

**LI-CHENG ENTERPRISE CO., LTD
AND SUBSIDIARIES**

Consolidated Financial Statements for the Year
Ended December 31, 2023 and 2022 and
Independent Auditors' Report

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DECLARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the consolidated financial statements of affiliates of Li-Cheng Enterprise Co., Ltd for the year ended December 31, 2023, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Wah Lee Industrial Corporation and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,
Li-Cheng Enterprise Co., Ltd
By

Wenyao Hong
Chairman
March 11, 2024

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Li-Cheng Enterprise Co.,Ltd:

Opinion

We have audited the consolidated financial statements of Li-Cheng Enterprise Co.,Ltd and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(14) "Revenue" and Note 6(19) of the consolidated financial statements for accounting policies on revenue recognition and revenue recognition, respectively.

Description of key audit matter:

Some of the sales of the Group need to provide discounts to customers based on the agreement of the contract. The company has the estimation series of the management authority of the limited company for the above matters is a deduction of revenue. Therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Group.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principle audit procedures included testing the internal control system for revenue recognition of the financial statements, analyzing there is any major abnormality in a change in customers between the current year and the prior year, and checking relevant customer sales and contract terms and testing profit. The consistency of accounting treatment related to the sales terms of the business of the Group.

2. Inventory valuation

Please refer to Note 4(8) "Accounting policies", Note 5 "Uncertainty of accounting estimates and assumptions", and Note 6(5) "Related disclosures for inventory valuation".

Description of key audit matter:

The Group's inventories are measured at the lower of cost and net realizable value. However, the cost of inventory might exceed its net realizable value due to the rapid advancement in technology. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include assessing the Group's allowance on inventory according to its characteristics, including conducting sampling test to examine accuracy of inventory aging; assessing the Group's inventory decline or rationality of debt ratio; examining accuracy of allowance on inventory for past years, and comparing with this period, in order to assess whether estimation method for this period is presented fairly.

3. Impairment of long-term non-financial assets (excluding goodwill)

Refer to Note 4(13) "Impairment of nonfinancial assets", Note 5 "Critical accounting judgments and key sources of estimation and assumption uncertainty", and Note 6(7) "Impairment-non-financial assets of estimation" of the consolidated financial statements.

Description of key audit matter:

The Group operates in an industry with high investment costs, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term non-financial assets. The impairment assessment includes identifying cash-generating units, determining a valuation model, determining those significant assumptions, and computing the recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding the assumptions used, impairment assessment one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included assessing whether there are impairment indications for the identified cash-generating units of the Group and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; In addition to the above audit procedures, we have appointed specialists to evaluate the appropriateness of the weighted-average cost of capital used and related assumptions; We also performed an inquiry of the management and identified any event after the balance sheet date to determine whether it is able to affect the results of the impairment assessment.

The Group's has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chang, Tzu-Hsin and Chen, Cheng-Hsueh.

KPMG
Taipei, Taiwan (Republic of China)
March 11, 2024

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
LI-CHENG ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Balance Sheets

DECEMBER 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2023</u>		<u>December 31, 2022</u>				<u>December 31, 2023</u>		<u>December 31, 2022</u>	
Assets:		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	Liabilities and Equity		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 609,810	13	402,732	8	2100	Short-term borrowings (Note 6(11) and 8)	\$ 458,030	10	444,670	9
1120	Current financial assets at fair value through other comprehensive income (Note 6(2))	490	-	541	-	2151	Notes payable	11,361	-	31,007	1
1150	Notes receivable, net (Note 6(3))	15,420	-	26,197	1	2170	Accounts payable	18,483	-	12,895	-
1170	Accounts receivable, net (Note 6(3))	137,333	3	265,614	5	2200	Other payables	82,002	2	110,271	2
1200	Other receivables (Note 6(4))	5,873	-	26,032	1	2280	Current lease liabilities (Note 6(14))	8,109	-	15,288	1
1220	Current tax assets	2,082	-	463	-	2300	Other current liabilities (Note 6(12))	3,654	-	7,311	-
1310	Inventories (Note 6(5))	230,182	5	266,349	5	2320	Long-term borrowings, current portion (Note 6(13) and 8)	202,646	4	209,379	4
1470	Total other current assets(Note 6(10))	28,787	1	52,457	1			784,285	16	830,821	17
		1,029,977	22	1,040,385	21		Non-Current liabilities:				
	Non-current assets:					2540	Long-term borrowings (Note 6(13) and 8)	1,297,831	28	1,335,488	27
1550	Investments accounted for using equity method, net (Note 6(6))	19,870	-	20,477	-	2570	Deferred tax liabilities	2	-	4,031	-
1600	Property, plant and equipment (Note 6(7) and 8)	2,910,870	61	3,018,778	62	2580	Non-current lease liabilities (Note 6(14))	3,283	-	9,992	-
1755	Right-of-use assets (Note 6(8))	196,393	4	216,182	5	2640	Net defined benefit liability	3,235	-	4,861	-
1780	Intangible assets (Note 6(9))	1,107	-	1,329	-	2670	Other non-current liabilities, others	22,989	-	23,666	1
1840	Deferred tax assets (Note 6(16))	211,198	4	214,364	4			1,327,340	28	1,378,038	28
1915	Prepayments for business facilities	175,546	4	121,654	3		Total liabilities	2,111,625	44	2,208,859	45
1920	Guarantee deposits paid	8,728	-	44,327	1		Equity :(Note 6(17))				
1960	Non-current prepayments for investments	-	-	12,188	-	3100	Common stock	1,726,773	36	1,726,773	35
1984	Other non-current financial assets, others (Note 8)	215,435	5	215,470	4	3200	Capital surplus	42,859	1	42,859	1
1990	Other non-current assets	1,160	-	1,160	-	3300	Retained earnings	868,160	19	908,736	19
		3,740,307	78	3,865,929	79	3400	Other equity interest	20,574	-	19,087	-
							Total equity attributable to owners of parent:	2,658,366	56	2,697,455	55
						36xx	Non-controlling interests	293	-	-	-
							Total equity	2,658,659	56	2,697,455	55
Total assets		\$ 4,770,284	100	4,906,314	100		Total liabilities and equity	\$ 4,770,284	100	4,906,314	100

Chairman: Wenyao Hong

Manager: Wenyao Hong

Account Manager: CHANG-CI CHEN

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
LI-CHENG ENTERPRISE CO.,LTD AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(19))	\$ 1,292,108	100	1,398,219	100
5000	Operating costs (Note 6(5) 、(15) and (20))	<u>1,059,891</u>	<u>82</u>	<u>1,274,049</u>	<u>91</u>
	Gross profit from operations	<u>232,217</u>	<u>18</u>	<u>124,170</u>	<u>9</u>
	Operating expenses (Note 6(15) and (20)):				
6100	Selling expenses	66,900	5	128,826	9
6200	Administrative expenses	175,522	14	133,302	10
6300	Research and development expenses	15,958	1	16,585	1
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (Note 6(3))	<u>(4,135)</u>	<u>-</u>	<u>4,048</u>	<u>-</u>
	Net operating loss	<u>254,245</u>	<u>20</u>	<u>282,761</u>	<u>20</u>
	Non-operating income and expenses:	<u>(22,028)</u>	<u>(2)</u>	<u>(158,591)</u>	<u>(11)</u>
7010	Other income (Note 6(21))	3,833	-	4,090	-
7020	Other gains and losses (Note 6(21))	(5,550)	-	118,275	9
7050	Finance costs (Note 6(21))	(33,994)	(2)	(27,967)	(2)
7060	Share of losses of associates accounted for using equity method (Note 6(16))	(1,661)	-	1,426	-
7100	Interest income (Note 6(21))	<u>16,589</u>	<u>1</u>	<u>5,057</u>	<u>-</u>
		<u>(20,783)</u>	<u>(1)</u>	<u>100,881</u>	<u>7</u>
7900	Loss before income tax	(42,811)	(3)	(57,710)	(4)
7950	Less: Income tax expenses(benefit) (Note 6(16))	<u>(863)</u>	<u>-</u>	<u>21,771</u>	<u>2</u>
	Loss	<u>(41,948)</u>	<u>(3)</u>	<u>(79,481)</u>	<u>(6)</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit obligation (Note 6(15))	1,228	-	(1,069)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 6(17))	<u>(51)</u>	<u>-</u>	<u>(1,068)</u>	<u>-</u>
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,177</u>	<u>-</u>	<u>(2,137)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements (Note 6(17))	1,538	-	51,751	4
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,538</u>	<u>-</u>	<u>51,751</u>	<u>4</u>
8300	Other comprehensive income (loss) for the period,net of tax	<u>2,715</u>	<u>-</u>	<u>49,614</u>	<u>4</u>
8500	Total comprehensive income for the year	<u>\$ (39,233)</u>	<u>(3)</u>	<u>(29,867)</u>	<u>(2)</u>
	Profit (loss), attributable to:				
8610	Owners of parent	\$ (41,804)	(3)	(79,481)	(6)
8620	Non-controlling interests	<u>(144)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ (41,948)</u>	<u>(3)</u>	<u>(79,481)</u>	<u>(6)</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ (39,089)	(3)	(29,867)	(2)
8720	Non-controlling interests	<u>(144)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ (39,233)</u>	<u>(3)</u>	<u>(29,867)</u>	<u>(2)</u>
	Earnings per share(NT Dollars) (Note 6(18))				
9750	Basic earnings per share	<u>\$ (0.24)</u>	<u>(0.24)</u>	<u>(0.46)</u>	<u>(0.46)</u>

