

**G-SHANK ENTERPRISE CO., LTD.**

**Parent Company Only Financial Statements  
for the Years Ended December 31, 2022 and 2021  
and Independent Auditors' Report**

**Notice to Readers**

***The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.***

## **INDEPENDENT AUDITOR'S REPORT**

To: G-SHANK ENTERPRISE CO., LTD.

### **Opinion**

We have audited the accompanying parent company only balance sheets of G-SHANK ENTERPRISE CO., LTD. as of December 31, 2022, and 2021, and the related parent company only statements of comprehensive income, retained earnings, and cash flows for the years then ended.

In our opinion, based on our audit and the audit reports of other independent auditors (please refer to the relevant paragraphs for details), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of G-SHANK as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

### **Basis for opinion**

We conducted our audit in accordance with the “Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountings” and generally accepted auditing standards. The responsibilities of the independent auditors under these standards will be further explained in the audit performed on the consolidated financial statements. The personnel of the CPA Firm subject to the independence requirement has acted independently from the business operations of G-SHANK in accordance with the Code of Ethics and have performed other responsibilities of the Code of Ethics. We believe that our audit and other CPA’s audit reports provide a reasonable basis for our opinion.

### **Key audit matters**

The key audit matters refer to the most important matters in auditing the 2022 parent company only financial statements of G-SHANK in accordance with the professional judgment of the independent auditors. These matters have been handled during the process of reviewing the parent company only financial statements as a whole with audit opinions formed. The independent auditor does not express an independent opinion on these matters. The independent auditor determines that the key audit matters to be communicated in the audit report are as follows:

1. Income recognition

Please refer to Note 4.(15) to the parent company only financial statements for the accounting policy on income recognition. Also, please refer to Note 6.(21) for the operating income in detail.

The operating income of G-SHANK is mainly generated from the production and sales of molds and stamping parts. The timing of income recognition is based on the transaction conditions agreed with each individual customer. An inappropriate timing for income recognition and unreasonable estimation of the refund liabilities for sales returns and sales discounts are key matters for income recognition, which will have an impact on the financial performance of G-SHANK. The independent auditor has the income recognition classified as a key audit matter in auditing the parent company only financial statements of G-SHANK.

The auditing procedures implemented by the independent auditors for the aforementioned key audit matters include: Understanding the sales process of G-SHANK, testing the internal control related to income recognition, reviewing the terms of the sales with the major customers, performing income cut-off tests, and checking the book-entry of sales returns and discounts, the measurement of the estimated refund liabilities for sales returns and sales discounts, and the implementation of analytical procedures.

2. Inventory evaluation

Please refer to Note 4.(9) of the parent company only financial statements for the accounting policy of inventory evaluation. please refer to Note 5.(2)(C) of the parent company only financial statements for the major sources of uncertainty of significant estimates and assumptions. Please refer to Note 6.(5) of the parent company only financial statements for inventory details.

G-SHANK is mainly engaged in the production and sale of molds and stamping parts with the production and sales policies formed that are indirectly affected by the needs of end-user. The cost of inventory could be un-recoverable due to the occurrence of inventory damaged, outdated, or price dropped entirely or partially; also, when the estimated cost to be invested to completion and the estimated sale expenses increased. The use and value of inventories rely on the management's inventory policy and sale forecast. However, a forecast comes with uncertainties. Therefore, the independent director has the inventory evaluation classified as one of the key audit matters in auditing the parent company only financial statements of G-SHANK.

A decisive factor in the value of inventories is the estimated net realizable value, which is based on the most reliable evidence of the expected realizable amount of inventories available at the time of estimation. Therefore, the relevant audit procedures of the independent auditor include reviewing and assessing whether the policy of G-SHANK in determining the net realizable value of inventories can reasonably reflect the forecast of future inventory sales, historical experience and other specific circumstances, inventory aging analysis and testing so to identify whether an allowance for inventory loss in valuation is appropriated reasonably according to historical experience for a specific obsolete inventory, the correlation between the assessment of past events and the yearend situation, and the impact of the price or cost fluctuation related to the said post events on the net realizable value of inventory.

### **Other matters**

Regarding the parent company only financial report of G-SHANK and the relevant information of the investee company disclosed in Note 13. of the parent company only financial report, the financial statements as of December 31, 2022, and 2021 of G-SHANK, INC. are prepared in conformity with the generally accepted principles of the USA, the financial statements as of December 31, 2022, and 2021 of GREAT-SHANK CO., LTD. are prepared in conformity with the generally accepted principles of Thailand, and the financial statements as of December 31, 2022, and 2021 of G-SHANK ENTERPRISE (M) SDN. BHD. are prepared in conformity with the generally accepted principles of Malaysia, which were audited by other certified public accountants instead of the independent auditor. The financial statements of G-SHANK, INC., GREAT-SHANK CO., LTD., and G-SHANK ENTERPRISE (M) SDN. BHD. are translated in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), Interpretation (IFRIC) and Interpretative Announcement (SIC). The independent auditor has completed all necessary auditing procedures. Therefore, the opinions of the independent auditor on the unadjusted amounts in the aforementioned financial statements of the subsidiaries are based on the audit reports of other certified public accountants and the results of additional audit procedures performed by them in compliance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and generally auditing principles of the ROC. The total assets of the aforementioned subsidiaries were NT\$909,365 thousand and NT\$868,806 thousand on December 31, 2022, and 2021, accounting for 11.06% and 11.10% of the total parent company only assets, respectively. The net operating income from January 1 to December 31, 2022, and 2021 were NT\$73,822 thousand and NT\$138,640 thousand, accounting for 6.82% and 17.30% of the parent company only net operating income, respectively. Recognized the other comprehensive profit and loss of the subsidiaries and affiliated companies for an amount of NT\$59,367 thousand and NT\$(53,971) thousand, accounting for 6.25% and (7.99)% of the total comprehensive profit and loss, respectively.

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

The responsibility of the management is to have the parent alone financial report prepared fairly in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and maintain the necessary internal control related to the preparation of the parent alone financial report so to assure that the financial report is free of material misstatement.

In the preparation of the parent company only financial statements, the management’s responsibility also includes assessing the continuing operation of G-SHANK, the disclosure of the relevant matters, and the adoption of the continuing operation accounting base, unless the management intends to liquidate G-SHANK or cease the business operation, or there is lack of any option except for liquidation or suspension.

The governance unit (including the Audit Committee or supervisors) of G-SHANK is responsible for supervising the financial reporting process.

## **Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

The purpose of the independent auditor’s auditing of the parent company only financial statements is to obtain reasonable assurance about whether the parent company only financial statements are free of material misstatement arising from frauds or errors and with an audit report issued. Reasonable assurance means high assurance. However, the audit conducted in accordance with generally accepted auditing standards does not guarantee to have any material misstatement in the parent company only financial statements detected. Material misstatement could be arising from frauds or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the readers of the consolidated financial statements, it is considered significant.

The independent auditors when conducting the audit in accordance with generally accepted auditing standards shall exercise professional judgment and maintain professional suspicion. The independent auditors also perform the following auditing tasks:

1. Identify and evaluate the risk of material misstatement arising from frauds or errors of the parent company only financial statements; design and implement proper responsive measures for the assessed risks; also, obtain sufficient and adequate audit evidence for forming an audit opinion. Frauds may involve conspiracy, forgery, deliberate omission, false declaration, or violation of internal control; therefore, the risk of material misstatement arising from fraud is higher than that caused by errors.

2. Obtain the necessary understanding of the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of G-SHANK.
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Based on the audit evidence obtained, make conclusions on the suitability of the continuing operation accounting base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of G-SHANK are with significant uncertainties. If the independent auditors believe that such events or circumstances are with significant uncertainties, it is necessary to remind the readers of the parent company only financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditors is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of G-SHANK to continue operating.
5. Assess the overall presentation, structure, and content of the parent company only financial statements (including the relevant notes) and whether or not the relevant transactions and events in the consolidated financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the financial information of the individual business entity within the G-SHANK in order to express an opinion on the parent company only financial statements. The independent auditors are responsible for guiding, supervising, and implementing the auditing process of the G-SHANK; also, are responsible for forming an opinion on the audit of the G-SHANK.

The matters communicated by the independent auditors to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditors have provided to the governing unit the declaration of independence of the CPA Firm personnel subject to the Code of Ethics; also, have communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditors.

The independent auditors have based on the communications with the governing unit to determine the key audit matters to be performed on the 2022 parent company only financial statements of G-SHANK. The independent auditors shall state the key audit matters in the audit report except for the specific matters prohibited from being disclosed, or, in rare cases; the independent auditors decide not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

Chiung-hui Tseng

Pin-chueh Li

Diwan & Company

March 10, 2023

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

G-SHANK ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEET  
(December 31, 2022 & 2021 have been audited)

(In Thousands of New Taiwan Dollars)

ASSETS		Notes	December 31,2022		December 31,2021	
Code	Accounts		AMOUNT	%	AMOUNT	%
11xx	Current assets					
1100	Cash and cash equivalents	4 & 6.(1)	\$ 1,324,890	16	\$ 1,038,389	13
1110	Financial assets at fair value through profit or loss - current	4 & 6.(2)	762,585	9	948,471	12
1150	Notes receivable, net	4, 5, 6.(3) & 6.(4)	2,897	-	3,864	-
1170	Accounts receivable, net	4, 5 & 6.(4)	562,036	7	560,386	7
1180	Accounts receivable- related parties	4, 5 & 7	4,111	-	8,367	-
1200	Other receivables	4, 5 & 6.(4)	24,990	1	21,365	-
1210	Other receivables - related parties	4, 5 & 7	2,419	-	21,132	-
1220	Current tax assets	4 & 6.(26)	-	-	38,483	-
130x	Inventory	4, 5 & 6.(5)	260,132	3	261,098	4
1470	Prepayments and Other current assets		5,893	-	7,668	-
1476	Other financial assets-current	4 & 6.(6)	7,383	-	25,589	1
	Total current assets		<u>2,957,336</u>	<u>36</u>	<u>2,934,812</u>	<u>38</u>
15xx	Noncurrent Asset					
1517	Financial assets at fair value through other comprehensive income - noncurrent	4, 5, 6.(7) & 6.(19)	262,023	3	299,338	4
1550	Investments accounted for using equity method	4 & 6.(8)	4,470,257	54	4,097,995	52
1600	Property, Plant and Equipment	4,5 & 6.(9)	484,726	6	441,544	6
1780	Intangible assets	4 & 6.(10)	956	-	1,450	-
1840	Deferred tax assets	4 & 6.(26)	25,865	1	28,717	-
1915	Prepayments for business facilities	4	13,135	-	12,769	-
1920	Refundable deposits		635	-	480	-
1990	Other noncurrent assets, others		5,178	-	7,235	-
	Total noncurrent Asset		<u>5,262,775</u>	<u>64</u>	<u>4,889,528</u>	<u>62</u>
1xxx	Total Assets		<u>\$ 8,220,111</u>	<u>100</u>	<u>\$ 7,824,340</u>	<u>100</u>

(CONTINUING)

(The accompanying notes are an integral part of the parent company only financial statements.)



