4,970
Recognized in other comprehensive income (loss)	3,747	(2,881)	866
Contributions from employer	-	(1,461)	(1,461)
Benefits paid	(10,605)	10,605	-
December 31, 2022	$ 24,419	($ 13,508)	$ 10,911
January 1, 2023	$ 24,419	($ 13,508)	$ 10,911
Service cost			
Current service costs	924	-	924
Interest expense (income)	342	(199)	143
Recognized in profit or loss	1,266	(199)	1,067
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	-	(116)	(116)
Actuarial gain- changes in financial assumptions	153	-	153
Actuarial loss – experience adjustments	(926)	-	(926)
Recognized in other comprehensive income (loss)	(773)	(116)	(889)
Contributions from employer	-	(1,052)	(1,052)
Benefits paid	(1,183)	1,183	-
Paid by the Company	(4,415)	-	(4,415)
December 31, 2023	$ 19,314	($ 13,692)	$ 5,622

Due to the defined benefit plans under the Labor Standards Act of R.O.C. the Company is exposed to the following risks:

A. Investment risk: The pension funds are invested in domestic and foreign equity securities, debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds' designated authorities or under the mandated management. However, the distributable amount of plan assets of the Company shall not be less than the return calculated by the average interest rate on a two-year time deposit published by the local banks.
B. Interest risk: A decrease in the government bond and corporate bond interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will increase as well. The two will be partially offset on net defined benefit liabilities
C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As a result, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of the Company are carried out by qualified actuaries. The principal assumptions are as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.30%	1.40%
Expected salary increase rate	1.00%	1.00%

If reasonably likely changes respectively occur in the principal assumptions and all other assumptions are held constant, the amount of present value of the defined benefit obligation is increased or decreased as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.250%	($ 389)	($ 480)
Decrease by 0.250%	$ 401	$ 495
Expected salary increase rate		
Increase by 0.250%	$ 391	$ 480
Decrease by 0.250%	($ 381)	($ 468)

The sensitivity analysis presented above may not reflect the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2023	December 31, 2022
Contributions expected in one year	$ 1,051	$ 1,461
Average maturity of defined benefit obligation	8 years	9 years

20. Equity

(1) Share capital

Common stock

	December 31, 2023	December 31, 2022
Number of shares authorized (in thousands)	550,000	550,000
Authorized capital	$ 5,500,000	$ 5,500,000
Issued and paid shares (in thousands)	189,942	189,942
Shares issued	$ 1,899,419	$ 1,899,419

Fully paid ordinary shares, which have a par value of NT$ 10, carry one vote per share and carry a right to dividends.

(2) Retained earnings and dividend policy

Surplus earning distribution policy under the Company's Articles of Incorporation states that when allocating earnings, the Company shall pay the tax, offset its losses, set aside its legal capital reserve at ten percent of the retained earnings, and then set aside or reverse special capital reserve in accordance with relevant laws or regulations; if there are earnings left, along with accumulated unappropriated surplus, the board of directors shall propose the surplus earning distribution for the shareholders' meeting to determine the allocation of dividends and bonus. For the policy of distribution of the remuneration for employees, directors and supervisors in the Articles of Incorporation, see "(5) Remuneration for employees and directors" in Note 22.

The business environment of the Company is in a mature and stable industry. Based on the consideration of the factors of the profitability, future operation plan capital demand and environmental change of the industry of the Company, along with the consideration of the long-term shareholders' interests and long-term financial plan of the Company, the dividend distribution proposal of the Company is planned. Dividends are distributed in cash or shares, and the cash dividends distributed each year shall not be lower than 20% of the total amount of dividends distributed in that year.

Legal capital reserve shall be set aside until its balance equals the full amount of the paid-in capital. Legal reserve may be used to offset a deficit. When the Company has no deficit, the portion in excess of 25% of the paid-in capital may be used to distributed as dividends in stocks or cash.

According to the letters and decrees issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Company should appropriate or reverse to a special reserve.

At the general shareholders' meetings held on June 28, 2023 and June 29, 2022, the proposals for distribution of earnings in 2022 and 2021 were approved as follows:

	2022	2021
Legal reserve	$ 10,548	$ 9,657
Cash dividends	$ 70,278	$ 66,480
Cash dividend per share (NTD)	$ 0.37	$ 0.35

On March 13, 2024, the Board of Directors proposed distribution of earnings in 2023 as follows:

	2023
Cash dividends	$ 37,988
Cash dividend per share (NTD)	$ 0.20

The proposal for distribution of the earnings in 2023 will be subject to a resolution of a general shareholders' meeting scheduled to be held on June 19, 2024.

(3) Other equity items

	Exchange differences on translation of financial statements of foreign operations	Unrealized (loss) profit on financial assets measured at fair value through other comprehensive income	Total
2023			
Balance at the beginning of the year	($ 95,261)	$ 392,413	$ 297,152
Unrealized profit or loss on financial assets measured at fair value through other comprehensive income	-	18,438	18,438
Share of other comprehensive income of associates accounted for using the equity method	5,769	(1,032)	4,737
Balance at end of the year	($ 89,492)	$ 409,819	$ 320,327
2022			
Balance at the beginning of the year	($ 104,843)	$ 421,490	$ 316,647
Unrealized profit or loss on financial assets measured at fair value through other comprehensive income	-	(29,077)	(29,077)
Share of other comprehensive income of associates accounted for using the equity method	9,582	-	9,582
Balance at end of the year	($ 95,261)	$ 392,413	$ 297,152

21. Income

	2023	2022
Revenue from contracts with customers		
Net revenue from sales of goods	$ 1,122,624	$ 1,065,510

(1) Statements of contracts with customers

Please refer to Note 4 Summary of Significant Accounting Policies

(2) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	$ 221,933	$ 345,579	$ 313,039
Contract liabilities			
Product sales	$ 42,041	$ 16,985	$ 18,747

For the notes and accounts receivable, see Note 9.

The change of the contract liabilities was mainly due to the difference between the time when the contract performance was satisfied and the time when the customer payment was made. Except for the above, there were no material changes.

(3) Statements of revenue from contracts with customers

For the details of revenue, see Statement 9.