See accompanying notes to consolidated financial statements.

Chairman: Wen Yao Hong

Manager: Wen Yao Hong

Account Manager: Chang-Ci Chen

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LI-CHENG ENTERPRISE CO.,LTD AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

Equity attributable to owners of parent

	Equity attributable to owners of parent											
	Retained earnings						Other equity					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2022	\$ 1,726,773	42,859	359,040	50,631	615,486	1,025,157	(32,877)	(34,590)	(67,467)	2,727,322	-	2,727,322
Loss for the period	-	-	-	-	(79,481)	(79,481)	-	-	-	(79,481)	-	(79,481)
Other comprehensive income for the period	-	-	-	-	(1,069)	(1,069)	51,751	(1,068)	50,683	49,614	-	49,614
Total comprehensive income for the period	-	-	-	-	(80,550)	(80,550)	51,751	(1,068)	50,683	(29,867)	-	(29,867)
Appropriation and distribution of retained earnings:												
Special reserve	-	-	-	16,836	(16,836)	-	-	-	-	-	-	-
	-	-	-	16,836	(16,836)	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(35,871)	(35,871)	-	35,871	35,871	-	-	-
Balance at December 31, 2022	\$ 1,726,773	42,859	359,040	67,467	482,229	908,736	18,874	213	19,087	2,697,455	-	2,697,455
Balance at January 1, 2022	\$ 1,726,773	42,859	359,040	67,467	482,229	908,736	18,874	213	19,087	2,697,455	-	2,697,455
Loss for the period	-	-	-	-	(41,804)	(41,804)	-	-	-	(41,804)	-	(41,804)
Other comprehensive income for the period	-	-	-	-	1,228	1,228	1,538	(51)	1,487	2,715	(144)	2,571
Total comprehensive income for the period	-	-	-	-	(40,576)	(40,576)	1,538	(51)	1,487	(39,089)	(144)	(39,233)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	437	437
Balance at December 31, 2023	\$ 1,726,773	42,859	359,040	67,467	441,653	868,160	20,412	162	20,574	2,658,366	293	2,658,659

Chairman: Wenyao Hong**Manager: Wenyao Hong****Account Manager: Chang-Ci Chen**

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LI-CHENG ENTERPRISE CO.,LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Loss before tax	\$ (42,811)	(57,710)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	264,151	294,318
Amortization expense	712	1,125
Expected credit (gain)/ Provision for bad debt expense	(4,135)	4,048
Interest expense	33,994	27,967
Interest income	(16,589)	(5,057)
Dividend income	(28)	(66)
Share of profit of associates accounted for using equity method	1,661	(1,426)
Gain on disposal of property, plan and equipment	(102)	-
Property, plan and equipment transferred to expenses	-	100
Total adjustments to reconcile profit	279,664	321,009
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	10,777	(19,635)
Decrease (increase) in accounts receivable	132,416	(167,983)
Decrease (increase) in other receivable	20,090	(19,320)
Decrease in inventories	36,167	26,809
Decrease (increase) in prepayments	27,612	(28,307)
Decrease in other current assets	8,246	20,181
Total changes in operating assets	235,308	(188,255)
Changes in operating liabilities:		
(Decrease) increase in notes payable	(19,646)	18,183
Increase in accounts payable	5,588	5,040
(Decrease) increase in other payable	(20,453)	28,029
(Decrease) increase in other current liabilities	(3,657)	3,287
Decrease in other non-current liabilities	(677)	(1,997)
Decrease in net defined benefit liabilities	(398)	(432)
Total changes in operating liabilities	(39,243)	52,110
Total changes in operating assets and liabilities	196,065	(136,145)
Total adjustments	475,729	184,864
Cash inflow (outflow) generated from operations	432,918	127,154
Interest received	16,658	4,724
Dividends received	28	66
Interest paid	(34,112)	(27,553)
Income taxes paid	(1,619)	(242)
Net cash flows from operating activities	413,873	104,149
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(16,970)
Increase in prepayments for investments	-	(12,188)
Acquisition of property, plant and equipment	(128,726)	(241,934)
Proceeds from disposal of property, plant and equipment	876	-
Decrease in refundable deposits	35,599	41
Acquisition of intangible assets	(497)	(400)
Increase in prepayments for business facilities	(61,884)	(95,282)
Decrease (increase) in other non-current financial assets	35	(104,250)
Net cash flows used in investing activities	(154,597)	(470,983)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	15,000	290,670
Decrease in short-term borrowings	(1,640)	(146,110)
Proceeds from long-term borrowings	180,000	93,000
Repayments of long-term borrowings	(224,390)	(312,181)
Payment of lease liabilities	(23,263)	(30,374)
Change in non-controlling interests	437	-
Net cash flows used in financing activities	(53,856)	(104,995)
Effect of exchange rate changes on cash and cash equivalents	1,658	(5,203)
Net decrease in cash and cash equivalents	207,078	(477,032)
Cash and cash equivalents at beginning of period	402,732	879,764
Cash and cash equivalents at end of period	\$ 609,810	402,732

See accompanying notes to consolidated financial statements.

Chairman: Wen Yao Hong

Manager: Wen Yao Hong

Account Manager: Chang-Ci Chen

LI-CHENG ENTERPRISE CO., LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

LI-CHENG ENTERPRISE CO., LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 and 2022

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

1. GENERAL

Li-Cheng Enterprise Co., Ltd (the “Company”), formerly Li-Guan Enterprise Co., Ltd, was incorporated by the Ministry of Economic Affairs, R.O.C., on September 26, 1997. The current registered address is No. 5, Dougong 12th Rd., Douliu City, Yunlin County. In 2001, the Company merged with the former Li-Cheng Enterprise Co., Ltd and changed its name to Li-Cheng Enterprise Co., Ltd. The Company and its subsidiaries (the “Group”) are primarily engaged in the wholesale and retailing of fabric, garments, and accessories, spinning, weaving, and dyeing and finishing, etc. For details, please refer to Note 14.

The ordinary shares of the Company have been listed on the Taiwan Stock Exchange since December 16, 2011.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the Board of Directors on March 11, 2024.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The Group has initially adopted the following new amendments, which do not have a significant impact on the consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure Accounting Policy”·Amendment to IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets - Costs of Fulfilling a Contract."
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the following new amendments, which do not have a significant impact on the consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on the consolidated financial statements:

LI-CHENG ENTERPRISE CO., LTD AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current liabilities with covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liabilities in a Sale and Leaseback”

(3) IFRS accounting standards issued by IASB but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and Amendment to IFRS 17
- Amendments to IAS 21 “Lack of Exchangeability”

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the “Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the “IFRS accounting standards endorsed by the FSC”).