G-SHANK ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEET  
(December 31, 2022 & 2021 have been audited)

(In Thousands of New Taiwan Dollars)

Liabilities and Equity		Notes	December 31,2022		December 31,2021	
Code	Accounts		AMOUNT	%	AMOUNT	%
21xx	Current liabilities					
2100	Short-term borrowings	4, 6.(11) & 6.(28)	\$ 1,070,000	13	\$ 1,260,000	16
2120	Financial liabilities at fair value through profit or loss - current	4 & 6.(2)	-	-	1,671	-
2130	Contract liabilities - current	4 & 6.(21)	9,033	-	-	-
2170	Accounts payable	4	209,214	3	204,489	3
2180	Accounts payable-related parties	4 & 7	11,528	-	4,775	-
2200	Other payables	4, 6.(9), 6.(13) & 6.(22)	299,216	4	326,939	4
2220	Other payables-related parties	4 & 7	3,667	-	4,021	-
2230	Current tax liabilities	4 & 6.(26)	53,630	1	81,768	1
2322	Current portion of long-term loans payable	4,6.(12) & 6.(28)	38,735	-	-	-
2300	Other current liabilities		10,985	-	16,361	-
	Total current liabilities		1,706,008	21	1,900,024	24
25xx	Non-current liabilities					
2540	Long-term borrowings	4, 6.(12) & 6.(28)	40,297	-	76,324	1
2570	Deferred tax liabilities	4 & 6.(26)	616,436	8	563,593	7
2640	Net defined benefit liabilities- noncurrent	4, 5 & 6.(13)	31,929	-	62,014	1
2645	Guarantee deposits		4,646	-	4,646	-
	Total non-current liabilities		693,308	8	706,577	9
2xxx	Total liabilities		2,399,316	29	2,606,601	33
31xx	Equity attributable to owners of parent					
3100	Share capital	4, 6.(14),6.(20) & 11				
3110	Ordinary shares		1,897,843	23	1,878,323	24
3140	Advance Receipts for Capital Stock		8,700	-	-	-
3200	Capital surplus	4, 6.(15) & 6.(20)	472,021	6	452,744	6
3300	Retained earnings					
3310	Legal reserve	6.(16) & 6.(18)	892,927	11	827,106	10
3320	Special reserve	6.(17)	284,690	3	284,690	4
3350	Unappropriated earnings	4, 6.(18) & 11	2,365,496	29	1,937,433	25
3400	Other equity					
3410	Exchange differences on translation of foreign financial statements	4, 6.(8), 6.(19) & 6.(25)	(338,584)	(4)	(441,852)	(6)
3420	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	4, 6.(7), 6.(8), 6.(19) & 6.(25)	237,702	3	279,295	4
3xxx	Total Equity		5,820,795	71	5,217,739	67
	Total liabilities and equity		\$ 8,220,111	100	\$ 7,824,340	100

(The accompanying notes are an integral part of the parent company only financial statements.)

G-SHANK ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENT OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, except for earnings per share amounts)

Code	Accounts	Notes	For the years ended December 31,			
			2022	%	2021	%
4000	Sales revenue	4, 6.(21) & 7	\$ 2,395,398	100	\$ 1,976,474	100
5000	Operating costs	4, 6.(5), 6.(13), 6.(22),6.(29) & 7	(1,837,583)	(77)	(1,575,825)	(80)
5900	Gross profit from operations		557,815	23	400,649	20
6000	Operating expense	4, 6.(13), 6.(22), 6.(29) & 7				
6100	Selling and marketing expenses		(103,916)	(4)	(100,493)	(5)
6200	General and administrative expenses		(158,288)	(7)	(155,619)	(8)
6300	Research and development expenses		(49,114)	(2)	(44,311)	(2)
6450	Loss (reversal) of expected credit loss	4, 5 & 6.(4)	639	-	(372)	-
	Total operating expense		(310,679)	(13)	(300,795)	(15)
6500	Other operating income and expenses, net	4, 6.(9), 6.(22) & 6.(23)	578	-	1,285	-
6900	Net operating income (loss)		247,714	10	101,139	5
7000	Non-operating income and expenses					
7100	Interest income	6.(24) & 7	76,961	4	68,979	4
7010	Other income	6.(7), 6.(24) & 7	104,710	4	92,088	5
7020	Other gains and losses	6.(2) & 6.(24)	(13,650)	(1)	(32,343)	(2)
7050	Finance costs	4 & 6.(24)	(13,906)	(1)	(10,515)	(1)
7070	Share of the profit (loss) of associates and subsidiaries for using equity method	4, 6.(8) & 6.(24)	621,399	27	602,724	31
7630	Foreign exchange gains (loss)	4 & 6.(24)	59,020	2	(20,483)	(1)
	Total non-operating income and expenses		834,534	36	700,450	36
7900	Profit (loss) from continuing operations before tax		1,082,248	45	801,589	41
7950	Income Tax Expense	4 & 6.(26)	(214,645)	(9)	(153,225)	(8)
8200	Profit (loss) for the period		867,603	36	648,364	33
8300	Other comprehensive income	4, 6.(7),6.(8), 6.(13), 6.(19) & 6.(25)				
8310	Components of other comprehensive income that will not be reclassified to profit or loss :					
8311	Remeasurements of the defined benefit plan		20,496	1	9,034	(1)
8316	Unrealised gain (loss) on financial assets measured at fair through other comprehensive income		(37,315)	(1)	93,984	5
8330	Share of the other comprehensive (loss) income of associates for using equity method-will not be reclassified to profit or loss		(4,046)	-	8,421	-
8349	income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss		-	-	-	-
	Other comprehensive income (loss) that will not be reclassified to profit or loss		(20,865)	(2)	111,439	5
8360	Items that may be reclassified subsequently to profit or loss :					
8380	Share of the other comprehensive income of subsidiaries and associates for using equity method-will may be reclassified subsequently to profit or loss		103,268	4	(84,675)	(4)
8399	Income tax expense relating to items that may be reclassified subsequently to profit or loss		-	-	-	-
	Total items that may be reclassified subsequently to profit or loss		103,268	4	(84,675)	(4)
	Total other comprehensive income (loss) for the period		82,403	3	26,764	1
8500	Total comprehensive income for the period		\$ 950,006	40	\$ 675,128	34
	Earnings per share (dollar)	4 & 6.(27)				
9750	Basic		\$ 4.58		\$ 3.49	
9850	Diluted		\$ 4.49		\$ 3.39	

(The accompanying notes are an integral part of the parent company only financial statements.)

G-SHANK ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

Accounts	Equity Attributable to Owners of the Corporation								
	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Total
	Ordinary Shares	Advance Receipts for Capital Stock		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	\$ 1,849,683	\$ -	\$ 432,784	\$ 798,682	\$ 284,690	\$ 1,529,619	\$ (357,177)	\$ 177,692	\$ 4,715,973
Appropriation of 2020 earnings (Note 6.(18))									
Legal reserve	-	-	-	28,424	-	(28,424)	-	-	-
Cash dividends to ordinary shareholders	-	-	-	-	-	(221,962)	-	-	(221,962)
Share of the other comprehensive income of associates disposal equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	763	-	(763)	-
Received donation from shareholders	-	-	23	-	-	-	-	-	23
Net profit for 2021	-	-	-	-	-	648,364	-	-	648,364
Other comprehensive income for 2021	-	-	-	-	-	9,073	(84,675)	102,366	26,764
Total comprehensive income for 2021	-	-	-	-	-	657,437	(84,675)	102,366	675,128
Share-based payment expenses	28,640	-	19,937	-	-	-	-	-	48,577
BALANCE AT DECEMBER 31, 2021	\$ 1,878,323	\$ -	\$ 452,744	\$ 827,106	\$ 284,690	\$ 1,937,433	\$ (441,852)	\$ 279,295	\$ 5,217,739
Appropriation of 2021 earnings (Note 6.(18))									
Legal reserve	-	-	-	65,821	-	(65,821)	-	-	-
Cash dividends to ordinary shareholders	-	-	-	-	-	(394,447)	-	-	(394,447)
Share of the other comprehensive income of associates disposal equity instruments designated as at fair value through other comprehensive income	-	-	15	-	-	-	-	-	15
Received donation from shareholders	-	-	27	-	-	-	-	-	27
Net profit for 2022	-	-	-	-	-	867,603	-	-	867,603
Other comprehensive income for 2022	-	-	-	-	-	20,728	103,268	(41,593)	82,403
Total comprehensive income for 2022	-	-	-	-	-	888,331	103,268	(41,593)	950,006
Share-based payment transaction	19,520	8,700	19,235	-	-	-	-	-	47,455
BALANCE AT DECEMBER 31, 2022	\$ 1,897,843	\$ 8,700	\$ 472,021	\$ 892,927	\$ 284,690	\$ 2,365,496	\$ (338,584)	\$ 237,702	\$ 5,820,795

(The accompanying notes are an integral part of the parent company only financial statements.)