22. Net profit (loss)

(1) Other income

	2023	2022
Dividend income	$ 31,257	$ 55,462
Rental income	33,099	31,792
Other income	32,058	11,878
	$ 96,414	$ 99,132

(2) Other profits and losses

	2023	2022
Net profit on disposal of investment property	$ 1,664	$ 1,620
Net loss on disposal of property, plant and equipment	(12,466)	(9)
Net loss on disposal of intangible assets	(50,766)	-
Impairment loss (Notes 13, 14 and 16)	(27,198)	(33,570)
(Loss) Profit on foreign currency exchange	(2,352)	7,676
Profit on compensatory (expense) reversal	(2,275)	60,802
Other expenses	(5,847)	(6,389)
	($ 99,240)	$ 30,130

(3) Depreciation and amortization

	2023	2022
Property, plant and equipment	$ 29,737	$ 29,670
Investment property	3,771	3,264
Right-of-use assets	6,632	7,477
Intangible assets	30,314	29,986
	$ 70,454	$ 70,397
An analysis of depreciation by function		
Operating cost	$ 2,833	$ 3,764
Operating expenses	33,536	33,383
Non-operating expenses	3,771	3,264
	$ 40,140	$ 40,411
An analysis of amortization by function		
Operating cost	$ 357	$ 357
Operating expenses	29,957	29,629
	$ 30,314	$ 29,986

(4) Employee benefit expense

	2023	2022
Short-term employee benefits	$ 259,081	$ 221,302
Post-employment benefits		
Defined contribution plans	8,818	8,066
Defined benefit plans	1,067	928
Total employee benefit expense	$ 268,966	$ 230,296
An analysis of employee benefits expense by function		
Operating cost	$ 81,090	$ 66,217
Operating expenses	187,876	164,079
	$ 268,966	$ 230,296

(5) Remuneration of employees and directors

From the pre-tax profit in the current year before subtracting the remuneration distributed to employees and directors, the Company allocates no less than 0.1% and no more than 1% as the remuneration for employees and directors.

The estimated remuneration for employees and directors in 2022 was approved by the Board of Directors on March 10, 2023, respectively, as follows:

Estimated percentage

	2022
Remuneration for employees	1.50%
Remuneration for directors	1.00%

Amount

	2022
Remuneration for employees	$ 1,636
Remuneration for directors	1,091

Any change in the amount after the date of approval and publication of the annual unconsolidated financial report is treated as a change in accounting estimates and will be adjusted to be accounted for in the next year.

There was no difference between the actually distributed amounts of the remuneration for employees and directors in 2022 and 2021 and the amounts recognized in the unconsolidated financial reports of 2022 and 2021.

In 2023, due to pre-tax losses, there was no estimation of the remuneration for employees and directors.

For information about the remuneration for employees and directors as approved by the Board of Directors, visit the “Market Observation Post System” of the Taiwan Stock Exchange (MOPS).

23. Income tax

(1) Income tax recognized in profit/loss

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

	2023	2022
Pre-tax net profit (loss)	($ 69,476)	$ 106,351
Pre-tax profit/loss calculated at the statutory tax rate (20%)	($ 13,895)	$ 21,270
Income tax effects of adjustments		
Dividend income with tax exemption	(6,251)	(11,092)
Share of subsidiaries accounted for using the equity method	(245)	1,863
Other	(326)	(320)
Unrecognized temporary differences	2,944	(14,593)
Unrecognized loss carryforwards	17,773	2,872
Income tax expense recognized in profit or loss	$ -	$ -

(2) Changes in deferred income tax liabilities

2023

Deferred income tax liabilities	Balance at the beginning of the year	Recognized in profit or loss	Paid in the current year	Balance at end of the year
Temporary differences				
Unrealized land value increment tax	$ 80,889	$ -	$ -	$ 80,889

2022

Deferred income tax liabilities	Balance at the beginning of the year	Recognized in profit or loss	Paid in the current year	Balance at end of the year
Temporary differences				
Unrealized land value increment tax	$ 80,889	$ -	$ -	$ 80,889

(3) Unused loss carryforwards and material, deductible temporary differences of deferred income tax assets not recognized in the unconsolidated balance sheet

	December 31, 2023	December 31, 2022
Loss carryforwards	$ 747,738	$ 690,127
Deductible temporary differences		
Inventory valuation losses	$ 103,547	$ 119,194
Impairment loss	27,198	33,570
Total	$ 130,745	$ 152,764

(4) Relevant information on unused loss carryforwards

Legal Basis	Deductible item	Total deductible amount	Undeducted balance amount	Year of final deduction
Income tax act	Loss carryforwards	$ 60,365	$ 60,365	2026
		30,905	30,905	2027
		72,692	72,692	2028
		174,937	174,937	2029
		125,536	125,536	2030
		225,692	225,692	2031
		57,611	57,611	2033
		$ 747,738	$ 747,738	

(5) Income tax examination

The return of the Company's income tax calculated up until 2020 was approved by the tax authority.

24. Earnings (Losses) per share

Unit: NT$ per share

	2023	2022 (after restatement)
Basic earnings (losses) per share		
From continuing operations	($ 0.35)	$ 0.52
From discontinued operations	(0.02)	0.04
Total basic earnings (losses) per share	($ 0.37)	$ 0.56
Diluted earnings (losses) per share		
From continuing operations	($ 0.35)	$ 0.52
From discontinued operations	(0.02)	0.04
Total diluted earnings (losses) per share	($ 0.37)	$ 0.56

The net profit (loss) and the weighted average number of common shares used for calculation of earnings/losses per share are as follows:

Net profit (loss) for the year

	2023	2022 (after restatement)
Net profit (loss) used for calculation of the basic earnings (losses) per share of continuing operations	($ 66,197)	$ 98,447
Plus: Net profit (loss) used for calculation of the basic earnings per share of discontinued operations	(3,279)	7,904
Net profit (loss) attributable to the Company	($ 69,476)	$ 106,351

No. of shares

Unit: In thousand shares

	2023	2022
Weighted average number of ordinary shares in computation of basic earnings per share	189,942	189,942
Effect of potentially dilutive ordinary shares:		
Remuneration for employees	-	137
Weighted average number of ordinary shares in computation of diluted earnings per share	189,942	190,079

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. The dilutive effect of the potential common shares is taken into account when calculating the diluted EPS before a resolution is adopted on the number of shares distributable as the remuneration for employees in the next year. In 2023, however, the Company recorded a net loss with an anti-dilutive effect, which was therefore not included in the calculation of the diluted losses per share.

25. Capital risk management

The Company's capital structure consists of borrowings and equities (including capital stock, retained earnings and other equity) of the Company.

The key management of the Company reviews its capital structure periodically, including the consideration on costs of every type of capital and relevant risks. Based on the key management's advice, the Company balances its overall capital structure through new debt issuance or debt repayment, etc.

26. Financial instruments

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

The carrying amount of the financial instruments not measured at fair values of the Company is a reasonable similar value of fair value.