(2) Basis of preparation

A. Basis of measurement

Except for the following significant items, the consolidated financial statements have been prepared under the historical cost convention:

- a) Financial assets at fair value through profit or loss
- b) The defined benefit liabilities are measured at fair value of the plan assets less, the present value of the defined benefit obligation, limited as explained in note 4 (16).

B. Functional and presentation currency

The functional currency of each consolidated entity is determined based on the primary economic environment in which it operates. The consolidated financial statements are presented in New Taiwan Dollars (“NTD”), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

LI-CHENG ENTERPRISE CO., LTD AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Note
			December 31, 2023	December 31, 2022	
The Company	Time Leader Investments Ltd.	After-sales service	100%	100%	
The Company	Occupation North Trading Co., Ltd.	After-sales service	100%	100%	
The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Spinning, weaving, and dyeing and finishing	100%	100%	
The Company	Lilux Co., Ltd. (Lilux)	Wholesale of daily commodities	97.50%		- Note 1

Note 1: The Company invested in new establishment of Lilux. The Company acquired 97.5% of share of Lilux and controls over it.

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

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that

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date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- a) an investment in equity securities designated as of fair value through other comprehensive income;
- b) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- c) qualifying cash flow hedges to the extent that the hedges are effective.

B. Foreign operations

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

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

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

(5) Classification of current and non-current items

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- a) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is expected to be realized within twelve months after the reporting period; or
- d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent. An entity shall classify a liability as current when:

- a) It is expected to be settled in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after the reporting period; or
- d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

a) Financial assets measured at amortized cost

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

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

LI-CHENG ENTERPRISE CO., LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as of FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

c) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables, finance lease payments receivables, refundable deposit, and other financial assets) and contract assets.

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The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

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

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the

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estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

d) Derecognition of financial assets

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

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

B. Financial liabilities and equity instruments

a) Classification of debt or equity

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

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b) Equity instrument

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

c) Financial liabilities

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

d) Derecognition of financial liabilities

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

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

e) Offsetting of financial assets and liabilities

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

(8) Inventories

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

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

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

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

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

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

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

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

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

C. Depreciation

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

Land is not depreciated.

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

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- a. Buildings and structures 3-50 years
- b. Machinery and equipment 3-10 years
- c. Transportation equipment 2-5 years
- d. Office equipment 2-8 years
- e. The significant components of buildings and their estimated useful lives are as follows:

<u>Components</u>	<u>Estimated useful lives</u>
Buildings:	
Buildings / Plants	35-50 years
Water supply works	15 years
Drainage works	15 years
Others	3-10 years

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

(11) Leases

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

A. As a lessee

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

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

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

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

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- c) amounts expected to be payable under a residual value guarantee; and
- d) payments for purchase or termination options that are reasonably certain to be exercised.

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

- a) there is a change in future lease payments arising from the change in an index or rate; or
- b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- e) there is any lease modification

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

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

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

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

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B. As a lessor

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

(12) Intangible assets

A. Recognition and measurement

Except for goodwill, intangible assets are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

C. Amortization

Except for goodwill, amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Software 3-7 years

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

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment test of goodwill is implemented each year on a regular basis.

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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

(14) Revenue recognition

A. Revenue from contracts with customers

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

a) Sale of goods

The Group was engaged in the dyeing and finishing of textile fabric and sold to footwear manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers cash discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated cash discounts. The estimated of the amount of cash discount is based on contract, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Rebate are provided to customers by the Group for overdue delivery. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated freight charges. Accumulated experience is used to estimate the freight charges and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. As of the reporting date, all the payment of the freight charges paid under overdue delivery is recognized under return liabilities.

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

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b) Financing components

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

B. Contract costs

a) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

b) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

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(15) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest income on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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

C. Short-term employee benefits

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

(16) Income taxes

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

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

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities and their tax bases at the reporting date. Deferred taxes are recognized except for the following:

- A. the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, (i) affects neither accounting profit nor taxable profit(loss), and (ii) does not give rise to equal taxable and deductible temporary differences.;
- B. temporary differences related to investments in subsidiaries, associates, and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

- A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - a) the same taxable entity; or
 - b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(17) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit

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attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as the estimated of employee compensation.

(18) Segment information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When preparing these consolidated financial statements, management must make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from estimates.

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

The relevant information on uncertainty of estimates and assumptions that could result in significant risks that require a material adjustment to the carrying amount of assets and liabilities in the next fiscal year and already reflects the impacts resulting from the pandemic of Covid-19 is as follows:

A. Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumption as to future demand within a specific time horizon. Due to the future demand of different product, there may be significant changes in the net realizable value of inventories. Please refer to note 6(5) for further description on the valuation of inventories.

B. Impairment assessment on property, plant and equipment and intangible assets

In the process of evaluating the potential assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

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6. EXPLANATION OF MAJOR ACCOUNTING ITEMS

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash and cash on hand	\$ 541	544
Checking and demand deposits	547,859	263,993
Time deposits	61,410	138,195
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 609,810</u></u>	<u><u>402,732</u></u>

Please refer to note 6(22) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities.

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income - current		
Listed shares of domestic company - China Steel Corporation	<u><u>\$ 490</u></u>	<u><u>541</u></u>

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

On August 22, 2022, since the Group completed the conversion of the convertible bonds and had a significant impact on Dyecoo Textile Systems B.V., the additional acquisition cost of \$16,970 thousand in 2022 was reclassified from equity instruments measured at fair value through other comprehensive income to investments accounted for using the equity method. The fair value on reclassification was \$16,003 thousand and the cumulative valuation loss was \$35,871 thousand. The loss has been transferred to retained earnings.

The Group did not dispose any strategic investment in 2023, and the accumulated profits and losses during the period were not transferred in equity.

For credit risk and market risk, please refer to Note 6(22).

As of December 31, 2023 and 2022, the aforementioned financial assets were not pledged as collateral.

(3) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable - from operating activities	<u><u>\$ 15,420</u></u>	<u><u>26,197</u></u>

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Accounts receivable - measured at amortized cost	\$	138,611	271,027
Less: Loss allowance		(1,278)	(5,413)
	\$	137,333	265,614

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

December 31, 2023			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 139,970	0.50%	700
1 to 29 days past due	13,968	3.90%	545
30 to 60 days past due	74	20.27%	15
61 to 90 days past due	5	70.58%	4
More than 91 days past due	14	100%	14
	\$ 154,031		1,278

December 31, 2022			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 272,982	1.03%	2,859
1 to 29 days past due	23,616	8.66%	2,045
30 to 60 days past due	87	44.77%	38
61 to 90 days past due	518	86.84%	450
More than 91 days past due	21	100%	21
	\$ 297,224		5,413

The movement in the allowance for notes, accounts receivable was as follows:

	2023	2022
Balance at January 1	\$ 5,413	1,365
Impairment losses recognized (reversed)	(4,135)	4,048
Balance at December 31	\$ 1,278	5,413

As of December 31, 2023 and 2022, the aforementioned notes and accounts receivables were not pledged as collateral.

For further credit risk information, please refers to note 6(22).

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(4) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	<u>\$ 5,873</u>	<u>26,032</u>

For further credit risk information, please refers to note 6(22).

(5) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 49,392	56,918
Work in process	132,755	162,934
Finished goods	48,035	46,497
	<u>\$ 230,182</u>	<u>266,349</u>

The details of the cost of goods sold are as follows:

	2023	2022
Cost of goods sold	\$ 885,178	1,190,071
Provision for inventory devaluation loss (reversal gain)	18,346	(56,750)
Unallocated production overheads	116,642	108,736
Inventory scrap loss	43,757	35,942
Others	(4,032)	(3,950)
Total	<u>1,059,891</u>	<u>1,274,049</u>

As of December 31, 2023 and 2022, the Group's inventories were not pledged as collateral.