G-SHANK ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

Description	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax from continuing operations	\$ 1,082,248	\$ 801,589
Adjustments for		
The profit or loss items which did not affect cash flows:		
Depreciation	56,410	44,825
Amortization	12,051	9,348
Expected credit (profit) loss	(639)	372
Net loss on financial assets and liabilities at fair value through profit or loss	14,403	32,881
Interest expenses	13,906	10,515
Interest income	(76,961)	(68,979)
Dividends income	(13,571)	(8,482)
Share-based payment expenses	(5,595)	4,443
Share of profit of subsidiaries and associates ventures accounted for using the equity method	(621,399)	(602,724)
Profit on disposal of property, plant and equipment	(753)	(538)
Unrealized foreign exchange losses	4,020	10,066
Changes in operating assets and liabilities :		
Financial assets at fair value through profit or loss	169,812	(12,450)
Notes receivables	967	8,998
Accounts receivable	(2,430)	(332,402)
Accounts receivable-related parties	4,220	(3,345)
Other receivables	(89)	4,402
Other receivables -related parties	(700)	3,325
Inventories	(4,190)	(90,749)
Prepayments and Other current assets	1,775	(4,223)
Current contract	9,033	-
Accounts payable	4,787	108,171
Accounts payable-related parties	6,761	3,673
Other payables	(25,657)	89,779
Other payables-related parties	(358)	35
Other current liabilities	(5,376)	4,488
Net defined benefit liabilities	(9,589)	(11,243)
Cash inflows and outflows generated from operating activities:	624,276	1,775
Interest received	73,425	70,366
Dividends received	13,571	8,482
Interest paid	(13,629)	(10,398)
Income tax paid	(148,605)	(70,008)
Net cash inflows and outflows from operating activities	<u>549,038</u>	<u>217</u>

(Continuing)

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

Description	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	\$ (2,809)	\$ -
Cash dividends issued by investee companies using equity method	351,183	561,805
Acquisition of property, plant and equipment	(96,779)	(84,693)
Proceeds from disposal of property, plant and equipment	753	538
Increase in refundable deposits	(155)	(156)
Other receivables -related parties -decrease in funds loan	19,390	6,136
Acquisition of intangible assets	(600)	(343)
Decrease in other current financial assets	18,328	4,708
Increase in other noncurrent assets	(8,900)	(8,169)
Increase in prepayments for business facilities	(366)	(9,010)
Net cash provided by investing activities	<u>280,045</u>	<u>470,816</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in Short-term borrowings	(190,000)	40,000
Increase in long-term borrowings	2,708	32,818
Payment of cash dividends	(394,447)	(221,962)
Employee exercise of stock warrant	41,860	44,134
Other financing activities	27	23
Net cash (used in) provided by financing activities	<u>(539,852)</u>	<u>(104,987)</u>
Effect of changes in exchange rate on cash and cash equivalents	<u>(2,730)</u>	<u>(9,508)</u>
Net (decrease) increase in cash and cash equivalents	286,501	356,538
Cash and cash equivalents at the beginning of the period	<u>1,038,389</u>	<u>681,851</u>
Cash and cash equivalents at the end of the period	<u>\$ 1,324,890</u>	<u>\$ 1,038,389</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

**G-SHANK ENTERPRISE CO., LTD.**  
**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

**1. COMPANY HISTORY**

G-SHANK ENTERPRISE CO., LTD. (hereinafter referred to as “the company”) was approved for incorporation on November 14, 1973. The company was registered and operated at No. 1, Jiuzhou Road, Jiudou Li, Hsinwu District, Taoyuan City for the production and sales of molds, stamping parts, fixtures and tools, automatic machines and electrical appliances, and mechanical components.

The company’s stock had been listed for trade on the “Taipei Exchange, TPEX” since February 1998, then have been listed for trade on the “Taiwan Stock Exchange Corporation, TWSE” since September 2001.

The company’s board of directors had resolved on October 22, 2007 for the merger of the company and the subsidiary “HON YEY INVESTMENT CO., LTD.” (Referred to as “HON YEY” hereinafter) with “HON YEY” discontinued and the company continues to operate. The name of the merged company is “G-SHANK ENTERPRISE CO., LTD.” still with the merger base date scheduled on December 1, 2007.

“HON YEY,” the discontinued company, was approved for incorporation on February 24, 1998 for the operation of a general investment business.

**2. FINANCIAL REPORT APPROVAL DATE AND PROCEDURE**

The parent company only financial reports of the company (hereinafter referred to as “the company”) for the years ended December 31, 2022 and 2021 were submitted to the company’s board of directors on March 10, 2023 and then published lawfully.

**3. APPLICATION OF THE NEWLY ANNOUNCED AND AMENDED REGULATIONS AND INTERPRETATIONS**

- (1) The new/amended/revised regulations and interpretations that have been adopted and approved by the Financial Supervisory Commission (FSC) and published to take effect.

Since January 1, 2022, the Company has been applying the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations, and interpretations announcements applicable in 2022, as announced on the website of the Securities and Futures Bureau of the Financial Supervisory Commission. In

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

accordance with the criteria and interpretations approved and issued by the Financial Supervisory Commission mentioned above, there has been no significant impact on the only financial statements of the Company.

- (2) The International Accounting Standards Board (IASB) has issued and the Financial Supervisory Commission (FSC) has approved the new/amended/revised standards and interpretations that will be applicable in the year 2023.

New/Revision/Amendment Standards and Explanations	Content	Effective in the annual period commencing from the following date of IASB
IAS 1 (amendments)	Disclosure of accounting policies	January 1, 2023
IAS 8 (amendments)	Definition of accounting estimates	January 1, 2023
IAS 12 (amendments)	Deferred income tax related to assets and liabilities arising from one single transaction	January 1, 2023

The management of the Company believes that the above-mentioned revisions to the guidelines will not have a significant impact on the Group's consolidated financial statements.

- (3) The new/amended/revised standards and interpretations announced without effect by IASB and not yet recognized by the FSC

New/Revision/Amendment Standards and Explanations	Content	Effective in the annual period commencing from the following date of IASB
IFRS 10 and IAS 28 (amendments)	Sale or investment of assets between investors and their affiliated enterprises or joint ventures	To be determined by IASB
IFRS 17	Insurance contracts	January 1, 2023
IFRS 17 (amendments)	Amendments to IFRS17	January 1, 2023
IFRS 17 (amendments)	First-time application of IFRS 17 and IFRS 9 - comparative information	January 1, 2023

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

New/Revision/Amendme nt Standards and Explanations	Content	Effective in the annual period commencing from the following date of IASB
IAS 1 (amendments)	Classification of liabilities as current or non-current and postponing of the effective date	January 1, 2024
IAS 1 (amendments)	Non-current Liabilities with Covenants	January 1, 2024
IAS 16 (amendments)	Leases” - Lease Liability in a Sale and Leaseback	January 1, 2024

The management of this Company is currently assessing the potential impact of the aforementioned new or revised standards, and therefore, it is temporarily unable to reasonably estimate the impact on the Company 's individual financial statements.

#### **4. SUMMARY OF MAJOR ACCOUNTING POLICIES**

The significant accounting policies adopted for the preparation of the individual financial statements are summarized as follows, and unless otherwise indicated, these accounting policies are consistently applied to all reporting periods :

(1) Financial report preparation and measurement basis

(A) Statement of Compliance

The individual financial statements of the Company are prepared in accordance with the Financial Reporting Standards for Issuers of Securities (hereinafter referred to as the "Reporting Standards").

(B) Measurement basis

(a) According to Article 21 of the “Regulations Governing the Preparation of Financial Reports by Securities Firms,” the profit and loss and other comprehensive profit and loss of the company’s parent only financial statements shall be the same as the amortized amount of the profit and loss and other comprehensive profit and loss attributable to the shareholders of the parent company in the consolidated financial statements. Also, the shareholders’ equity in the parent alone financial statements shall be the same as the shareholders’ equity attributable to the parent company in the consolidated financial statements. Therefore, investments in subsidiaries are included in “investments under the equity method” in the parent-alone financial statements with necessary evaluation adjustments made.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(b) Except for the financial instruments measured at fair value, this parent company only financial report is prepared on the basis of historical cost. For assets, the historical cost refers to the cash, cash equivalents, or the fair value of other considerations paid to obtain assets. For liabilities, the historical cost refers to the amount received when assuming obligations or the amount expected to be paid for liquidating liabilities.

(C) Functional and reporting currency

The functional currency of each business entity of the Company is the currency used in the main economic environment where it operates. This parent company only financial report is prepared in New Taiwan Dollar that is the functional currency of the company. All financial information prepared in New Taiwan Dollar is in the unit of “NT\$ Thousand,” unless otherwise specified.

(2) Criteria for the classification of current and noncurrent assets and liabilities

(A) Current assets include cash and cash equivalents (except for those that cannot be exchanged or used for liquidating liabilities within 12 months after the reporting period), assets held primarily for trading purposes, and assets expected to be realized within 12 months after the reporting period or assets expected to be realized, sold, or consumed within the regular business cycle. Assets other than current assets are classified as noncurrent assets.

(B) Current liabilities include liabilities held primarily for trading purposes, liabilities that are expected to be settled within 12 months after the reporting period or liabilities expected to be settled within the regular business cycle, and liabilities that cannot be unconditionally deferred for 12 months after the reporting period. Liabilities other than current liabilities are classified as noncurrent liabilities.