(2) Information on fair value – financial instruments measured at fair value

A. Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Financial assets measured at fair value through other comprehensive income				
Equity instrument investment				
- Domestic listed/OTC stocks	$ 620,619	$ -	$ -	$ 620,619
- Domestic non-listed/non-OTC stocks	-	-	284,762	284,762
Total	$ 620,619	$ -	$ 284,762	$ 905,381
December 31, 2022				
Financial assets measured at fair value through other comprehensive income				
Equity instrument investment				
- Domestic listed/OTC stocks	$ 584,079	$ -	$ -	$ 584,079
- Domestic non-listed/non-OTC stocks	-	-	302,864	302,864
Total	$ 584,079	$ -	$ 302,864	$ 886,943

There was no transfer of fair value measurement between Level 1 and Level 2 in 2023 and 2022.

B. Reconciliation of Level 3 fair value measurements on financial instruments

Financial assets – equity instruments	Financial assets measured at fair value through other comprehensive income 2023	2022
Balance at the beginning of the year	$ 302,864	$ 289,511
Recognized in other comprehensive income (loss)	(18,102)	13,353
Balance at end of the year	$ 284,762	$ 302,864

C. Fair value valuation technique and assumption adopted to measure fair value

(A) For financial assets and financial liabilities of standard terms and conditions and traded in the active market, their fair values are determined based on the market price respectively.

(B) Valuation techniques and input value used in Level 3 fair value measurement: Domestic unlisted TWSE (TPEx) equity investment adopts the equity method, and according to the cash flow discount method, the current value of the expected gain from such investment is calculated. Significant unobservable inputs are as follows. When the dividend growth rate increases, discount rate and control premium decreases, the fair value of the investment increases.

	December 31, 2023	December 31, 2022
Discount rate	12.41%	12.28%
Liquidity discount	10.00%	10.00%

If the reasonable and possible alternative assumptions are to be reflected such that the following inputs are changed, then under the condition where other inputs are remained unchanged, the amount of the equity investment fair value increased (decreased) is as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 1%	($ 14,013)	($ 13,487)
Decrease by 1%	$ 87,087	$ 96,994

(3) Type of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
financial assets measured at amortized cost (Note 1)	$ 626,412	$ 918,140
Financial assets measured at fair value through other comprehensive income – Equity instrument investment	905,381	886,943
Financial liabilities		
measured at amortized cost (Note 2)	669,478	1,529,609

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables and deposits paid.

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term borrowings, short-term notes and bills payable, notes and accounts payable, other payables, long-term borrowings (including those maturing within 1 year) and deposits received.

(4) Financial risk management objectives and policies

The Company's financial risk management objective is to manage market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk associated with operating activities of the Company. To reduce relevant financial risks, the Company is dedicated to identifying, assessing and avoiding market uncertainty, in order to reduce potential adverse impact of market change on the financial performance of the Company.

For the important financial activities of the Company, the board of directors establish and approve the handling procedures, and designated senior personnel regularly or irregularly assess the management procedure, organizational structure, transaction process, and determine whether there is any abnormality, in order to assign responsible unit for handling according to the nature of business.

A. Market risk

(A) Foreign exchange risk

The Company's sales and purchase transactions are denominated in foreign currency, which exposes the Company to foreign currency risk. The Company establishes dedicated staff to monitor exchange rate change at all time, in order to adjust the fund position of the Company and to reduce the impact of exchange rate change on the profit or loss of the Company to the minimum. Please refer to Note 30 for Information on the foreign currency assets and liabilities with significant exchange rate fluctuation impacts of the Company.

The sensitivity analysis for foreign exchange risks mainly focuses on the calculation of the monetary items of the primary foreign currency (USD) of the Company on the balance sheet date. When USD appreciates/depreciates by 5%, the effects on the Company's pre-tax profits/losses in 2023 and 2022 are listed respectively as follows:

	2023	2022
Appreciated by 5%	$ 8,474	$ 4,393
Depreciated by 5%	($ 8,474)	($ 4,393)

(B) Interest rate risk

The carrying accounts of financial assets and liabilities of the Company exposed to interest rate risk at the date of balance sheet are as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
Financial assets	$ 147,384	$ 76,775
Financial liabilities	136,549	824,516
Cash flow interest rate risk		
Financial assets	154,040	48,840
Financial liabilities	420,000	385,000

The Company engages in long-term cooperation with banks closely, and obtains preferable interest rate terms through assistance of the banks, and the loan interest rate can be adjusted flexibly. Accordingly, change of interest rate has material impact on the Company.

Regarding the interest rate risk sensitivity analysis, the financial assets and liabilities of floating interest rate on the balance sheet date are used for the calculation. When the annual interest rate increases/decreases by 10 basis points (0.1%), the effects on the Company's pre-tax profits/losses in 2023 and 2022 are listed respectively as follows:

	2023	2022
Interest rate increase by 0.1%	($ 266)	($ 336)
Interest rate decrease by 0.1%	$ 266	$ 336

(C) Other price risk

The Company invests in various financial assets of domestic and foreign public stocks and beneficiary certificates such that the Company is exposed to price risk arising from such investments. The Company has established real-time monitoring mechanism; therefore, it is expected to not subject to material price risk.

Regarding the aforementioned investment price risk sensitivity analysis, the financial assets measured at the fair value on the balance sheet date are used for the calculation. When the market price increases/decreases by 5%, the effects on the Company's other comprehensive income are listed as follows:

	2023	2022
Other comprehensive income (loss)		
Profit/(loss)	$ 45,269	$ 44,347

B. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Since the Company's transaction counterparties or other parties are financial institutions and companies or organizations of excellent credit rating, and there is no obvious concentration of credit risk, it is expected to have no material credit risk.

C. Liquidity risk

The Company mainly utilizes short-term financing method to cope with the working capital demands. Since the Company has established appropriate cash flow control mechanism, the Group is not exposed to liquidity risk and financing to meet the contractual obligations.

The domestic and foreign public company stocks invested by the Company have active market, such that they are expected to be sold swiftly in the market at price close to the fair value. Accordingly, there is no material liquidity risk. The emerging stocks invested by the Company have no active market, such that they are expected to have relatively higher material liquidity risk.

Table of liquidity and interest rate risks of non-derivative financial liabilities

The analysis of maturity of the remaining contracts of non-derivative financial liabilities is prepared based on the earliest date when the Company is likely to be required to make repayment and the undiscounted cash flow of financial liabilities. Non-derivative financial liabilities maturity analysis is prepared according to the repayment date agreed.