(6) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2023	December 31, 2022
Associates	<u>\$ 19,870</u>	<u>20,477</u>

A. Associates

As of December 31, 2023 and 2022, there is no public quoted prices of the investments in associates by the Group.

The Group has prepaid \$12,188 thousand for the payment for share of Lilux Co., Ltd. on December 15, 2022, and the establishment of the company has been approved on January 4, 2023. The Group implemented cash capital increase in Lilux Co., Ltd.

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amounting to \$4,874 thousand on December 6, 2023. The change of registration for the capital increase has been completed on December 12, 2023. After the capital increase, the total investment amount by the Group is \$17,062 thousand.

Litnertex Co., Ltd is under the liquidation procedures in December 2023.

On August 22, 2022, the fair value transferred from equity instruments measured at fair value through other comprehensive income or loss was \$16,003 thousand due to the Group had a significant impact on Dyecoo Textile Systems B.V.

The share of the profit or loss of the associates attributable to the Group for the years ended December 31, 2023 and 2022 was summarized as follow:

	2023	2022
Share of gains (losses) of associates	<u>\$ (1,661)</u>	<u>1,426</u>

Summarized financial information for investments in associates is as follows (before being adjusted in proportion to Group's percentage of ownership):

	112.12.31	111.12.31
Total assets	\$ 189,668	234,293
Total liabilities	(68,135)	(110,163)
	<u>\$ 121,533</u>	<u>124,130</u>

	2023	2022
Revenue	\$ 7,461	23,769
Net loss	<u>\$ (7,119)</u>	<u>(11,251)</u>

B. Collateral

As of December 31, 2023 and 2022, the Group's investments accounted for using equity method were not pledged as collateral.

(7) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2023 and 2022, were as follows:

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office and other equipment	Unfinished construction and equipment pending acceptance	Total
Cost:							
Balance at January 1, 2023	\$ 880,293	1,107,973	2,998,511	22,284	114,461	1,053,425	6,176,947
Additions	-	6,387	1,426	65	7,947	105,203	121,028
Disposals	-	(390)	-	(230)	(1,442)	-	(2,062)
Reclassification	-	249,646	26,556	-	-	(268,210)	7,992
Effect of changes in foreign exchange rates	-	-	-	(1)	-	(1,227)	(1,228)
Balance at December 31, 2023	<u>\$ 880,293</u>	<u>1,363,616</u>	<u>3,026,493</u>	<u>22,118</u>	<u>120,966</u>	<u>889,191</u>	<u>6,302,677</u>

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Balance at January 1, 2022	\$	880,293	1,088,645	2,871,926	20,836	96,619	930,138	5,888,457
Additions		-	7,606	12,223	548	18,396	197,990	236,763
Disposals		-	-	-	-	(1,522)	-	(1,522)
Reclassification		-	11,722	114,362	900	942	(110,430)	17,496
Effect of changes in foreign exchange rates		-	-	-	-	26	35,727	35,753
Balance at December 31, 2022	\$	880,293	1,107,973	2,998,511	22,284	114,461	1,053,425	6,176,947
Accumulated depreciation:								
Balance at January 1, 2023	\$	-	459,396	2,593,600	18,896	86,277	-	3,158,169
Depreciation		-	65,378	158,766	1,213	9,570	-	234,927
Disposals		-	(390)	-	(230)	(668)	-	(1,288)
Effect of changes in foreign exchange rates		-	-	-	(1)	-	-	(1)
Balance at December 31, 2023	\$	-	524,384	2,752,366	19,878	95,179	-	3,391,807
Balance at January 1, 2022	\$	-	401,868	2,400,045	17,796	81,504	-	2,901,213
Depreciation		-	57,528	193,555	1,100	6,279	-	258,462
Disposals		-	-	-	-	(1,522)	-	(1,522)
Effect of changes in foreign exchange rates		-	-	-	-	16	-	16
Balance at December 31, 2022	\$	-	459,396	2,593,600	18,896	86,277	-	3,158,169
Carrying amount:								
December 31, 2023	\$	880,293	839,232	274,127	2,240	25,787	889,191	2,910,870
January 1, 2022	\$	880,293	686,777	471,881	3,040	15,115	930,138	2,987,244
December 31, 2022	\$	880,293	648,577	404,911	3,388	28,184	1,053,425	3,018,778

A. Details of collateral for long-term borrowing and guaranteed financing, please refer to Note 8.

B. Impairment loss

As of December 31, 2023 and 2022, the Group implemented impairment test to the property, plant and equipment. After the assessment, there is no impairment loss shall be provided.

(8) Right-of-use assets

The Group leases land and buildings, etc. Information about leases for which the Group as a lessee was presented below:

		Land	Buildings and structures	Total
Cost				
Balance at January 1, 2023	\$	213,128	140,594	353,722
Additions		-	9,375	9,375
Effect of changes in foreign exchange rates		(35)	-	(35)
Balance at December 31, 2023	\$	213,093	149,969	363,062
Balance at January 1, 2022	\$	192,100	113,636	305,736
Additions		-	26,958	26,958
Effect of changes in foreign exchange rates		21,028	-	21,028
Balance at December 31, 2022	\$	213,128	140,594	353,722

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Accumulated depreciation:

Balance at January 1, 2023	\$	22,099	115,441	137,540
Depreciation		5,983	23,241	29,224
Effect of changes in foreign exchange rates		(95)	-	(95)
Balance at December 31, 2023	\$	27,987	138,682	166,669
Balance at January 1, 2022	\$	14,607	85,313	99,920
Depreciation		5,728	30,128	35,856
Effect of changes in foreign exchange rates		1,764	-	1,764
Balance at December 31, 2022	\$	22,099	115,441	137,540

Carrying amount:

December 31, 2023	\$	185,106	11,287	196,393
January 1, 2022	\$	177,493	28,323	205,816
December 31, 2022	\$	191,029	25,153	216,182

(9) Intangible assets

The costs and amortization of the intangible assets of the Group for the years ended December 31, 2023 and 2022 were as follows:

	<u>Software</u>
Costs:	
Balance at January 1, 2023	\$ 25,577
Separate acquisition	497
Effect of changes in foreign exchange rates	(7)
Balance at December 31, 2023	\$ 26,067
Balance at January 1, 2022	\$ 25,177
Separate acquisition	400
Balance at December 31, 2022	\$ 25,577
Accumulated amortization:	
Balance at January 1, 2023	\$ 24,248
Amortization for the year	712
Effect of changes in foreign exchange rates	-
Balance at December 31, 2023	\$ 24,960
Balance at January 1, 2022	\$ 23,123
Amortization for the year	1,125
Balance at December 31, 2022	\$ 24,248
Carrying value:	
Balance at December 31, 2023	\$ 1,107
Balance at January 1, 2022	\$ 2,054
Balance at December 31, 2022	\$ 1,329

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A. Amortization

The amortization of intangible assets is included in the statement of comprehensive income as follows:

	2023	2022
Operating cost	\$ 27	85
Operating expense	685	1,040
	<u>\$ 712</u>	<u>1,125</u>

B. Collateral

As of December 31, 2023 and 2022, the intangible assets of the Group were not pledged as collateral.

(10) Other current assets

The details of other current assets were as follows:

	December 31, 2023	December 31, 2022
Prepaid expenses	\$ 13,784	27,283
Prepayment for purchases	9,192	23,305
Others	5,811	1,869
	<u>\$ 28,787</u>	<u>52,457</u>

(11) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ 100,000	100,000
Secured bank loans	358,030	344,670
Total	<u>\$ 458,030</u>	<u>444,670</u>
Unused credit lines	<u>\$ 206,970</u>	<u>420,330</u>
Range of interest rates	<u>1.60%~1.89%</u>	<u>1.33%~1.46%</u>

As of December 31, 2023 and 2022, the assets pledged as collaterals for bank borrowings are disclosed in Note 8.