(3) Foreign currency transactions and conversion of foreign operating entities

(A) New Taiwan Dollar (NTD) is the Company’s functional currency that is also applied for the presentation of the parent company only financial statements. The Company’s originally recognized foreign currency transactions are booked by having the foreign currency converted into the functional currency at the spot exchange rate between the functional currency and the foreign currency on the trade date. Monetary items in foreign currency are translated at the closing exchange rate on the reporting date; non-monetary items in foreign currency that are measured at historical cost are not

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

retranslated on the reporting date; non-monetary items in foreign currency that are measured at fair value are translated according to the exchange rate on the date the fair value is determined. The exchange difference of monetary items is recognized as profit and loss upon occurrence. When the profit or loss of non-monetary items is recognized as other comprehensive profit and loss, the exchange component of the profit or loss is also recognized as other comprehensive profit and loss. When the profit or loss of non-monetary items is recognized as profit and loss, the exchange component of the profit or loss is also recognized as profit and loss.

- (B) The assets and liabilities of foreign operating entities, including goodwill arising from acquisitions and fair value adjustments to the book value of the assets and liabilities acquired, are presented in their functional currency. When the functional currency is different from the presentation currency in a non-highly inflationary economy, the financial performance and financial position are converted into the presentation currency according to the following procedures:
- (a) The assets and liabilities on each balance sheet are translated at the closing exchange rate on the reporting date.
  - (b) The income and expenses on each consolidated income statement are translated at the average exchange rate of the current period; however, if the exchange rate fluctuates significantly, the exchange rate on the trade date shall prevail.
  - (c) All exchange differences arising from translation are recognized in “other comprehensive profit and loss.”

When the control over a subsidiary or the influence on the affiliated enterprise is lost due to the disposal of a foreign operating entity, the accumulated exchange differences related to the foreign operating entity that has been previously recognized in “other comprehensive profit and loss” and accumulated to the equity shall be reclassified from equity to profit and loss at the time of recognizing disposal profit and loss. If the control is not lost while disposing of subsidiaries partially that include a foreign operating entity, the accumulated exchange differences recognized in other comprehensive profit and loss will be re-classified to the non-controlling interests of the foreign operating entity proportionally. If the significant influence is not lost while disposing subsidiaries partially that includes an affiliated enterprise of the foreign operating entity, the accumulated exchange differences recognized in other comprehensive profit and loss will be re-classified to the profit and loss proportionally.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

If there is not a payment plan in place for the monetary receivables or payables with the foreign operating entity, and it is unlikely to have them paid off in the near future, it will be treated as part of the net investment in the said foreign operating entity; also, the exchange difference resulted thereafter will be recognized in the “other comprehensive profit and loss.”

(4) Cash and cash equivalents

It refers to the cash on hand, demand deposits, and short-term and highly liquid time deposits or investments that can be converted into a fixed amount of cash at any time with little risk of value change, and it is held to meet short-term cash commitments other than for investment or other purposes.

(5) Financial instruments

- (A) When the parties to the financial instrument contract have financial assets or financial liability recognized in the balance sheet, and when a financial asset is purchased or sold in an arms-length transaction, an equity instrument should be processed according to the trade day accounting; however, a debt instrument, beneficiary certificate, and derivatives should be processed according to the settlement date accounting.
- (B) The financial asset or financial liability is measured at fair value when it is initially recognized; however, for those that are not measured at fair value through profit and loss, the transaction cost for the acquisition or issuance should be included.
- (C) The components of the financial instruments issued by the Company are classified as financial liabilities, financial assets, or equity instruments at the initial recognition in accordance with the substance of the contractual agreement and the definitions of financial liabilities, financial assets, and equity instruments.
- (D) Financial assets and financial liabilities are offset against each other and presented in a net amount on the balance sheet only when the GROUP has a legally enforceable right, intends to have it settled at a net amount, or to realize the asset and settle the liability simultaneously.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(E) The Company's financial instruments are as follows:

(a) Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss include financial assets that are mandated to be measured at fair value through profit and loss and that are designated to be measured at fair value through profit and loss. Financial assets that are mandated to be measured at fair value through profit and loss include the Company's investments in equity instruments not designated to be measured at fair value through other comprehensive profit and loss and investment in debt instruments that are not classified to be measured at amortized cost or measured at fair value through other comprehensive profit and loss. The profit or loss arising from the financial assets measured at fair value through profit and loss is recognized in profit and loss.

(b) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions and are not designated to be measured at fair value through profit or loss are to be measured at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, financial assets measured at amortized cost, other financial assets, and other receivable on the balance sheet:

- (i) The financial asset is held solely for the purpose of collecting contractual cash flows.
- (ii) The contractual terms of the financial asset are to generate cash flows on specific dates for the sole purpose of paying back outstanding principal and interest.

For financial assets measured at amortized cost, after initial recognition, it is measured at the cost derived from the total book amount determined with an effective interest method net of the amortized impairment loss. The profit or loss derived from delisting, through amortization procedure, or recognizing impairment profit or loss should be recognized in the profit and loss.

(c) Financial assets measured at fair value through other comprehensive profit and loss

It refers to the investment in debt instruments that meet both of the following conditions and are not designated to be measured at fair value through profit or loss; or, the investment in equity instrument that is not held for trading purpose

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

and is with the change in fair value booked in the “other comprehensive profit or loss,” which is an irrevocable decision made at the initial recognition:

- (i) The financial asset is held for the purposes of collecting contractual cash flows and for sale.
- (ii) The contractual terms of the financial asset are to generate cash flows on specific dates for the sole purpose of paying back outstanding principal and interest.

It is measured at fair value subsequently; also, the changes in its value, except for the impairment loss of investment in debt instrument, exchange profit and loss of monetary financial assets, interest calculated with the effective interest method, and dividends from the investment in equity instrument that is not conspicuously representing the investment cost recovery, should be recognized in other comprehensive profit and loss before delisting or reclassification. For the accumulated profit or loss previously recognized in other comprehensive profit and loss at the time of delisting, the investment in debt instrument is reclassified from equity to profit and loss; and the investment in equity instrument is reclassified to retained earnings. In addition, the dividends from the investment in equity instrument are recognized when the right to receive dividends is acquired.

(d) Financial liabilities measured at amortized cost

Financial liabilities that are not measured at fair value through profit or loss are financial liabilities measured at amortized cost, including short-term loans, accounts payable, other payables, long-term loans, and lease liabilities, which are measured at the amortized cost derived with the use of the effective interest method; however, short-term payables without interest paid, if it is without the significant impact of discounting, are measured at the original transaction amount.

(e) The non-hedging derivatives and embedded derivatives

The non-hedging derivatives are initially recognized at fair value at the time of signing a contract, and are subsequently measured at fair value on the balance sheet date. The profit or loss resulting from subsequent measurement is directly recognized as profit and loss; however, the timing for recognizing the profit or loss of the derivatives that are designated as effective hedging instruments depends on the nature of the hedging relationship. When the fair value of

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(Unit amount in NT\$ Thousand, unless otherwise specified)

derivatives is positive, it is classified as a financial asset. When the fair value is negative, it is classified as a financial liability. If the derivatives embedded in the master contract are classified as a financial asset subject to IFRS 9 “Financial Instruments” (hereinafter referred to as IFRS 9), the classification of financial assets is determined according to the terms of the overall hybrid contract. If the derivatives embedded in the master contract are not classified as a financial asset subject to IFRS 9 “Financial Instruments,” it is necessary to assess whether the embedded derivative instrument is closely related to the master contract. If not, the embedded derivatives should be separated from the master contract and processed as derivatives unless the overall hybrid contract is measured at fair value through profit and loss.

(6) Measurement at fair value

(A) The fair value is the price that the assets could be sold or liabilities could be transferred in an orderly arm’s-length transaction that is fair for both the buyer and the seller on the measurement date. The structure of fair value measurement is with the characteristics of a particular asset or liability taken into consideration, including the condition and location of the asset, and the restrictions on the sale or use of the asset, and assuming that the sale of the asset or the transfer of the liability occurs in the primary market where it belongs, or, if there is no primary market available, occurs in the most favorable market for the asset or liability; the aforementioned primary market or the most favorable market must be accessible to the Company for trading; also, assumes that the market participants have the price determined based on their best economic interests.

For the non-financial asset measured at fair value, the consideration is whether a market participant has exhausted the good use of the asset or sold the asset to another market participant who will exhaust the good use of the asset in order to generate economic benefits.

(B) The fair value measured with a valuation technique means it is measured with an appropriate valuation technique with sufficient information available under the circumstances, including maximized relevant observable inputs and minimized unobservable inputs.

(7) Delisting of financial assets and liabilities

(A) Financial assets

Financial assets are delisted and the rights and obligations resulted or retained from such transfer will be recognized as assets or liabilities only when the contractual rights to the cash flows derived from the financial asset are terminated, or, the financial asset has been transferred along with almost all risks and rewards related to the ownership of the asset, or, almost all risks and rewards related to the ownership of the financial asset have not been transferred nor retained and without control over the financial asset. The difference between the book value of the delisted portion of financial assets measured at amortized cost and the consideration received is recognized in profit and loss on the delisting day. The difference between the book value of the investment in equity instrument measured at fair value through other comprehensive profit and loss and the sum of the consideration received and the cumulative profit or loss recognized in other comprehensive profit and loss is recognized in retained earnings; however, the investment in debt instrument is recognized in profit and loss. For the financial assets not delisted entirely, the respective book value is amortized based on the relative fair value of the continuously recognized portion of the assets. If a financial asset does not qualify for the de-listing transfer, the entire transferred asset is recognized continuously, and the consideration received is recognized as a financial liability.