December 31, 2023

	Request for payment on sight or shorter than 1 month	1–3 months	3 months–1 year	1–5 years	Total
Non-derivative financial liabilities					
Variable interest rate assets	$ 50,000	$ 110,000	$ 20,000	$ 240,000	$ 420,000
Fixed interest rate instruments	119,951	-	-	-	119,951
	$ 169,951	$ 110,000	$ 20,000	$ 240,000	$ 539,951

December 31, 2022

	Request for payment on sight or shorter than 1 month	1–3 months	3 months–1 year	1–5 years	Total
Non-derivative financial liabilities					
Variable interest rate assets	$ 55,000	$ 60,000	$ 270,000	$ -	$ 385,000
Fixed interest rate instruments	399,802	414,692	-	-	814,494
	$ 454,802	$ 474,692	$ 270,000	$ -	$ 1,199,494

The information regarding analysis of the maturity of the total undiscounted amount of lease liabilities is as follows:

	Request for payment on sight or shorter than 1 month	1–3 months	3 months–1 year	1–5 years	Over 5 years
December 31, 2023					
Lease liabilities	$ 433	$ 866	$ 3,596	$ 10,584	$ 1,974
December 31, 2022					
Lease liabilities	$ 376	$ 818	$ 6,627	$ 2,292	$ -

27. Transaction with Related Parties

The following are material transactions between the Company and related parties:

(1) Names of related parties and their relationship

Names of related parties	Relationship with the Company
Tai Yuen Textile Co., Ltd.	Parent company of the Company
Diamond Hosiery & Thread Co., Ltd.	Investor having material impact
Yung Hsin Investment Co., Ltd.	Investor having material impact
China Motor Corporation	Other related parties
Yulon Motor Co., Ltd.	Other related parties
Yulon Nissan Motor Co., Ltd.	Other related parties
Empower Motors Co., Ltd.	Other related parties
Yushin Motor Co., Ltd.	Other related parties
Luxgen Motor Co., Ltd.	Other related parties
Luxgen Taichung Motor Co., Ltd.	Other related parties
Luxgen Tainan Motor Co., Ltd.	Other related parties
Luxgen Kaohsiung Motor Co., Ltd.	Other related parties
MG Motor Taiwan Co., Ltd.	Other related parties
Ching-Tong Motor Co., Ltd.	Other related parties
Fortune Motors Co., Ltd.	Other related parties
Shung Ye Motor Co., Ltd.	Other related parties
Shung Chang Motor Co., Ltd.	Other related parties
Yuan Long Motor Co., Ltd.	Other related parties
Yuan Chi Motor Co., Ltd.	Other related parties
Carplus Auto Leasing Corporation	Other related parties
Yufong Property Management Co., Ltd.	Other related parties
Yulon Construction Co., Ltd.	Other related parties
Yuee Pong Business Co., Ltd.	Other related parties
Yulon Business Management Co., Ltd.	Other related parties
Fortune Enterprises Co., Ltd.	Other related parties
Shi Mu Co., Ltd.	Other related parties
Jia-Yuan Investment Co., Ltd.	Subsidiaries
Carnival International Co., Ltd.	Subsidiaries
Wuxi Hujia Garment Co., Ltd.	Subsidiaries
LI-YUEN GARMENT CO., LTD	Subsidiaries

(2) Operating revenue

Type of related party	2023	2022
Parent company	$ 2,539	$ 2,939
Other related parties	17,764	5,696
	$ 20,303	$ 8,635

(3) Purchase

Type of related party	2023	2022
Parent company	$ 188	$ 2,298
Subsidiaries	2,309	14,660
	$ 2,497	$ 16,958

(4) Receivables from related parties

Type of related party	December 31, 2023	December 31, 2022
Parent company	$ 59	$ 1,325
Other related parties	1,116	109
Subsidiaries	706	1,575
	$ 1,881	$ 3,009

(5) Payable to related parties

Type of related party	December 31, 2023	December 31, 2022
Parent company	$ -	$ 2
Investor having material impact	-	2
Other related parties	1,066	119
Subsidiaries	-	15,039
	$ 1,066	$ 15,162

(6) Operating expenses

Type of related party	2023	2022
Parent company	$ -	$ 1,387
Investor having material impact	435	65
Other related parties	5,730	4,276
Subsidiaries	2	1
	$ 6,167	$ 5,729

Transaction prices and loan payment periods between the Company and related parties are appropriate to the terms for non-related parties.

(7) Non-operating income

Accounts	Type of related party	2023	2022
Rental income	Investor having material impact	$ 57	$ 57
	Subsidiaries	57	57
		$ 114	$ 114
Miscellaneous income	Other related parties	$ -	$ 1

For any lease contract between the Company and a related party, the rent is negotiated based on the market price according to general payment terms.

Regarding the deferred profits from the sale of investment property by the Company to the subsidiary Wuxi Hujia Garment Co., Ltd. in previous years, the realized profits on deferred disposal in 2023 and 2022 were NT$1,664 thousand and NT$1,620 thousand, respectively (accounted for as net profits on disposal of investment property).

(8) Property, plant and equipment acquired

Type of related party	Proceeds from acquisition 2023	2022
Other related parties	$ 636	$ -

(9) Lease agreement

Type of related party	2023	2022
Acquisition of right-of-use assets		
Other related parties		
Yulon Motor Co., Ltd.	$ 14,961	$ -

Accounts	Type of related party	December 31, 2023	December 31, 2022
Lease liabilities	Other related parties		
	Yulon Motor Co., Ltd.	$ 14,325	$ -

Interest expense	2023	2022
Other related parties		
Yulon Motor Co., Ltd.	$ 73	$ -

For any lease contract between the Company and a related party, the rent is negotiated based on the market price according to general payment terms.

(10) Remuneration for key management

	2023	2022
Short-term employee benefits	$ 16,343	$ 17,130
Post-employment benefits	580	524
	$ 16,923	$ 17,654

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

28. Pledged Assets

The following assets have been provided as securities for financing loans, performance guarantee and import tariff, etc.:

	December 31, 2023	December 31, 2022
Financial assets measured at fair value through other comprehensive income	$ 608,030	$ 572,650
Net property, plant and equipment	506,834	434,702
Net investment property	159,459	145,224
Refundable deposits	40,524	70,442
	$ 1,314,847	$ 1,223,018

29. Significant Contingent Liabilities and Unrecognized Commitments

The Company's significant contingent liabilities and unrecognized contract comments are as follows:

The guaranteed notes issued by the Company as securities for financial institution financing and customs import are as follows:

	December 31, 2023	December 31, 2022
	$ 2,300,000	$ 2,200,000

30. Information on Foreign-currency-denominated Assets and Liabilities

The following information is summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed are used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	Foreign currency	Exchange rate	Carrying Amount
Foreign currency assets			
Monetary item			
USD	$ 5,520	30.705 (USD : TWD)	$ 169,484
Investment accounted for under the equity method			
USD	23,491	30.705 (USD : TWD)	721,303

December 31, 2022

	Foreign currency	Exchange rate	Carrying Amount
Foreign currency assets			
Monetary item			
USD	$ 2,861	30.71 (USD : TWD)	$ 87,860
Investment accounted for under the equity method			
USD	28,375	30.71 (USD : TWD)	871,387

The (realized and unrealized) net profits (losses) on foreign currency exchange of the Company in 2023 and 2022 were NT$(2,352) thousand and NT$7,676 thousand, respectively. Due to a great number of functional currencies used for foreign currency transactions and by entities under the group, it is not possible to disclose the profit/loss on exchange of each foreign currency with significant effect.