(12) Other current liabilities

The details of other current liabilities were as follows:

	December 31, 2023	December 31, 2022
Refund liabilities	\$ 1,317	2,259
Contract liabilities - unearned sales revenue	58	3,359
Receipts under custody	2,279	1,693
	<u>\$ 3,654</u>	<u>7,311</u>

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The refund liabilities are mainly the estimated amount of compensation due overdue delivery to customers.

(13) Long-term borrowings

The details of long-term borrowings were as follows:

December 31, 2023				
	Currenc	Range of	Expiration	Amount
	y	interest rates		
Secured bank loans	NTD	1.80%~2.19%	2024.4.1~2043.8.24	\$ 1,500,477
Less: Current portion				(202,646)
Total				<u><u>\$ 1,297,831</u></u>
Unused credit lines				<u><u>\$ 400,000</u></u>

December 31, 2022				
	Currenc	Range of	Expiration	Amount
	y	interest rates		
Secured bank loans	NTD	1.40%~1.92%	2024.4.1~2041.4.21	\$ 1,544,867
Less: Current portion				(209,379)
Total				<u><u>\$ 1,335,488</u></u>
Unused credit lines				<u><u>\$ 100,000</u></u>

As of December 31, 2023 and 2022, the assets pledged as collaterals for bank borrowings are disclosed in Note 8.

(14) Lease liabilities

The carrying value of lease liabilities was as follows:

	December 31, 2023	December 31, 2022
Current	<u><u>\$ 8,109</u></u>	<u><u>15,288</u></u>
Non-current	<u><u>\$ 3,283</u></u>	<u><u>9,992</u></u>

For the maturity analysis, please refer to note 6(22).

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	<u><u>\$ 202</u></u>	<u><u>272</u></u>
Expenses relating to short-term leases	<u><u>\$ 2,126</u></u>	<u><u>1,256</u></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u><u>\$ 460</u></u>	<u><u>450</u></u>

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The amounts recognized in the statement of cash flows for the Group was as follows:

	2023	2022
Total cash outflow for leases	\$ 26,051	32,352

As of December 31, 2023 and 2022, the Group leases buildings for plants, warehouses, and staff dormitory. The lease term of plant is 6 years and warehouses and staff dormitory is 1-3 years.

(15) Employee benefits

A. Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets for the years ended December 31, 2023 and 2022, were as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ 15,406	16,338
Fair value of plan asset	(12,171)	(11,477)
Net defined benefit liability	\$ 3,235	4,861

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for its employees upon retirement. The plans entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

a) Composition of plan assets

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

The Group's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to \$12,171 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets including the assets allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group for the years ended December 31, 2023 and 2022, were as follows:

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	For the years ended December 31	
	2023	2022
Defined benefit obligations at January 1	\$ 16,338	14,381
Current service costs and interest cost	188	73
- Actuarial losses (gains) arising from demographic assumptions	-	70
- Actuarial loss (gain) arising from changes in financial assumptions	(189)	(1,112)
- Experience adjustments	(931)	2,926
Defined benefit obligations at December 31	<u>\$ 15,406</u>	<u>16,338</u>

c) Movements in fair value of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for the years ended December 31, 2023 and 2022, were as follows:

	2023	2022
Fair value of plan assets at January 1	\$ 11,477	10,157
Interest income	134	53
- Actuarial loss (gain) arising from changes in financial assumptions	110	814
Contributions paid by the employer	450	453
Fair value of plan assets at December 31	<u>\$ 12,171</u>	<u>11,477</u>

d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2023 and 2022, were as follows:

	For the years ended December 31	
	2023	2022
Net interest of net liabilities for defined benefit obligations	<u>\$ 54</u>	<u>20</u>
Operating costs	\$ 44	16
Selling expenses	4	1
Administration expenses	5	2
Research and development expenses	1	1
Total	<u>\$ 54</u>	<u>20</u>

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e) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate	1.25%	1.15%
Future salary increase rate	1.50%	1.50%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$444 thousand.

The weighted average lifetime of the defined benefit plans is 2 years.

f) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2023 and 2022.

	Influences of defined benefit obligations	
	Increase by 0.5%	Decrease by 0.5%
December 31, 2023		
Discount rate	\$ (801)	862
Future salary increasing rate	775	(731)
December 31, 2022		
Discount rate	\$ (917)	990
Future salary increasing rate	896	(842)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

B. Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

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The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$14,081 thousand and \$13,593 thousand for the years ended December 31, 2023 and 2022, respectively.

(16) Income taxes

A. Income tax expense (benefit)

The components of income tax expenses (benefit) in the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	\$ (863)	21,771
Income tax expenses (benefit)	<u>\$ (863)</u>	<u>21,771</u>

The Group has no income tax expenses recognized in other comprehensive income for the years 2023 and 2022.

Reconciliation of income tax expenses and loss before tax for 2023 and 2022 were as follows.

	<u>2023</u>	<u>2022</u>
Loss before tax	\$ (42,811)	(57,710)
Income tax using the Company's domestic tax rate	\$ (8,562)	(11,542)
Effects of tax rate differences in foreign territories	7,760	-
Dividend revenue	(6)	(13)
Other tax effect generated from adjustment of tax rule	(55)	(80)
Tax effect of investment loss generated from investment accounted for using equity method	-	3,383
Current-year losses for which no deferred tax asset was recognized	-	30,023
Total	<u>\$ (863)</u>	<u>21,771</u>

B. Deferred tax assets and liabilities

a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Temporary differences associated with investments in subsidiaries	\$ 125,807	81,418
Tax losses	<u>\$ 150,113</u>	<u>150,113</u>
Total of unrecognized deferred tax assets	<u>\$ 55,184</u>	<u>46,306</u>

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Since the Group considered it is probable that the temporary differences will not reverse in the foreseeable future, the temporary differences will not be recognized as deferred income tax assets.

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have not been recognized in respect of these items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2023, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax losses	Expiry date
2020	\$ 128,200	2030
2021	21,913	2031
	<u>\$ 150,113</u>	

b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred Tax Assets

	Inventory valuation and obsolescence loss	Loss carryforwards	Long-term deferred revenue	Others	Total
January 1, 2023	\$ 94,520	111,347	4,730	3,767	214,364
Credit (debit) in profit or loss	3,670	(7,546)	(135)	845	(3,166)
December 31, 2023	<u>\$ 98,190</u>	<u>103,801</u>	<u>4,595</u>	<u>4,612</u>	<u>211,198</u>
January 1, 2022	\$ 105,871	111,347	5,129	9,757	232,104
Credit (debit) in profit or loss	(11,351)	-	(399)	(5,990)	(17,740)
December 31, 2022	<u>\$ 94,520</u>	<u>111,347</u>	<u>4,730</u>	<u>3,767</u>	<u>214,364</u>

Deferred tax liabilities

	Unrealized gains on exchange	Others	Total
January 1, 2023	\$ 4,031	-	4,031
Debit (credit) in profit or loss	(4,031)	2	(4,029)
December 31, 2023	<u>\$ -</u>	<u>2</u>	<u>2</u>
January 1, 2022	\$ -	-	-
Debit (credit) in profit or loss	4,031	-	4,031
December 31, 2022	<u>\$ 4,031</u>	<u>-</u>	<u>4,031</u>

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The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have been recognized in respect of these items because they are probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2023, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Company name	Year of loss	Unused tax losses	Expiry year
Li-Cheng Enterprise Co., Ltd	2021	\$ 361,672	2031
Li-Cheng Enterprise Co., Ltd	2022	150,113	2032
Lilux Co., Ltd.	2023	7,220	2033
		<u><u>\$ 519,005</u></u>	

C. Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the tax authority.

(17) Capital and other equity interest

As of December 31, 2023 and 2022, all the authorized ordinary share of the Company was \$2,000,000 thousand, comprising 200,000 thousand shares, with a par value of \$10 per share. The issued shares were 172,677 thousand shares. All the capitals were fully received.