(B) Financial liabilities

Financial liabilities are delisted entirely or partially only when the contractual obligations are performed, canceled, or expired with the financial liabilities eliminated. If the debtor and creditor have the debt instrument containing significantly different terms exchanged or have the incumbent financial liabilities terms modified entirely or partially, the incumbent financial liability is delisted and a new financial liability is recognized simultaneously. The difference between the book value of a financial liability that is eliminated or transferred to another party entirely or partially and the consideration paid is recognized in profit and loss.

(8) Asset impairment

(A) Impairment of financial assets

(a) The Company has allowances recognized for expected credit loss derived from the financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, other financial assets, notes receivable, accounts receivable, other receivables, etc.).

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (b) The Company has the expected credit loss of financial assets measured by reflecting the amount determined with an unbiased and probability-weighted method after evaluating all possible results, the time value of money, and reasonable and verifiable information related to past events, current conditions, and forecasts of future economic conditions (available on the reporting day without excessive cost or investment). Except for notes receivable, accounts receivable, and other receivables handled with a simplified approach by having the allowance for loss measured at the expected credit loss amount during the duration on the reporting date, for cash and cash equivalents and financial assets measured at amortized cost, if the credit risk on the reporting date is low or the credit risk has not increased significantly since the original recognition, the allowance for loss is measured at the 12-month expected credit loss. If the aforementioned credit risk of financial assets has increased significantly on the reporting date since the original recognition, it is measured at the expected credit loss during the duration.
- (c) The book value of the aforementioned financial assets is adjusted down with the allowance for losses. The appropriation and reversal of the allowance for loss are recognized in profit and loss.
- (B) Impairment of non-financial assets
- For the assets subject to IAS 36 “Impairment of Assets,” except for goodwill, intangible assets with an undetermined useful life, and intangible assets not yet available for use are with an impairment test performed annually and when there are indications that they may be impaired, the Company assesses assets to determine whether there is any indication of impairment on each reporting date. If there is an indication of impairment, the recoverable amount of the asset is estimated. The recoverable amount refers to the fair value of the assets or the cash-generating unit net of the cost of sales and the values in use whichever is higher. If the recoverable amount of the asset is lower than the book value, the said book value must be reduced to be equal to the recoverable amount and the amount of reduction is the impairment loss that is to be recognized in profit and loss. If there is any indication of the recovery or decrease of the previously recognized impairment loss of assets, except for goodwill, on the reporting date subsequently, the recoverable amount of the asset should be re-estimated. If the estimated recoverable amount of the assets is increased as a result of a change in the estimation, the impairment loss should be reversed. However, the increased book value of the asset arising from the reversal of the impairment loss shall not exceed the book value of the asset net of the amortization or depreciation, but before recognizing the impairment.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

For a cash-generating unit with goodwill amortized, an impairment test is performed by comparing its book value containing the goodwill to its recoverable amount. If the book value of the said unit exceeds the recoverable amount, an impairment loss is recognized. The impairment loss recognized is to be deducted from the cash-generating unit's book value with goodwill amortized, and the insufficient amount for deduction is allocated to the book value of the respective asset of the unit proportionally. The recognized impairment loss of goodwill shall not be reversed in the subsequent periods.

(9) Inventory

Inventory cost includes all purchase costs, processing costs, and other costs incurred for bringing the inventory to its current location and condition. It is calculated in accordance with the weighted average cost method to allocate inventory cost. The yearend inventory is measured at the lower cost or net realizable value. The comparison of cost and net realizable value is itemized, except for inventories of the same category. The net realizable value refers to the amount resulted from the estimated selling price in the course of business net of the estimated additional cost to completion and the estimated sales expenses after the completion.

(10) Investments under the equity method

- (A) The Company's controlled entities are the Company's subsidiaries. The Company's investment in subsidiaries is evaluated with the equity method. According to Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Firms," the "investment under the equity method" comes with necessary evaluation adjustments so to have had the profit and loss and other comprehensive profit and loss of the Company's parent alone financial statements same as the amortized amount of the profit and loss and other comprehensive profit and loss attributable to the shareholders of the parent company in the consolidated financial statements; also, the shareholders' equity in the parent alone financial statements same as the shareholders' equity attributable to the parent company in the consolidated financial statements.
- (B) An affiliated enterprise is an entity that is significantly influenced but not controlled by the Company, that is, the Company holds more than 20% but less than 50% of the voting rights of the invested company directly or indirectly, or holds less than 20% of the voting rights but can clearly prove that the Company has a significant influence on the affiliated enterprise. The investment in the affiliated enterprise is valued under

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

the equity method starting from the date when it becomes an affiliated enterprise of the Company.

- (C) The investment under the equity method is recognized at cost initially and adjusted subsequently according to the changes in the ownership of the affiliated enterprise's net assets proportionally. When the Company's loss from the ownership of the subsidiaries net assets exceeds the equity owned in the subsidiaries, the loss should be recognized by shareholding proportion continually; When the Company's loss from the ownership of the affiliated enterprise net assets exceeds the equity owned in the affiliated enterprise, no loss should be recognized further, and the Company will only recognize additional losses and liabilities within the scope of legal obligation, presumed obligation, or payment made on behalf of the affiliated enterprise. If the investment cost exceeds the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries and affiliated enterprise on the acquisition date, the difference is the goodwill related to the subsidiaries and affiliated enterprise that is included in the book value of the investment and shall not be amortized; otherwise, it is to be recognized in profit immediately after the reassessment.
- (D) If the changes in the Company's ownership interests in subsidiaries do not result in the loss of control, it is to be processed as an equity transaction. The difference between the book value of the investment and the fair value of the consideration paid or received is directly recognized as equity.
- (E) When there is a change in equity that is non-profit and loss and other comprehensive profit and loss occurred to the subsidiaries and affiliated enterprise; also, it does not affect the shareholding ratio of the subsidiaries and affiliated enterprise, the Company will have the change in the equity of the subsidiaries and affiliated enterprise recognized in the "additional paid-in capital" proportionally to the shareholdings.
- (F) When the affiliated enterprise issues new shares, if the Company does not subscribe it proportionally to the shareholdings, resulting in a change in the shareholding ratio and thus causing an increase or decrease in the net equity value of the investment, the increase or decrease amount shall be adjusted to the "investment under the equity method" and "additional paid-in capital" when the significant influence is intact. If the aforementioned adjustment is debited to the "additional paid-in capital," and there is an insufficient balance of additional paid-in capital from the investment under the equity method, the difference should be debited to the "retained earnings."

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- However, if it is not subscribed proportionally to the shareholdings and results in a decrease in the ownership interest, in addition to the aforementioned adjustment, the profit or loss related to the decrease in the ownership interest that has been previously recognized in other comprehensive profit and loss, which has also been reclassified to profit and loss when the relevant assets or liabilities are disposed, shall be reclassified to profit and loss proportionally to the decreased amount.
- (G) When the Company loses control or significant influence on subsidiaries and the affiliated enterprise, the Company recognizes the remaining investment in the former subsidiaries and affiliated enterprise at the fair value on the date of losing control or significant influence. The difference between the fair value of the remaining investment and any disposal price and the book value of the investment on the date of losing control or significant influence is recognized in profit and loss. For the amounts recognized in other comprehensive profit and loss related to the subsidiaries and affiliated enterprise, the accounting base is the same as if the related assets or liabilities are disposed directly by the Company.
- (H) The unrealized profit and loss of the transactions conducted between the Company and subsidiaries or affiliated enterprise is written off within the scope of its equity related to the Company.

(11) Property, plant and equipment

- (A) Property, plant and equipment are used for production or labor services, leased to others, or held for management purposes. It is recognized and subsequently measured at cost, which is an amount net of the accumulated depreciation and accumulated impairment losses. The cost of assets refers to the cash, cash equivalents, or the fair value of the consideration paid to acquire or construct the assets, including the cost related to dismantling, removing, and recovering the location. When the useful lives of the significant components of property, plant and equipment are different, it should be processed as an item separated from the property, plant and equipment.
- (B) Property, plant and equipment, except for land, is depreciated in accordance with the straight-line method, over the useful life indicated below. The residual value of assets, useful life, and the depreciation method should be examined at the end of each year. If the expected value is different from the estimation, or the expected consumption pattern of the future economic benefits of the asset has changed significantly, and it becomes necessary to have the depreciation method changed to reflect the changed

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

pattern, such change should be treated as a change in accounting estimate. For the property, plant and equipment with asset impairment losses recognized, the depreciation expense of the asset in the future period shall be adjusted by deducting its residual value from the amended book value of the asset and amortized in accordance with the straight-line method over the remaining useful life:

House, building, and auxiliary equipment	3-50	years
Machinery equipment	2-10	years
Transportation equipment	4-6	years
Office equipment	5	years
Other equipment	3-15	years

- (C) Replacement and significant inspection costs are recognized in the book value of the property, plant and equipment. Routine maintenance expenses incurred are recognized in profit and loss. The cost of loans that are used to acquire, construct, or produce qualified assets is capitalized and incorporated into the cost of the assets.
- (D) The property, plant and equipment are delisted at the book value when it is disposed of or when it cannot generate future economic effect through use or disposition. The profit or loss resulted from the delisting is recognized in profit and loss; also, the profit may not be classified as income.

## (12) Lease

### (A) The Company is the lessor

When a lease is for the purpose of having the asset ownership and the related substantial risks and rewards transferred to the lessee, it is classified as a financial lease. A lease other than a financial lease is classified as an operating lease.