31. <u>Note Disclosures</u>

(1) Information about significant transactions and (II) investees

A. Funds loaned to others. (None)

B. Endorsements/guarantees to others. (None)

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint venture equities). (Table 1)

D. Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

E. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

F. Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

G. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

I. Trading in derivative instruments. (None)

J. Information on investees. (Table 2)

(2) Information on investments in Mainland China:

A. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 3)

B. The following material transactions with the investee companies in Mainland China directly or indirectly through a third area, and the prices, payment terms and unrealized profits/losses of such transactions: (Note 27)

(A) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

(B) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(C) The amount of property transactions and the amount of the resultant gains or losses.

(D) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

(E) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

(F) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(3) Information on major shareholders: names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity. (Table 4)

32. <u>Segment Information</u>

The Company has disclosed the segment information of 2023 and 2022 in the consolidated financial report. Please see the 2023 consolidated financial report of the Company.

Carnival Industrial Corp., Ltd. and Subsidiaries
Marketable securities held at end of the period
December 31, 2023

Table 1

Unit: NT$ thousand

Holding company	Type and name of securities (Note 1)	Relationship with issuer	Financial Statement Account	End of period				Remarks
				Unit: In thousand units / thousand shares	Carrying Amount	Shareholding percentage (%)	Fair value	
Carnival Industrial Corporation	Common stock							
	The Shanghai Commercial & Savings Bank	—	Financial assets measured at fair value through other comprehensive income – current	13,259	$ 620,165	0.30	$ 620,165	Note 2
	Taiwan Mobile Co., Ltd.	—	〃	1	454	-	454	
	PREFERRED BANK	—	Financial assets measured at fair value through other comprehensive income – non-current	9	-	0.06	-	
	Dah Chung Bills Finance Corp.	—	〃	34,740	284,762	7.52	284,762	
	Zowie Technology Corp.	—	〃	6	-	-	-	
	Asia Pacific Industry and Commerce Alliance Corp.	—	〃	21	-	-	-	
	Preferred stock							
	Aetas Technology Inc.	—	Financial assets measured at fair value through other comprehensive income – non-current	46	-	-	-	
Jia-Yuan Investment Co., Ltd.	Beneficiary certificate							
	Hua Nan Multi-Assets Balanced Income Fund – Cumulative	—	Financial assets measured at fair value through profit or loss – current	928	14,962	-	14,962	
	Allianz Global Investors All Seasons Return Fund of Bond Funds	—	〃	1,295	19,951	-	19,951	
	Common stock					-		
	Yulon Motor Co., Ltd.	Other related parties	Financial assets measured at fair value through other comprehensive income – current	100	7,480	0.01	7,480	
BVI Carnival Universal Corporation	Stock							
	APRICUS BIOSCIENCES INC.	—	Financial assets measured at fair value through other comprehensive income – non-current	3	-	-	-	

Note 1: For information related to investments in subsidiaries and associates, see Tables 2 and 3.
Note 2: 13,000 thousand shares of the total shares are pledged. Please refer to Note 28.

Carnival Industrial Corp., Ltd. and Subsidiaries
Information on investees, location and other relevant information
January 1 to December 31, 2023

Table 2

Unit: NTD thousand, unless otherwise specified

Name of investor	Name of investee	Location	Main business items	Original Investment Amount		End of Term Holding			Current profit (loss) of investee company (Note 2)	Profit (loss) on investments recognized in the current period (Note 2)	Remarks
				End of the current period (Note 1)	End of the previous year (Note 1)	Thousand shares	Ratio (%)	Carrying Amount (Note 1)			
Carnival Industrial Corporation	Carnival International Industrial Corporation	British Virgin Islands	General trade and investment	$ 667,834 (US$21,750 thousand)	$ 818,288 (US$26,650 thousand)	21,750	100	$ 657,569	($ 10,769)	($ 10,769)	(Note 6)
	BVI Carnival Overseas Corporation	British Virgin Islands	General trade and investment	61,410 (US$2,000 thousand)	61,410 (US$2,000 thousand)	2,000	100	(7,523)	(1,168)	(1,168)	
	Jia-Yuan Investment Co., Ltd.	Taiwan	General investment	100,000	100,000	10,000	100	90,559	1,225	1,225	
	BVI Carnival Universal Corporation	British Virgin Islands	General trade and investment	864,499 (US$28,155 thousand)	864,499 (US$28,155 thousand)	28,155	100	71,257	16,898	16,898	
	PHILMOSA GARMENTS	Philippines	Real estate lease	26,339 (PHP$47,500 thousand)	26,339 (PHP$47,500 thousand)	4,750	47.50	1,515	(1,369)	(650)	
BVI Carnival Overseas Corporation	GRAND MANILA	Philippines	Real estate lease	461 (US$15 thousand)	461 (US$15 thousand)	4	39.97	2,515 (US$82 thousand)	-	-	
	CARNIPHIL INDUSTRIES	Philippines	Real estate lease	74,275 (US$2,419 thousand)	74,275 (US$2,419 thousand)	625	48.86	1,590 (US$52 thousand)	(252) (US$8 thousand)	(123) (US$4 thousand)	(Note 3)
	CARNIVAL HOLDINGS	Philippines	General investment	177,229 (US$5,772 thousand)	177,229 (US$5,772 thousand)	525	100	(22,932) (US$747 thousand)	(927) (US$30 thousand)	(927) (US$30 thousand)	
BVI Carnival Universal Corporation	LI-YUEN GARMENT	Vietnam	Garment manufacturing	- -	598,748 (US$19,500 thousand)	-	-	-	(1,446) (US$47 thousand)	(1,446) (US$47 thousand)	(Note 5)
CARNIVAL HOLDINGS	MAXPHIL INDUSTRIES	Philippines	Real estate lease	22,179 (PHP$39,999 thousand)	22,179 (PHP$39,999 thousand)	400	99.99	(349) (PHP$629 thousand)	-	-	(Note 3)
	PHILMOSA GARMENTS	Philippines	Real estate lease	29,111 (PHP$52,500 thousand)	29,111 (PHP$52,500 thousand)	5,250	52.50	1,675 (PHP$3,020 thousand)	(1,369) (PHP$2,446 thousand)	(719) (PHP$1,284 thousand)	
	CARNIPHIL INDUSTRIES	Philippines	Real estate lease	36,292 (PHP$65,450 thousand)	36,292 (PHP$65,450 thousand)	655	51.14	1,664 (PHP$3,001 thousand)	(252) (PHP$450 thousand)	(129) (PHP$230 thousand)	(Note 3)
PHILMOSA GARMENTS	TRANS-ORIENT REALTY AND DEVELOPMENT	Philippines	Real estate lease	776 (PHP$1,400 thousand)	776 (PHP$1,400 thousand)	14	39.99	1,813 (PHP$3,270 thousand)	(18) (PHP$32 thousand)	(7) (PHP$13 thousand)	