Reconciliation of shares outstanding and issued for 2023 and 2022 were as follows:

Unit: Thousand shares	Ordinary Share	
	2023	2023
Balance at December 31 (Same as Balance at January 1)	<u>172,677</u>	<u>172,677</u>

A. Capital surplus

The balance of capital surplus at the reporting date was as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 32,060	32,060
Treasury shares transactions	837	837
Gain on disposal of assets	3	3
Merger and premium	9,959	9,959
	<u><u>\$ 42,859</u></u>	<u><u>42,859</u></u>

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

B. Retained earnings

The Company's article of incorporation stipulates that Company's after-tax earnings should first be used to offset the prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve until the balance of the legal reserve equals the total authorized capital. Special reserve is also made available in accordance with the operation needs of the Company and statutory requirements. And any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy shall be based on considerations of the Company's current and future investment opportunities, capital requirements, domestic and external competition, and the Company's budget, and taking into account the interests of shareholders. The Board of Directors shall, in accordance with the law, prepare a proposal for distribution each year and submit it to the shareholders for approval. In principle, the rate of cash dividends shall not be less than 10% of the proposed dividends to shareholders.

a) Legal reserve

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

b) Special reserve

In accordance with the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other stockholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

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c) Earning distribution

The deficit compensation for 2022 and 2021 which were approved during the stockholders' meeting held on June 19, 2023 and June 15, 2022, respectively, were consistent with those of the resolution approved by the Board of Directors.

C. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ 18,874	213	19,087
Foreign currency translation differences (after tax)	1,538	-	1,538
Unrealized valuation losses on financial assets measured at fair value through other comprehensive income	-	(51)	(51)
Balance at December 31, 2023	<u>\$ 20,412</u>	<u>162</u>	<u>20,574</u>
Balance at January 1, 2022	\$ (32,877)	(34,590)	(67,467)
Foreign currency translation differences (after tax)	51,751	-	51,751
Unrealized valuation losses on financial assets measured at fair value through other comprehensive income	-	(1,068)	(1,068)
Reclassification of cumulative gain or loss on disposal of investments in financial instruments at fair value through other comprehensive income to profit or loss	-	35,871	35,871
Balance at December 31, 2022	<u>\$ 18,874</u>	<u>213</u>	<u>19,087</u>

(18) Losses per share

The calculation of basic losses per share in 2023 and 2022 were as follows:

Basic losses per share

For the years ended December 31, 2023 and 2022, the basic losses per share are calculated by the net loss attributable to common shareholders of the Company amounting to \$(41,804) thousand and \$(79,481) thousand, respectively, and the weighted-average number of outstanding shares of 172,677 thousand for both years. The relevant calculations are as follows:

A. Loss attributable to common shareholders of the Company

	Unit of share: thousand 2023	2022
Loss attributable to common shareholders of the Company	<u>\$ (41,804)</u>	<u>(79,481)</u>

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B. Weighted-average number of shares

	<u>2023</u>	<u>2022</u>
Weighted-average number of shares	<u>172,677</u>	<u>172,677</u>
(Unit: NT\$)	<u>\$ (0.24)</u>	<u>(0.46)</u>

As the Group incurred loss in 2023 and 2022, there is no dilutive effect.

(19) Revenue from contracts with customers

A. Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
<u>Primary geographical markets</u>		
Taiwan	\$ 357,879	448,769
Vietnam	415,214	196,502
China	302,822	410,965
Others	216,193	341,983
	<u>\$ 1,292,108</u>	<u>1,398,219</u>
<u>Major products/services lines:</u>		
Finished fabric	\$ 1,279,139	1,387,644
Raw yarn	3,882	2,757
Panhead yarn	-	164
Others	9,087	7,654
	<u>\$ 1,292,108</u>	<u>1,398,219</u>

B. Contract balances

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>January 1,</u> <u>2022</u>
Notes receivable	<u>\$ 15,420</u>	<u>26,197</u>	<u>6,562</u>
Accounts receivable	\$ 138,611	271,027	103,044
Less: Loss allowance	(1,278)	(5,413)	(1,365)
	<u>\$ 137,333</u>	<u>265,614</u>	<u>101,679</u>
Contract liabilities - unearned sales revenue	<u>\$ 58</u>	<u>3,359</u>	<u>1,521</u>

For details on notes and accounts receivable and allowance for impairment, please refer to Note 6(3).

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$3,304 and \$1,501 thousand, respectively.

Contract liabilities mainly arise from the advance receipts from sales of finished fabrics. The Group will recognize revenue when the goods are transferred to customers.

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(20) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's Articles of Incorporation, where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 2% of the remaining profit for distribution to employees as remuneration and no more than 5% of the remaining profit for distribution to directors as remuneration. The Company shall set aside not less than 2% of the remuneration of the Supervisor before the establishment of the Audit Committee. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific qualifications.

Because the Company incurred a net loss for the years ended December 31, 2023 and 2022, compensation to employees and directors were not accrued.

For related information about the Company's compensation to employees and directors will be available at the Market Observation Post System website.

(21) Non-operating income and expenses

A. Interest income

The details of interest income for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Interest from bank deposits	\$ 16,567	5,022
Other interest income	22	35
	<u>\$ 16,589</u>	<u>5,057</u>

B. Other income

The details of other income for the years ended December 31, 2023 and 2022 were as follows:

	2022	2021
Dividends revenue	\$ 28	66
Others	3,805	4,024
	<u>\$ 3,833</u>	<u>4,090</u>

C. Other gains and losses

The details of other gains and losses for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Gains on disposal of property, plant and equipment	\$ 102	-
Foreign exchange gains (losses)	(5,435)	118,275
Others	(217)	-
	<u>\$ (5,550)</u>	<u>118,275</u>

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D. Finance costs

The details of finance costs for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Interest expenses		
Bank deposits	\$ (33,792)	(27,695)
Lease liabilities	(202)	(272)
	<u><u>\$ (33,994)</u></u>	<u><u>(27,967)</u></u>

(22) Financial instruments

A. Credit risk

a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2023 and 2022, the maximum amount exposed to credit risk were \$992,059 thousand and \$979,828 thousand, respectively.

b) Concentration of credit risk

To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. The Group still evaluates the recoverability of receivables on a regular basis and provides allowances for impairment losses, and the impairment losses are always within the management's expectations. As of December 31, 2023 and 2022, three to four customers accounted for 57% and 52% respectively of accounts receivable resulted in concentration of credit risk.

c) Credit risks of receivables and debt securities

Please refer to Note 6(3) for credit risk information on notes and accounts receivables.

Other financial assets at amortized cost include other receivables, refundable deposits, and other financial assets. As the credit risk of the aforementioned financial assets is low, the loss allowance is measured by the amount equal to 12-month expected credit loss. No loss allowance is provided for 2023 and 2022.