- (a) The net investment amount in a financial lease is measured at the sum of the present value of the amount payable by the lessee and the unguaranteed residual value plus the original direct cost, which is booked as financial lease receivables. The financial lease income is recognized at a fixed rate of return that reflects the Company's unexpired net lease investment on each lease period.
- (b) The operating lease income is recognized in accordance with the straight-line method over the lease period. If the lease contract offers incentives to the lessee so to have the lease contract signed, the total cost of such incentives should be credited to the total lease income in accordance with the straight-line method

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

over the lease period. The original direct costs incurred in negotiating and arranging an operating lease are added to the book value of the underlying asset and recognized as an expense in accordance with the straight-line method over the lease period.

The variable rent, if any, in the lease agreement that is not dependent on an index or rate is recognized as income upon occurrence.

(B) The Company is the lessee

Except for the short-term leases and lease payments for low-value assets are recognized as expenses in accordance with the straight-line method over the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

- (a) The right-of-use asset is originally recognized at cost and subsequently measured at cost too. Also, it is booked at the cost net of the accumulated depreciation, accumulated impairment losses, and adjusted lease liability remeasurement. The right-of-use asset is depreciated in accordance with the straight-line method over the period from the lease commencement date to the expiry date of the useful life of the right-of-use asset or the lease expiry date, whichever is earlier.
- (b) The lease liability is originally recognized at the present value of the lease payables on the lease commencement date. If the implied interest rate of the lease is easy to determine, the lease payment is discounted at the implied interest rate, but if the implied interest rate is hard to determine, it is to be discounted at the lessee's incremental loan rate. It is subsequently measured at amortized cost in accordance with the effective interest method. The lease liability remeasurement is adjusted to the right-of-use asset; however, if the book value of the right-of-use asset is zero, the remaining remeasurement is recognized in profit and loss.

The variable rent, if any, in the lease agreement that is not dependent on an index or rate is recognized as expense upon occurrence.

(13) Intangible assets

- (A) Computer software, etc., acquired independently that are intangible assets with limited service-life, is measured at cost in accordance with the straight-line method over the average useful life of 3 years. Examine the amortization period and

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

amortization method of the intangible assets with limited service-life on each reporting date. If the estimated useful life is different from the estimation, the amortization period will be changed accordingly. If the expected consumption pattern of the future economic benefits of the asset has changed, the amortization method will be adjusted to reflect the said change, which will be processed as a change in accounting estimate. Once the tangible assets with limited useful life is with impairment loss recognized, the amortization expense of the asset in the future period is adjusted based on the amended book value of the assets in accordance with the straight-line method over the remaining useful life.

- (B) The intangible asset is delisted when it is disposed of or when it cannot generate future economic effect through use or disposition. The profit or loss resulted from the delisting is recognized in profit and loss; also, the profit may not be classified as income.
- (C) The expenses incurred in the research phase are expensed. The expenses incurred in the development stage are recognized as intangible assets when the specified conditions are met, but expenses that do not meet the requirements will be expensed upon incurred in the research phase.

(14) Equity instrument

Equity instrument refers to the contract that represents the Company's remaining interest in assets net of all liabilities. The Company's equity instruments are recognized at the price received, net of direct issuance costs.

(15) Income recognition

Income is measured at the consideration that is expected to receive after having goods or labor service transferred. The Company recognizes income when the control of the goods or labor services is transferred to the customer to fulfill the Company's performance obligations. The Company's main income items are as follows:

Sale of goods

The Company mainly manufactures and sells molds and stamping parts with income recognized at the time of having the control of the products transferred to the customers and in return with the right to collect considerations. Therefore, the Company usually recognizes income when the goods have been delivered and the legal title has been passed

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

on to the customers. If the sales discount or sales return in the future can be reliably estimated, and liability for refunds can be recognized based on past experience and other relevant factors, it is to be credited to the sales income when the sales are recognized.

The Company has accounts receivable recognized when the control of the goods is transferred and in return with the right to collect the considerations unconditionally. If the goods have been transferred to the customer without the right to collect the considerations unconditionally, it is recognized as a contract asset. If the right to collect the consideration from the customer is obtained or is to be obtained before the transfer of the goods to the customer, also, the Company has no obligation to have the goods transferred to the customer under the circumstance, it is recognized as a contract liability.

If the timing of contractual payment for the transfer of goods provides the customer or the Company with significant financial benefits, either explicitly or implicitly, the Company shall adjust the promised consideration amount to reflect the time value of money. If a sale contract is signed to have goods transferred to the customer and the period from the date the goods transferred to the date the payment made by the customer is for less than 1 year, the Company does not adjust the promised consideration amount.

(16) Loan cost

It refers to the interest and other cost related to the loans. The loan cost that is directly attributable to the acquisition, construction, or production of qualified assets (referring to the assets that take a long time to reach the intended use or sale status) is capitalized as an integral part of the cost of the asset, while other loan cost is recognized as an expense upon occurrence. When a specific loan is invested temporarily before the expenditure incurred for the qualified assets, the investment income arising from such loan investment should be deducted from the actual loan cost incurred. The capitalization of loan cost is stopped when almost all the necessary activities to reach the intended state of use or sale have been completed for the qualified assets. If the active development of the qualified assets is suspended for a long period of time, the capitalization of loan cost will be suspended for the said period.

(17) Employee welfare

(A) Short-term employee welfare

It refers to the employee benefits (except for employment termination benefits) that are expected to be fully paid within 12 months after the annual reporting period for

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

the services provided by employees, which is measured at the undiscounted amount expected to be paid in exchange for employee services, and it is recognized as an expense and liability. The expected cost of profit sharing and dividend payment is recognized as an expense and liability in accordance with the provision stated in the preceding paragraph due to a current legal or presumed payment obligation arising from past events with an amount that can be estimated reliably.

(B) Employee benefits - retirement benefits

- (a) All full-time employees of the company are entitled to the retirement plan. The entire employee pension fund is deposited in the pension fund account and managed by the Labor Retirement Reserve Committee. The aforementioned pension fund is deposited in the name of the Labor Retirement Reserve Committee that is completely separated from the company; therefore, it is not included in the aforementioned consolidated financial report. The retirement plan for employees of foreign subsidiaries is handled in accordance with local law and regulations.
- (b) For a defined contribution plan, the company's monthly employee pension contribution rate shall not be less than 6% of the employee's monthly salary, and the contributed amount is recognized as the current expense. Foreign subsidiaries are to appropriate a certain percentage of the salary as pension according to the local law; also, it is recognized as a current expense.
- (c) For a defined benefit plan, the actuarial pension amount should be appropriated on the annual reporting date according to the Projected Unit Credit Method. The re-measured amount is included in other comprehensive profits and losses when it occurs; also, it is immediately recognized in the retained earnings.

(18) Share-based payment

- (A) For share-based payment transactions with equity delivered to the employees, the fair value of the labor service received from the employees is based on the fair value of the equity instrument on the delivery day. If the delivered equity instrument is immediately vested without providing labor service in a specific period, the labor services received are recognized in full on the delivery date with the equity increased relatively. If it is not immediately vested until the labor services are completed in a specific period, it is presumed that the labor service provided by the counterparty as



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

the consideration for the equity instrument will be received in the future vested period, and it is recognized as a remuneration expense in the vested period with the equity increased relatively. The recognition of remuneration expense is based on the best estimate of the equity instruments expected to be vested during the vested period. If the expected vested equity instruments are subsequently found to be different from the estimation, the said estimation will be amended, if necessary, so to match up with the final vested equity instrument on the vested day.

- (B) The fair value of equity instruments is measured according to the market price available on the measurement date and the terms and conditions related to the decision-making in vesting equity instruments. If the market price is not available, apply appropriated estimation techniques to estimate the price of the delivered equity instruments on the measurement date in an arms-length transaction between the two parties who are fully understanding and willing to trade in order to estimate the fair value of the equity instruments. Also, the aforementioned evaluation techniques are consistent with generally accepted evaluation techniques for financial instrument pricing, and all the elements and assumptions related to the pricing are considered by the traders who are fully understanding and willing to trade are included.

(19) Income tax

- (A) Income tax expenses include current and deferred income taxes. Except for those related to business mergers, directly recognized in equity, or other comprehensive profit and loss, current income tax and deferred income tax expenses are recognized in profit and loss.
- (B) Current income tax expenses refer to the estimated income tax payable or tax refund receivable calculated on the taxable income or loss of the current year at the tax rate that has been legislated or substantively legislated on the reporting date, including any adjustment made to the income tax payable or refundable of the previous year.
- (C) Deferred income tax expenses are calculated and recognized on the temporary difference between the tax base of assets and liabilities and the book amounts reported.
- (D) Deferred income tax assets and liabilities are measured at the tax rate applicable when the temporary difference is expected to reverse that has been legislated or substantively legislated on the reporting date. Deferred income tax assets and liabilities can only be applied to offset current income tax assets and liabilities

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

lawfully; also, it is limited to the same taxpayer and the same levying tax authority; or it can be offset by different taxpayers when the intention is to have the net current income tax liabilities and assets offset, or the income tax liabilities and assets will be realized at the same time.

- (E) The outstanding taxable losses, income tax credit, and deductible temporary differences are recognized as deferred income tax assets to the extent of the potential taxable income that occurred in the future. Also, the deferred income tax assets are evaluated on each reporting day and adjusted down to the extent of the relevant tax benefit unlikely to be realized.
- (F) For the domestic subsidiaries of the Company, for the additionally levied business income tax on the unappropriated earnings of the year, the income tax expense of the unappropriated earnings is recognized according to the actual earnings distribution that is resolved in the shareholders meeting of the following year.

(20) Earnings per share

The Company presents the current basic and diluted earnings per share attributable to the common stock shareholders of the Company. Basic earnings per share is calculated by having the profit and loss attributable to the common stock shareholders of the Company divided by the current weighted average outstanding common stock shares. Diluted earnings per share is calculated by having all the dilutive potential common stock shares and the adjusted profit and loss attributable to the common stock shareholders of the Company divided by all the dilutive potential common stock shares and the adjusted current outstanding weighted average stock shares.