Note 1: Conversions are made according to the exchange rates of US$1=NT$30.705 and PHP$1=NT$0.5545 at the end of December 2023.

Note 2: Conversions are made according to the average exchange rates of US$1=NT$31.155 and PHP$1=NT$0.5598 during the period from January 1 to December 31, 2023.

Note 3: MAXPHIL INDUSTRIES and CARNIPHIL INDUSTRIES remained under liquidation processes as of December 31, 2023.

Note 4: Except for GRAND MANILA and TRANS-ORIENT REALTY AND DEVELOPMENT, the aforementioned companies have been written off during the preparation of the consolidated financial report.

Note 5: The subsidiary was sold in September 2023. For details, see Note 28 to the consolidated financial report.

Note 6: On November 24, 2023, the subsidiary returned US$4,900 thousand of share payments after capital reduction.

Note 7: For information related to the investees in Mainland China, see Table 3.

Carnival Industrial Corp., Ltd. and Subsidiaries
Information on investments in Mainland China
January 1 to December 31, 2023

Table 3

Unit: NTD thousand, unless otherwise specified

Name of investee in Mainland China	Main business items	Paid-in capital (Note 1)	Investment method	Accumulated amount of investments remitted from Taiwan at beginning of the current period (Note 1)	Outward remittance or repatriation of investment amount at beginning of the current period		Accumulated amount of investments remitted from Taiwan at end of the current period (Note 1)	Current profit (loss) of investee company (Notes 2 and 3)	The Company's shareholding in direct or indirect investments (%)	Profit (Loss) on investments recognized in the current period (Notes 2 and 3)	Carrying amount of investments at end of the period (Notes 1 and 3)	Accumulated repatriation of investment income as of end of current period	Remarks
					Outward remittance	Repatriation (Note 1)							
Wuxi Hujia Garment Co., Ltd.	Garment manufacturing	$ 899,657 (US$29,300 thousand)	Investment in Mainland China companies through a company invested and established in a third region (Note 4)	$ 230,165 (US$7,496 thousand)	$ -	$ 150,455 (US$4,900 thousand)	$ 79,710 (US$2,596 thousand)	($ 5,949) (US$191 thousand)	100	($5,949) (US$191 thousand)	$ 495,714 (US$16,144 thousand)	$ -	Notes 7 and 10
Carnival International Co., Ltd.	Garment wholesale and retail	709,321 (RMB$163,929 thousand)	Investment in Mainland China companies through a company invested and established in a third region (Note 4)	164,272 (US$5,350 thousand)	-	-	164,272 (US$5,350 thousand)	(11,392) (US$366 thousand)	100	(11,392) (US$366 thousand)	489,417 (US$15,939 thousand)	-	Note 8
Dezhou Yuanmao Textile Co., Ltd.	Garment manufacturing	(Note 9)	Investment in Mainland China companies through a company invested and established in a third region (Note 4)	168,878 (US$5,500 thousand)	-	-	168,878 (US$5,500 thousand)	-	(Note 9)	-	-	-	
Taiji Industry Co., Ltd.	Curtain fabric and textile machinery	(Note 5)	Investment in Mainland China companies through a company invested and established in a third region	107,468 (US$3,500 thousand)	-	-	107,468 (US$3,500 thousand)	-	(Note 5)	-	-	-	
Wuxi Xinyu Apparel Corporation	Garment manufacturing	(Note 6)	Investment in Mainland China companies through a company invested and established in a third region	56,497 (US$1,840 thousand)	-	-	56,497 (US$1,840 thousand)	-	(Note 6)	-	-	-	

Accumulated amount of investments remitted from Taiwan to Mainland China at end of the current period (Notes 1 and 10)	Amount of investments approved by the Investment Commission, MOEA (Note 10)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$576,825 (US$18,786 thousand)	$1,846,456	$1,553,386

Note 1: Conversions are made according to the exchange rates of US$1=NT$30.705 and RMB$1=NT$4.327 at the end of December 2023.

Note 2: Conversions are made according to the average exchange rates of US$1=NT$31.155 during the period from January 1 to December 31, 2023.

Note 3: Calculation is made in accordance with reports audited by the CPA from the parent company.

Note 4: The investor of third region is Carnival International Industrial Corporation.

Note 5: The entirety has been sold by the end of September 2010.

Note 6: Liquidation has been made in July 2008.

Note 7: Including the sum of the current investment profit/loss and the carrying value of investment at end of the period of Carnival International Co., Ltd.

Note 8: It refers to the total of the investment profit or loss of the current period and investment carrying value at end of the period of Carnival International Industrial Corporation and Wuxi Hujia Garment Co., Ltd.

Note 9: The entirety has been sold in April 2020.

Note 10: The amount was approved by Jing-Shou-Shen-Zi No. 11256142880 dated January 17, 2024. The subsidiary completed capital reduction by US$4,900 thousand on October 10, 2023, and returned share payments to BVI Carnival International Industrial Corporation, an investee in a third region, on November 1, 2023.

Carnival Industrial Corp., Ltd.
Information on major shareholders
December 31, 2023

Table 4

Name of major shareholder	Shares	
	Number of shares held	Shareholding (%)
Diamond Hosiery & Thread Co., Ltd.	22,680,379	11.94%
Yang, Yung-Wei	13,968,958	7.35%
Chang, Hung-Ming	10,209,000	5.37%

Note 1: The information of major shareholders in this table is based on data in which the total number of common and preferred shares held by a shareholder which have been registered and delivered on a non-physical basis (including treasury shares) by the shareholding company on the final business day at the end of the current quarter, as calculated by the Taiwan Depository and Clearing Corporation, equals or exceeds 5%. The share capital recorded in the Company’s unconsolidated financial report may differ from the actual number of shares registered and delivered on a non-physical basis due to different bases of preparation and calculation.