B. Liquidity risk

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

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	Carrying amount	Contractu al cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2023						
Non-derivative financial liabilities						
Bank borrowings with floating interest rates	\$ 1,958,507	2,209,320	683,331	174,497	445,545	905,947
Notes and accounts payable	29,844	29,844	29,844	-	-	-
Other payables	82,002	82,002	82,002	-	-	-
Lease liabilities	11,392	11,447	8,152	2,760	535	-
	\$ 2,081,745	2,332,613	803,329	177,257	446,080	905,947
December 31, 2022						
Non-derivative financial liabilities						
Bank borrowings with floating interest rates	\$ 1,989,537	2,164,775	899,003	614,820	443,383	207,569
Notes and accounts payable	43,902	43,902	43,902	-	-	-
Other payables	110,271	110,271	110,271	-	-	-
Lease liabilities	25,280	25,483	15,427	6,956	3,100	-
	\$ 2,168,990	2,344,431	1,068,603	621,776	446,483	207,569

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

C. Currency risk

a) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets							
Monetary items							
USD	\$	16,529	30.705	507,523	16,862	30.710	517,832
EUR		867	33.980	29,461	910	32.720	29,775

b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts, and financial assets at fair value through other comprehensive income, that are denominated in foreign currency. As of December 31, 2023 and 2022, when the exchange rate of the NTD versus the foreign currency increase or decrease by 5%, given no changes in other factors, profit after tax will increase or decrease by \$21,479 thousand and \$21,904 thousand, respectively. This analysis was performed on a consistent basis for both periods.

c) Foreign exchange gains and losses on monetary items

Exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

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	2023		2022	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
USD	\$ (6,582)	31.1773	114,570	29.8489
EUR	1,146	33.7221	3,705	31.3510

D. Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.5%, the Group's net profit would have decreased or increased by \$7,834 thousand and \$7,958 thousand for the years ended December 31, 2023 and 2022 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

E. Fair value of financial instruments

a) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and disclosure of fair value information is not required:

	December 31, 2023				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Listed shares of domestic company	\$ 490	490	-	-	490
Financial assets measured at amortized cost					
Cash and cash equivalents	609,810	-	-	-	-
Notes and accounts receivable	152,753	-	-	-	-
Other receivables	5,873	-	-	-	-

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Refundable deposits	8,728	-	-	-	-
Other financial assets- noncurrent	215,435	-	-	-	-
Subtotal	992,599	-	-	-	-
Total	\$ 993,089	490	-	-	490
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 458,030	-	-	-	-
Long-term borrowings (current portion)	202,646	-	-	-	-
Notes and accounts payable	29,844	-	-	-	-
Other payables	82,002	-	-	-	-
Lease liabilities	11,392	-	-	-	-
Long-term borrowings	1,297,831	-	-	-	-
Total	\$ 2,081,745	-	-	-	-
December 31, 2022					
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed shares of domestic company	\$ 541	541	-	-	541
Financial assets measured at amortized cost					
Cash and cash equivalents	402,732	-	-	-	-
Notes and accounts receivable	291,811	-	-	-	-
Other receivables	26,032	-	-	-	-
Refundable deposits	44,327	-	-	-	-
Other financial assets- noncurrent	215,470	-	-	-	-
Subtotal	980,372	-	-	-	-
Total	\$ 980,913	541	-	-	541
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 444,670	-	-	-	-
Long-term borrowings (current portion)	209,379	-	-	-	-
Notes and accounts payable	43,902	-	-	-	-
Other payables	110,271	-	-	-	-
Lease liabilities	25,280	-	-	-	-
Long-term borrowings	1,335,488	-	-	-	-
Total	\$ 2,168,990	-	-	-	-

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

The carrying amounts of the consolidated financial statements approximate the fair values of the financial instruments, which are not measured at fair value, by the Group as their maturity dates are close to or future receipts and payments are approximate to their carrying amounts.

c) Valuation techniques for financial instruments measured at fair value

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Financial instruments trade in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from the exchanges, brokers, underwriters, industrial unions, pricing service agencies or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair values of financial assets with standard terms and conditions and traded in active markets are determined with reference to the quoted market prices.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data.

d) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2023 and 2022.

(23) Financial risk management

A. Overview

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

- a. Credit risk
- b. Liquidity risk
- c. Market risk

The following likewise discusses the Group's objectives, policies, and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risks' exposures, please refer to the respective notes in the accompanying consolidated financial statements.

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B. Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies, and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative financial instruments in accordance with the Group's policy on risks arising from financial instruments such as credit risk, currency risk, and interest rate risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue to review the amount of the risk exposure in accordance with the Group's policies and the risk management's policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

C. Credit risk

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

a) Accounts receivable and other receivables

To minimize credit risk, the Group periodically evaluates its financial positions and the possibility of collecting accounts receivable. Besides, the Group monitors and reviews the recoverable amounts of the accounts receivable to ensure the uncollectible amounts.

The Group did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Credit limits are established for each customer, and these limits are reviewed regularly. First-time customers, customers that have not traded for a long period, and customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

b) Investments

The exposure to credit risk for the bank deposits is measured and monitored by the Group's finance department. The Group only deals with banks with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

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D. Liquidity risk

The Group manages sufficient cash and cash equivalents to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused credit lines were amounted to \$606,970 thousand and \$520,330 thousand, respectively.

E. Market risk

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

a) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies used in these transactions are the NTD, USD and EUR.

b) Interest rate risk

The Group's borrowings are mainly variable-rate debts and therefore changes in market interest rates will cause a change in its effective interest rates and its future cash flows to fluctuate. The Group reduced its interest rate risk by negotiating interest rates with its bankers from time to time.

c) Other market price risk

The Group was exposed to equity price risk through its investments in listed equity securities. The equity investment is not held for trading but is a strategic investment and the Group regularly monitors the financial position of the issuer of the equity instrument to manage the price risk of the equity instrument and the fund investment.

(24) Capital management

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

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

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

The Group's capital management strategy for the year ended December 31, 2023 is consistent with that for the year ended December 31, to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of 31 December 2023 and 2022, is as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 2,111,625	2,208,859
Less: cash and cash equivalents	609,810	402,732
Net debt	\$ 1,501,815	1,806,127
Total Equity	\$ 2,658,659	2,697,455
Total capital	\$ 4,160,474	4,503,582
Debt-to-equity ratio	36.10%	40.10%

(25) Investing and financing activities not affecting cash flows

The investing and financing activities not affecting cash flows for the years ended December 31, 2023 and 2022 are as follows:

1. The Group acquired right-of-use assets by leases. Please refer to Note 6(8).
2. Equity instruments at fair value through other comprehensive income were reclassified to investment accounted for using equity method. Please refer to Note 6(2) and 6(6).

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes			December 31, 2023
			Acquisition	Foreign exchange movement	Fair value changes	
Long-term borrowings	\$ 1,544,867	(44,390)	-	-	-	1,500,477
Short-term borrowings	444,670	13,360	-	-	-	458,030
Lease liabilities	25,280	(23,263)	9,375	-	-	11,392
Total liabilities from financing activities	\$ 2,014,817	(54,293)	9,375	-	-	1,969,899

	January 1, 2022	Cash flows	Non-cash changes			December 31, 2022
			Acquisition	Foreign exchange movement	Fair value changes	
Long-term borrowings	\$ 1,764,048	(219,181)	-	-	-	1,544,867
Short-term borrowings	300,110	144,560	-	-	-	444,670
Lease liabilities	28,696	(30,374)	26,958	-	-	25,280
Total liabilities from financing activities	\$ 2,092,854	(104,995)	26,958	-	-	2,014,817

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7. RELATED PARTY TRANSACTION

Transactions with key management

The compensation of key management is as follows:

	2023	2022
Short-term employee benefits	\$ 6,643	7,258
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
	\$ 6,643	7,258

8. PLEDGED ASSETS

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Property, plant and equipment	Guarantee for bank borrowings	\$ 1,821,239	1,722,846
Time deposits (Other financial assets – noncurrent)	Guarantee for bank borrowings	214,935	214,970
Time deposits (Other financial assets – noncurrent)	Purchase Pledge	500	500
		\$ 2,036,674	1,938,316

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The amounts of unrecognized contractual commitments for acquiring property, plant and equipment for the years ended December 31, 2023 and 2022 were \$204,928 thousand and \$367,996 thousand respectively.

10. LOSSES ON CATASTROPHIC DISASTERS: None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: None.

12. OTHERS

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

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By function By item	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	249,257	100,871	350,128	269,874	81,432	351,306
Labor and health insurance	31,869	10,283	42,152	27,568	8,409	35,977
Pension	10,188	3,947	14,135	9,779	3,834	13,613
Others	10,065	3,399	13,464	10,560	2,561	13,121
Depreciation	245,488	18,663	264,151	275,881	18,437	294,318
Amortization	27	685	712	85	1,040	1,125

(2) Seasonality of operation:

The operation of the Group is not affected by seasonal or cyclical factors.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2023:

A. Loans to others:

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Actual amount drawn down	Nature of loan	Amount of transactions with the borrower	Amount of transactions with the borrower	Allowance For doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
1	The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Other receivables	Yes	532,800	532,800	383,813	1.2%~1.8%	Short-term financing	-	Turnover of operation	-	None	-	531,673	1,063,346
2	The Company	Occupation North Trading Co., Ltd.	Other receivables	Yes	76,200	76,200	-	-	Short-term financing	-	Turnover of operation	-	None	-	531,673	1,063,346

Note 1: Limit on total loan to others is 40% of the Company's net assets. Limit on loans a single party is 20% of the Company's net assets.