(21) Government grants

- (A) The Company will have government grants recognized with certainty that all requirements for eligibility will be met and the Company is probably to receive it.
- (B) The asset-related government grants are recognized in profit and loss systematically in the period when the cost of the funded asset is recognized as an expense by the Company. The government grants that are used to compensate the occurred expenses or losses will be recognized in profit and loss during the period when it is collectible.
- (C) Government grants are presented in the consolidated financial statements as follows:

Unrealized government grants (that is, the benefits of deferred government grants) are classified as liabilities in the consolidated balance sheet; realized government grants are debited to the relevant expenses or other income in the consolidated income statement.

**5. MAIN CAUSES OF UNCERTAINTY TO MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The management must make judgments, estimations, and assumptions when preparing the parent company only financial report, which will affect the reported amount of income, expenses, assets, and liabilities. The uncertainties of these material assumptions and estimations may cause significant adjustments to the book amount of assets and liabilities in the future, that is, actual results may differ from estimates.

- (1) The management's judgments regarding the significant impact on the amounts recognized in the parent company only financial statements during the process of adopting accounting policies: Please refer to Note 6.(9)(G) to the parent company only financial statements for the classification of investment property.
- (2) The other main sources of information related to the uncertainties of assumptions and estimation that may have resulted in significant adjustments to the book value of assets and liabilities in the next financial year on the reporting date are described as follows:

(A) Employee benefits - measurement of the defined benefit obligation

As stated in Note 6.(13) to the parent company only financial statements, the defined benefit obligations and expenses are measured with actuarial assumptions made, including demographic and financial assumptions related to the employees eligible for benefits in the future. Any change in the actuarial assumptions may result in actuarial profit and loss and thus affect the net defined benefit liability.

The Company's net defined benefit liability for an amount of NT\$31,929 thousand was booked on December 31, 2022. If the discount rate adopted for the Company's actuarial assumptions and the expected salary increase rate were increased/decreased by 0.5%, the book value of the net defined benefit liability would be decreased by NT\$3,211 thousand or increased by NT\$10,225 thousand, and increased by NT\$10,136 thousand or decreased by NT\$3,217 thousand, respectively.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

The impact of changes in one single assumption is analyzed in the preceding paragraph with all other assumptions remained intact; however, the impact of changes in actual actuarial assumptions is interactive in reality. The approaches adopted for sensitivity analysis are consistent with the approaches adopted for the measurement of the net defined benefit liability, and the approaches and assumptions used are the same as that of in the prior period.

(B) Impairment of accounts receivable

As stated in Note 4.(8), 6.(3) and 6.(4) to the parent company only financial statements, allowance for loss of the accounts receivable is measured simply at the expected credit loss during the duration on the reporting date. Receivables are classified according to the nature of the common risks that indicate the customer's ability to pay all payables in accordance with the contractual terms, taking into account the consideration of the reasonable and verifiable information (obtainable on the reporting date without excessive costs or inputs) related to past events, current conditions, and forecasts of future economic conditions; also, the expected credit loss is estimated on the basis of the probability of default and the expected credit loss rate. If the classification of receivables and the estimation of the probability of default and the expected credit loss rate is changed by the management of the Company or is changed due to the economic conditions, the estimated allowance for losses of the receivables will be affected inevitably.

The Company's net receivables amounted to NT\$596,453 thousand (including net notes receivable, net accounts receivable (including related parties), and other receivables) on December 31, 2022, net of the estimated allowance for loss of NT\$430 thousand.

(C) Inventory evaluation

As stated in Note 4.(9) of the parent company only financial statements, the yearend inventory is measured at the lower of cost or net realizable value. The comparison of cost and net realizable value is itemized, except for inventories of the same category. The net realizable value refers to the amount resulted from the estimated selling price in the course of business net of the estimated additional cost needed for project completion and the estimated sales expenses after the project completion. The said estimation is based on the current market conditions and historical sales experience in similar products, which could be significantly affected by the changes in market conditions.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

The book value of the Company's inventories was NT\$260,132 thousand on December 31, 2022, net of the allowance for inventory loss in valuation amounted to NT\$30,927 thousand.

(D) Fair value of financial instruments

As stated in Note 4.(6) of the parent company only financial statements, financial assets-noncurrent measured at fair value through other comprehensive profit and loss are financial instruments without an active market; therefore, their fair value is determined with appropriate evaluation techniques adopted. The said valuation techniques include the recent arm's-length transactions conducted in the market, reference to the current fair value of another financial instrument that is substantially equivalent, and other valuation models. The measurement of the fair value could be affected by any change in assumptions and estimates. Please refer to Note 12.(2)(D) to the parent company only financial statements for details.

The book value of the Company's unlisted (non-TPEX) stock shares that were measured at fair value through other comprehensive profit and loss was NT\$262,023 thousand on December 31, 2022.

**6. DESCRIPTION OF IMPORTANT ACCOUNTING ITEMS**(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and petty cash	\$2,300	\$2,397
Checking deposit and savings deposit	133,294	232,475
Time deposits	<u>1,189,296</u>	<u>803,517</u>
Total	<u><u>\$1,324,890</u></u>	<u><u>\$1,038,389</u></u>

(A) The aforementioned time deposits can be converted into a fixed amount of cash at any time and with limited risk of value changes.

(B) The aforementioned bank deposits had not been provided as collateral or mortgaged.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(2) Financial assets-current measured at fair value through profit and loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets measured at fair value</u>		
<u>through profit and loss mandatorily</u>		
Acquisition cost:		
Bonds	\$842,117	\$1,029,473
SWAP contracts	-	-
Subtotal	<u>842,117</u>	<u>1,029,473</u>
Evaluation adjustment:		
Bonds	(85,786)	(81,002)
SWAP contracts	6,254	-
Subtotal	<u>(79,532)</u>	<u>(81,002)</u>
Total	<u><u>\$762,585</u></u>	<u><u>\$948,471</u></u>
<u>Financial liabilities held for trading:</u>		
Acquisition cost:		
SWAP contracts	\$-	\$-
Evaluation adjustment:		
SWAP contracts	-	1,671
Total	<u><u>\$-</u></u>	<u><u>\$1,671</u></u>

(A) The SWAP contracts signed between our company and a financial institution is primarily aimed at avoiding the financial risks caused by fluctuations in foreign currency debt and liabilities. However, it was not designated as a hedging instrument, and details of the derivative instruments related to financial assets and financial liabilities held for trading that were not accounted for as hedging instruments are as follows:

<u>Financial instrument</u>	<u>Nominal principal (NT\$ Thousand)</u>	<u>Currency</u>	<u>Due date</u>
<u>December 31, 2022</u>			
SWAP contract	USD 900	USD:NTD	01.05.2023
SWAP contract	USD 4,200	USD:NTD	01.17.2023
SWAP contract	USD 5,000	USD:NTD	01.31.2023
SWAP contract	USD 1,080	USD:NTD	02.10.2023
SWAP contract	USD 3,300	USD:NTD	02.13.2023
SWAP contract	USD 2,000	USD:NTD	03.27.2023
Total	<u><u>USD 16,480</u></u>		

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Financial instrument	Nominal principal (NT\$ Thousand)	Currency	Due date
<u>December 31, 2021</u>			
SWAP contract	USD 2,970	USD:NTD	01.05.2022
SWAP contract	USD 1,080	USD:NTD	02.10.2022
SWAP contract	USD 1,900	USD:NTD	02.25.2022
SWAP contract	USD 2,000	USD:NTD	03.25.2022
SWAP contract	USD 1,350	USD:NTD	06.02.2022
SWAP contract	USD 3,300	USD:NTD	06.21.2022
SWAP contract	USD 1,230	USD:NTD	07.08.2022
SWAP contract	USD 1,000	USD:NTD	08.05.2022
SWAP contract	USD 4,200	USD:NTD	09.16.2022
SWAP contract	USD 3,300	USD:NTD	12.12.2022
Total	USD 22,330		

The net (losses) profits arising from foreign exchange transactions were NT\$49,901 thousand and NT\$(7,935) thousand, for the years ended December 31, 2022 and 2021, respectively.

- (B) The Company 's valuation losses of financial assets and liabilities at fair value through income were NT\$14,403 thousand and NT\$32,881 thousand for the years ended December 31, 2022 and 2021, respectively, which were booked in the “Non-operating income and expenses - other profit and loss” account.
- (C) The aforementioned financial assets measured at fair value through profit and loss had not been provided as collateral or mortgaged.
- (D) Please refer to Note 12.(2)(C)(a) and (b) of the consolidated financial report for the disclosure of the market risk and credit risk of the Company’s financial assets measured at fair value through profit and loss.

(3) Notes receivable - net

	December 31, 2022	December 31, 2021
Notes receivable	\$2,897	\$3,864
Less: Allowance for loss	-	-
Net amount	\$2,897	\$3,864

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(4) Accounts receivable - net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$562,466	\$561,455
Less: Allowance for loss	<u>(430)</u>	<u>(1,069)</u>
Net amount	<u><u>\$562,036</u></u>	<u><u>\$560,386</u></u>

(A) The allowance for loss of the Company's notes receivable, accounts receivable, and other receivable is simply measured by the expected credit losses amount throughout the duration. The notes receivable and accounts receivable are classified according to the common risk characteristics of the customers' ability to pay all due amounts in accordance with the contract terms, taking into account the reasonable and provable information related to past events, current conditions, and future economic conditions (obtainable without excessive cost or investment on the reporting date), and estimating the expected credit loss according to the estimated default rate and expected credit loss rate.