Note 2: According to the information above, any shareholder who places shares under trust is disclosed as the individual sub-account of the trustor under the trust account opened by the trustee. In accordance with the Security Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, including their own shares and their delivery to the trust, and have the right to make decisions on the trust property. Information on insider equity is available on the MOPS.

§INDEX OF SIGNIFICANT ACCOUNT STATEMENTS§

Carnival Industrial Corp., Ltd.
Statement of cash and cash equivalents
December 31, 2023

Statement 1

Unit: NTD thousand, unless otherwise specified

Name	Maturity date	Interest rate	Amount
Cash on hand			$ 60
Penny cash			428
Bank deposits			
Checking accounts			47,486
Demand deposits (Note 1)			154,040
Sub-total			201,526
Time deposits			
CTBC Bank - CTBC Head Office (Note 2)	March 1, 2024	5.40%	147,384
Total			$ 349,398

Note 1: Including NT$131,971 thousand, US$691 thousand, HK$69 thousand, JPY$97 thousand, RMB$4 thousand and EUR$16 thousand, respectively converted at the exchange rates of US$1＝NT$30.705, HK$1＝NT$3.929, JPY$1＝NT$0.2172, RMB$1＝NT$4.327 and EUR$1＝NT$33.98.

Note 2: Including US$4,800 thousand, converted at the exchange rate of US$1＝NT$30.705.

Carnival Industrial Corp., Ltd.
Statement of changes in financial assets measured at fair value through other comprehensive income
2023

Statement 2 Unit: NT$ thousand

Financial product name	Balance at the beginning of the year		Increase (decrease) in current period		Unrealized (loss) profit on financial products measured at fair value through other comprehensive income	Balance at end of the year	
	Thousand shares	Amount	Thousand shares	Amount		Thousand shares (Note 2)	Amount (Note 1)
Stock							
Current							
Shanghai Commercial Bank	13,259	$ 584,079	-	$ -	$ 36,086	13,259	$ 620,165
Taiwan Mobile (Note 3)	-	-	1	-	454	1	454
Non-current							
Dah Chung Bills Finance Corp.	34,740	302,864	-	-	(18,102)	34,740	284,762
Total		$ 886,943		$ -	$ 18,438		$ 905,381

Note 1: Calculated based on the stock closing price on December 31, 2023.
Note 2: 13,000 thousand shares held by Shanghai Commercial Bank at the end of the period are pledged. Please refer to Note 28.
Note 3: The originally held shares of Taiwan Star were acquired by Taiwan Mobile in 2023 through a merger of Taiwan Star into Taiwan Mobile.

Carnival Industrial Corp., Ltd.
Statement of accounts receivable
December 31, 2023

Statement 3 Unit: NT$ thousand

Customer name	Amount
Accounts Receivable	
Company A	$ 99,532
Company B	33,771
Company C	30,672
Other (Note)	59,335
	223,310
Less: allowance for impairment	(1,486)
	$ 221,824

Note: The amount of individual customer does not exceed 5% of the account balance.

Carnival Industrial Corp., Ltd.
Statement of inventories
December 31, 2023

Statement 4 Unit: NT$ thousand

Item	Amount	
	Cost	Net realizable value
Finished goods	$ 163,583	$ 74,246
Work in process	1,255	1,255
Raw materials	54,394	40,184
Sub-total	219,232	$ 115,685
Less: Allowance for devaluation loss (Note)	(103,547)	
Total	$ 115,685	

Note: The allowances for the devaluation losses of inventories are NT$89,337 thousand for finished goods and NT$14,210 thousand for raw materials.

Carnival Industrial Corp., Ltd.
Statement of changes in long-term equity investments accounted for using the equity method
2023

Statement 5 | Unit: NT$ thousand

Investee	Balance at the beginning of the year: Thousand shares	Balance at the beginning of the year: Amount	Increase (decrease) in the current year (Note 3): Thousand shares	Increase (decrease) in the current year (Note 3): Amount	Share of profit (loss) of subsidiaries accounted for using equity method	Other adjustments (Note 1)	Balance at end of the year: Thousand shares	Balance at end of the year: Shareholding (%)	Balance at end of the year: Amount
Non-public company									
Carnival International Industrial Corporation	26,650	$ 835,458	(4,900)	($ 154,732)	($ 10,769)	($ 12,388)	21,750	100%	$ 657,569
BVI Carnival Universal Corporation	28,155	35,929	-	-	16,898	18,430	28,155	100%	71,257
Jia-Yuan Investment Co., Ltd.	10,000	90,366	-	-	1,225	(1,032)	10,000	100%	90,559
PHILMOSA GARMENTS	4,750	2,120	-	-	(650)	45	4,750	47.50%	1,515
Sub-total		963,873		(154,732)	6,704	5,055	-		820,900
BVI Carnival Overseas Corporation (Note 2)	2,000	(6,037)	-	-	(1,168)	(318)	2,000	100%	(7,523)
Total		$ 957,836		($ 154,732)	$ 5,536	$ 4,737			$ 813,377

Note 1: Including the exchange differences on translation of the financial statements of foreign operations recognized in the financial reports of investee companies.
Note 2: The balance of equity investment loans reclassified under other non-current liabilities.
Note 3: In 2023, BVI Carnival International Industrial Corporation reduced its capital and returned share payments of NT$154,732 thousand.

Carnival Industrial Corp., Ltd.
Statement of short-term borrowings
December 31, 2023

Statement 6 Unit: NT$ thousand

Name	Loan period	Annual interest rate (%)	Balance at end of the year	Financing limit	Mortgaged or secured
Short-term borrowings					
Bangkok Bank Public Company Limited	October 20, 2023 to April 12, 2024	1.990	$ 20,000	$ 30,000	Yes
Far Eastern Bank (Note)	December 1, 2023 to February 23, 2024	1.860	43,750	250,000	Yes
Far Eastern Bank (Note)	December 1, 2023 to February 23, 2024	1.960	6,250	250,000	None
Far Eastern Bank (Note)	November 10, 2023 to February 2, 2024	1.860	43,750	250,000	Yes
Far Eastern Bank (Note)	November 10, 2023 to February 2, 2024	1.960	6,250	250,000	None
Hua Nan Commercial Trust	October 6, 2023 to January 5, 2024	2.050	20,000	40,000	Yes
Mega International Commercial Bank	October 20, 2023 to January 2, 2024	1.985	35,000	35,000	Yes
Total			$ 175,000		

Note: A total financing limit of NT$250,000 thousand was used for borrowings from Far Eastern Bank.