Note 2: Net worth represents the amount shown in the most recent financial statements certified by accountants.

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B. Provision of endorsements and guarantees to others:

Expressed in thousands of NTD

No.	Endorser/ Guarantor	Party being endorsed/guaranteed		Limit on endorsements/guarantees provided for a single party	Maximum outstanding endorsement/guarantee amount as of December 31, 2023	Outstanding endorsement/guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/guarantees provided	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees by subsidiary to parent company
		Company name	Relationship with the endorser/guarantor										
1	The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Subsidiary	531,673	-	288,627	-	-	10.86%	1,063,346	Y	N	N

Note 1: Limit on the Company endorsements/guarantees to others is 40% of the Company's net assets. Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets.

Note 2: Net worth represents the amount shown in the most recent financial statements certified by accountants.

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

Expressed in thousands of NTD
thousands of shares

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023				Maximum Percentage of ownership for the period	Note
				Number of shares	Book value	Ownership (%)	Fair value		
The Company	Ordinary Shares - China Steel Corporation	-	Financial assets at fair value through other comprehensive profit or loss current	18.167	490	-	490	-%	-

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of property reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of property reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

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- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more:

Expressed in thousands of NTD

Creditor	Counter Party	Relationship with the counterparty	Balance as of December 31, 2023	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Subsidiary	513,891	Note 1	-	-	-	-

Note1 : Including short-term financing necessary and other receivables from transactions not related to ordinary sales.

- I. Derivative financial instruments undertaken for the year ended December 31, 2023: None.
- J. Significant inter-company transactions for the year ended December 31, 2023:

Expressed in thousands of NTD

Expressed in thousands of VND

No.	Company Name	Counter Party	Nature of Relation ship	Transactions			Percentage of Consolidated Net Revenue or Total Assets
				General ledger account	Amount	Trading Terms	
0	The Company	Occupation North Trading Co., Ltd.	1	Sales and administrative expense	371 175	Note 3 "	0.03% 0.01%
0	The Company	Li Cheng Enterprise Vietnam Co., Ltd.	1	Interest income Other receivables	4,932 383,813	Note 3 "	0.38% 8.05%
0	The Company	Li Cheng Enterprise Vietnam Co., Ltd	1	Accounts receivables Other receivables Sales	150 130,078 1,310	Note 3 " "	-% 2.73% 0.10%
0	The Company	Lilux Co., Ltd.	1	Accounts receivables Sales Miscellaneous revenue	36 802 1,087	Note 3 " "	-% 0.06% 0.08%

Note 1: Representations of No. were as follows:

- 1) No.0 represents the parent company.
- 2) Subsidiaries were numbered in sequence from No.1.

Note 2: Type of intra-group transactions were as follows:

- 1) represents the transactions from parent company to subsidiary.
- 2) represents the transactions from subsidiary to parent company.
- 3) represents the transactions between subsidiaries.

Note 3: Determine by refer to market price and negotiation between both parties.

- (2) Information on investees:

The followings are the information on investees for the year ended December 31, 2023 (excluding information on investees in Mainland China):

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Expressed in thousands of NTD, USD, EUR, Shares

Name of investor	Name of investee	Location	Major operations	Initial investment amount		Shares held as of December 31, 2022			Highest percentage of ownership during the year	Net profit (loss) of the investee for the year ended December 31, 2023	Investment income(loss) recognized by the Company for the year ended December 31, 2023	Note
				Balance as of December 31, 2023	Balance as of December 31, 2022	Number of shares	Ownership (%)	Book value				
The Company	Time Leader Investments Ltd.	Samoa	After sales services	37,882 (US\$1,200)	37,882 (US\$1,200)	1,200	100.00%	2,774	100.00%	(7)	(7)	Note 3
The Company	Occupation North Trading Co., Ltd.	Republic of Seychelles	After sales services	7,684 (US\$ 250)	7,684 (US\$250)	250	100.00%	1,200	100.00%	(1,007)	(1,007)	Note 3
The Company	LITNERTEX CO., LTD.	Taiwan	Supercapacitors, energy modules, mobile power, and electric bicycle energy systems	12,630	12,630	1,137	20.67%	1,099	20.67%	18	4	
The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Vietnam	Spinning, weaving and dyeing finishing	515,038 (US\$17,390)	515,038 (US\$17,390)	Limited liability	100.00%	372,150	100.00%	(36,108)	(36,121) (Note 1)	Note 3
The Company	Dyeco Textile Systems B.V.	Netherlands	Anhydrous dyeing development	51,875 (EUR\$ 1,500)	51,875 (EUR\$ 1,500)	24,770	23.33%	18,771	23.33%	(7,137)	(1,665)	
The Company	Lilux Co., Ltd.	Taiwan	Wholesale of daily commodities	17,062	12,188	1,706	97.50%	11,449	97.50%	(5,750)	(5,613) (Note 2)	Note 3

Note 1: Losses on investments accounted for using equity method amounted to \$36,108 thousand, and unrealized gross profit amounted to \$13 thousand.

Note 2: Losses on investments accounted for using equity method amounted to \$5,606 thousand, and unrealized gross profit amounted to \$7 thousand.

Note 3: The transaction was eliminated in the preparation of consolidated financial statements.

(3) Information on investment in Mainland China: None.

(4) Major shareholders:

Expressed in Share

Shareholder's Name	Shares	Percentage
TOPRISE INVESTMENTS LIMITED	24,565,564	14.22%
Wenyao Hong	15,392,323	8.91%
Ruying You	15,081,722	8.73%
YI HE INVESTMENTS LIMITED	14,219,549	8.23%

Note1 : The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

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Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustor of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

14. SEGMENT INFORMATION

(1) General information

The Group is a single reporting segment, knitted fabric dyeing and finishing division, mainly engaged in the manufacture and sale of three-layer mesh fabrics.

(2) Information on reportable segment profit or loss, assets, liabilities, and basis of measurement and reconciliation

The information on segment profit or loss, assets, and liabilities is consistent with the information in the consolidated financial statements; please refer to the consolidated balance sheets and consolidated statements of comprehensive income.

(3) Information about products

Revenue from the external customers of the Group was as follows:

Products and services	2023	2022
Finished fabric	\$ 1,279,139	1,387,644
Raw yarn	3,882	2,757
Panhead yarn	-	164
Others	9,087	7,654
	<u>\$ 1,292,108</u>	<u>1,398,219</u>

(4) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and noncurrent assets are based on the geographical location of the assets.

By geographical area	2023	2022
Revenue from external customers:		
Taiwan	\$ 357,879	448,769
Vietnam	415,214	196,502
Mainland China	302,822	410,965
Other countries	216,193	341,983
	<u>\$ 1,292,108</u>	<u>1,398,219</u>

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By geographical area	December 31, 2023	December 31, 2022
Non-current assets:		
Taiwan	\$ 2,432,865	2,625,763
Vietnam and other countries	852,211	733,340
	<u>\$ 3,285,076</u>	<u>3,359,103</u>

Noncurrent assets include property, plant and equipment, right-of-use assets, intangible assets, prepayments for equipment, and other assets, but excluded financial instruments and deferred tax assets.

(5) Major customer information

	2023	2022
Customer A	\$ 103,908	244,520
Customer B	140,151	141,586
Customer C	182,338	275,119
Customer D	291,249	49,874
	<u>\$ 717,646</u>	<u>711,099</u>