Carnival Industrial Corp., Ltd.
Statement of long-term borrowings
December 31, 2023

Statement 7

Unit: NT$ thousand

Name	Method of repayment	Contract period	Annual interest rate (%)	Balance at end of the year			Financing limit	Mortgaged or secured
				Maturing within one year	Maturing after one year	Total		
Long-term borrowings								
CTBC Bank	20% of the principal will be repaid for each of the first two installments, and 60% of the principal will be repaid for the third installment, with interest paid quarterly.	March 17, 2023 to March 17, 2026	1.990	$ 60,000	$ 240,000	$ 300,000	$ 300,000	Yes

Carnival Industrial Corp., Ltd.
Statement of short-term notes payable
December 31, 2023

Statement 8 Unit: NT$ thousand

Name	Loan period	Discount rate (%)	Principle	Amount after discount
Ta Ching Bills Finance Corporation	October 20, 2023 to January 12, 2024	1.988	$ 30,000	$ 29,984
China Bills Finance Corporation	December 1, 2023 to January 26, 2024	1.938	25,000	24,977
Dah Chung Bills Finance Corp.	December 29, 2023 to January 26, 2024	1.958	10,000	9,990
Total			$ 65,000	$ 64,951

Carnival Industrial Corp., Ltd.
Statement of net operating revenue
2023

Statement 9 Unit: NT$ thousand

Item	Quantity (thousand PCS)	Amount
Brand		
Garment of own brand	83	$ 181,885
Group uniform	118	129,888
Other	4	385
		312,158
Military	1496	768,009
Hybrid store	63	42,457
		$ 1,122,624

Carnival Industrial Corp., Ltd.
Statement of operating cost
2023

Statement 10 Unit: NT$ thousand

Item	Amount
Raw material at beginning of the year	$ 31,618
Plus: Purchase in the current year	62,705
Less: Sales of raw materials in the current year	2,276
Raw material at end of the year	54,394
Direct material consumption	37,653
Production overheads	73,637
Production cost	111,290
Plus: Work in process at beginning of the year	32,424
Less: Work in process at end of the year	1,255
Finished goods cost	142,459
Plus: Finished goods inventory at beginning of the year	514,847
Purchase of finished goods inventory	307,325
Sales of raw materials	2,276
Less: Inventory profit	1,310
Profit on recovery of inventory devaluation	15,645
Inventory obsolescence	2
Operating expenses recognized	2,335
Finished goods inventory at end of the year	163,583
	$ 784,032

Carnival Industrial Corp., Ltd.
Statement of Operating Expenses
2023

Statement 11

Unit: NT$ thousand

Item	Selling and marketing expenses	Administrative expenses	R&D budget invested	Expected credit Impairment loss	Total
Wages and pensions	$ 121,533	$ 41,926	$ 1,822	$ -	$ 165,281
Depreciation and amortization	41,179	22,216	98	-	63,493
Sales booth commission fee	38,721	-	-	-	38,721
Shipping cost	16,867	25	29	-	16,921
Labor expense	9,165	7,494	-	-	16,659
Other (Note)	73,892	20,771	409	835	95,907
	$ 301,357	$ 92,432	$ 2,358	$ 835	$ 396,982

Note: All amounts do not exceed 5% of the account balance.

Carnival Industrial Corp., Ltd.
Summary statement of employee benefits, depreciation and amortization expenses by function of current period
January 1 to December 31, 2023 and 2022

Statement 12 Unit: NT$ thousand

	2023			2022		
	Classified as operating cost	Classified as operating expense	Total	Classified as operating cost	Classified as operating expense	Total
Employee benefit expense						
Salary expense	$ 67,187	$ 157,130	$ 224,317	$ 54,170	$ 133,926	$ 188,096
Labor and health insurance expense	6,856	14,931	21,787	5,628	13,811	19,439
Pension expense	1,734	8,151	9,885	1,548	7,446	8,994
Remuneration for directors	-	4,278	4,278	-	4,096	4,096
Other employee benefit expenses	5,313	3,386	8,699	4,871	4,800	9,671
	$ 81,090	$ 187,876	$ 268,966	$ 66,217	$ 164,079	$ 230,296
Depreciation expense	$ 2,833	$ 33,536	$ 36,369	$ 3,764	$ 33,383	$ 37,147
Amortization expenses	$ 357	$ 29,957	$ 30,314	$ 357	$ 29,629	$ 29,986

Notes:

1. The numbers of employees in the current and previous years are 340 and 332 respectively, and the numbers of non-employee directors are 5 and 6 respectively.
2. (1) The average employee benefit expenses of the current year were NT$790 thousand and NT$694 thousand respectively. ([Total employee benefit expense] - Total remuneration of directors / Total number of employees in the current year - Number of non-employee directors)
   (2) The average employee salary expenses of the current year were NT$670 thousand and NT$577 thousand respectively. (Total salary expense/Number of employees - Number of non-employee directors)
   (3) The average employee salary expenses of the current year increased by 16% from the previous year. (Average employee salary expense of the current year - Average employee salary expense of last year / Average employee salary expense of last year)
3. Salary and remuneration policy:
   (1) The Company's remuneration of directors is handled in accordance with Article 22 of the Articles of Incorporation. If the Company makes a profit in the year, no more than 1% of the profit shall be set aside as remuneration of directors for that year. According to the Company's "Compensation Measures for Directors," the Remuneration Committee takes into account the performance of the entire board of directors, the Company's operating performance, future operations, and the risk appetite, and submit proposal on the distribution. After the board of directors approve the proposal and submits to the shareholders' meeting. Once approved, earnings are distributed equally to general directors.
   (2) The policy for the Company's remuneration to the general manager and vice general manager is determined by the "Remuneration Committee." Remuneration is paid based on the evaluation of the Company's policy and the position's salary level in the industry market, duties in the Company as well as the contribution to the Company's operational objectives. The procedures for determination of remuneration are based on the "Regulations Governing the Remuneration to Directors" and the "Regulations Governing Evaluation of the Performance of Managers" for evaluation. The procedures not only take into account the Company's overall operating performance and future operational risks and trends of development in the industry, but also consider the rate of achievement of personal performance and personal contribution to the Company's performance in order to provide reasonable remuneration. The relevant performance evaluations and the reasonableness of remuneration are reviewed and approved by the Remuneration Committee and the Board of Directors, and the remuneration system is also reviewed from time to time according to the actual status of operations and the applicable laws in order to ensure a balance between the Company's sustainable management and risk control.
   (3) The remuneration of employees include monthly salary issued and the compensation issued by the Company according to the earning status of the year. The Company determines the total amount of the performance bonus and compensation according to the business outcome of the Company and domestic industrial issuance level. The amount received by each employee depends upon one's job title, contribution and performance at work.