(B) The increase or decrease of allowance for loss of the Company's notes receivable, accounts receivable, and other receivable is as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Balance - beginning	\$1,069	\$697
Allowance account for the impairment of notes receivable, accounts receivable, and other receivables	-	372
Allowance reversal account for the impairment of notes receivable, accounts receivable, and other receivables	<u>(639)</u>	<u>-</u>
Balance - ending	<u><u>\$430</u></u>	<u><u>\$1,069</u></u>

(C) Please refer to Note 12.(2)(C)(b) of the parent company only financial report for the disclosure of the credit risk of the Company's notes receivable, accounts receivable, and other receivables.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(5) Inventory

	December 31, 2022		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$70,773	\$4,023	\$66,750
Substances	12,801	10	12,791
Work-in-process goods	104,132	17,871	86,261
Finished goods	99,640	8,934	90,706
Merchandise trade	3,713	89	3,624
Total	\$291,059	\$30,927	\$260,132

	December 31, 2021		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$88,974	\$2,417	\$86,557
Substances	12,382	316	12,066
Work-in-process goods	113,464	28,431	85,033
Finished goods	81,957	5,965	75,992
Merchandise trade	1,624	174	1,450
Total	\$298,401	\$37,303	\$261,098

(A) Cost of goods sold related to inventory is as follows:

	For the years ended December 31,	
	2022	2021
Inventory booked in “cost of goods sold”	\$1,845,518	\$1,565,828
Inventory cost debited to “net cash value”	-	4,693
Recovery of the net cash value of inventory	(6,376)	-
Inventory loss	(1,559)	5,304
Total operating cost	\$1,837,583	\$1,575,825

(B) The aforementioned inventory had not been provided as collateral or mortgaged.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(6) Other financial assets-current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Special account for transferring overseas funds back to Taiwan		
Savings deposit	\$-	\$20,055
Time deposit	7,383	5,534
Total	<u>\$7,383</u>	<u>\$25,589</u>

The aforementioned “other financial assets-current” is free of any guarantee or pledge.

(7) Financial assets-current measured at fair value through other comprehensive profit and loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Equity instrument</u>		
Unlisted stocks	\$27,006	\$27,006
Equity instrument investment evaluation adjustment	235,017	272,332
Total	<u>\$262,023</u>	<u>\$299,338</u>

- (A) Equity instrument investment measured at fair value through other comprehensive profit and loss was not an available-for-trade investment; therefore, the Company chose to have it designated as measured at fair value through other comprehensive profit and loss.
- (B) The Company had recognized dividend income from the investment in equity instrument measured at fair value through other comprehensive profit and loss were NT\$13,571 thousand, and NT\$8,482 thousand for the years ended December 31, 2022 and 2021, respectively.
- (C) The Company did not have cumulative profit or loss transferred within equity for the years ended December 31, 2022 and 2021.
- (D) The aforementioned financial assets measured at fair value through other comprehensive profit and loss had not been provided as collateral or mortgaged.
- (E) Please refer to Note 12.(2)(C)(a) and (b) of the parent company only financial report for the disclosure of the market risk and credit risk of the Company’s financial asset measured at fair value through other comprehensive profit and loss.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(8) Investment under the equity method

(A) The Company's investments under the equity method are as follows:

Investee company	December 31, 2022	Equity holding ratio (%)	December 31, 2021	Equity holding ratio (%)
CHIN DE INVESTMENT CO., LTD.	\$52,709	100.00	\$54,158	100.00
G-SHANK, INC.	351,069	100.00	309,672	100.00
GRAND STAR ENTERPRISES L.L.C. (Note)	1,681,772	100.00	1,713,946	100.00
G-SHANK ENTERPRISE (M) SDN. BHD	383,540	92.33	373,614	92.33
SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	1,636,821	85.00	1,282,203	85.00
GREAT-SHANK CO., LTD.	174,756	85.00	185,520	85.00
G-SHANK JAPAN CO., LTD.	12,644	58.89	6,899	58.89
SUNFLEX TECHNOLOGY CO., LTD. (SUNFLEX)	161,006	14.48	157,590	14.73
G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	15,940	5.86	14,393	5.86
Total	<u>\$4,470,257</u>		<u>\$4,097,995</u>	

(B) The Company's shareholding in each individual insignificant affiliated company is summarized as follows:

	For the years ended December 31,	
	2022	2021
Net profit (loss) of the continuing business unit – current	\$11,222	\$4,804
Other comprehensive profit and loss (after tax) - current	(4,042)	8,413
Total comprehensive profit and loss - current	<u>\$7,180</u>	<u>\$13,217</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (C) The increase or decrease of the Company's investments under the equity method is as follows:

	For the years ended December 31,	
	2022	2021
Balance - beginning	\$4,097,995	\$4,133,330
The investment made in the current period	2,809	-
Dividends pay from subsidiaries and associates	(351,183)	(561,805)
Profit amount - current	621,399	602,724
Changes in the subsidiaries and affiliated enterprises under the equity method	15	-
The exchange difference amount from the conversion of the financial statements of foreign operating institutions	103,268	(84,675)
The unrealized valuation profit (loss) amount of the financial assets measured at fair value through other comprehensive profit and loss	232	39
The share of unrealized gains (losses) from changes in fair value of financial assets measured at fair value through other comprehensive income.	(4,278)	8,382
Balance - ending	<u>\$4,470,257</u>	<u>\$4,097,995</u>

- (D) The Company recognized the equity investment changes in the aforementioned subsidiaries and affiliated enterprises in 2022 and 2021, which were calculated based on the audited financial statements of the invested companies for the same period.
- (E) The Company's subsidiaries, except for the entities dissolved and liquidated by the resolution of the board of directors that could no longer be included in the consolidated statements, were all included in the 2022 and 2021 consolidated financial reports.
- (F) The aforementioned "investment under the equity method" is free of any guarantee or pledge.

Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(9) Property, plant and equipment

(A) The change in the Company's property, plant and equipment is as follows:

For the years ended December 31, 2022

Cost	Land	House & building	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment yet to be tested	Total
Balance at January 1, 2022	\$102,911	\$252,548	\$613,795	\$33,084	\$991	\$84,544	\$-	\$1,087,873
Addition	-	5,082	76,805	4,492	-	4,617	3,440	94,436
Disposition	-	-	(4,470)	(3,023)	-	(693)	-	(8,186)
Reclassification -current	-	-	4,210	-	-	-	946	5,156
Balance at December 31, 2022	102,911	257,630	690,340	34,553	991	88,468	4,386	1,179,279
<u>Accumulated depreciation:</u>								
Balance at January 1, 2022	-	162,280	403,500	24,490	991	55,068	-	646,329
Depreciation	-	9,024	39,155	2,619	-	5,612	-	56,410
Disposition	-	-	(4,470)	(3,023)	-	(693)	-	(8,186)
Reclassification -current	-	-	-	-	-	-	-	-
Balance at December 31, 2022	-	171,304	438,185	24,086	991	59,987	-	694,553
Carrying amount at December 31, 2022	\$102,911	\$86,326	\$252,155	\$10,467	\$-	\$28,481	\$4,386	\$484,726

## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

For the years ended December 31, 2021

Cost	Land	House & building	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment yet to be tested	Total
Balance at January 1, 2021	\$102,911	\$246,282	\$524,117	\$28,852	\$991	\$93,648	\$-	\$996,801
Addition	-	6,266	75,968	5,113	-	9,801	-	97,148
Disposition	-	-	(4,858)	(881)	-	(337)	-	(6,076)
Reclassification -current	-	-	18,568	-	-	(18,568)	-	-
Balance at December 31, 2021	102,911	252,548	613,795	33,084	991	84,544	-	1,087,873
<u>Accumulated depreciation:</u>								
Balance at January 1, 2021	-	154,526	375,106	23,342	989	53,617	-	607,580
Depreciation	-	7,754	29,811	2,029	2	5,229	-	44,825
Disposition	-	-	(4,858)	(881)	-	(337)	-	(6,076)
Reclassification -current	-	-	3,441	-	-	(3,441)	-	-
Balance at December 31, 2021	-	162,280	403,500	24,490	991	55,068	-	646,329
Carrying amount at December 31, 2021	\$102,911	\$90,268	\$210,295	\$8,594	\$-	\$29,476	\$-	\$441,544

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (B) The Company's major building constituents mainly include the main plant buildings, workshops, and plant decoration, which are depreciated according to their service life of 3-50 years.
- (C) The Company did not acquire property, plant and equipment that caused the capitalization of the loan cost for the years ended December 31, 2022 and 2021.
- (D) The Company did not have any impairment occurred to the property, plant and equipment for the years ended December 31, 2022 and 2021.
- (E) The aforementioned property, plant and equipment had not been provided as collateral or mortgaged.
- (F) The acquired property, plant and equipment listed in the parent company only cash flow statement:

	For the years ended December 31,	
	2022	2021
The current addition of property, plant and equipment listed in Note 6(9)(A) of the parent company only financial report	\$94,436	\$97,148
Add: Equipment payable - beginning	16,537	4,082
Less: Equipment payable - ending	(14,194)	(16,537)
Cash outflow for the acquisition of property, plant and equipment	<u>\$96,779</u>	<u>\$84,693</u>

- (G) The Company's leased assets are as follows:

	December 31, 2022	December 31, 2021
House and building	\$1,340	\$1,340
Less: Accumulated depreciation	(1,006)	(932)
Leased assets - net	<u>\$334</u>	<u>\$408</u>

- (a) The company had part of the plant building leased to BAIYUE PRECISION CO., LTD. (hereinafter referred to as "BAIYUE") for a period from October 1, 2020 to September 30, 2021. The lease contract was renewed on September 30, 2021 for a lease period from October 1, 2021 to September 30, 2022. The lease contract was renewed on September 30, 2022 for a lease period from October 1, 2022 to September 30, 2023.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (b) The Company had part of the plant building leased to BAIYUE. The said plant building could not be sold independently; also, the said plant building owned by the Group was mainly for the purpose of product production, service providing, and management; therefore, the proprietary plant was not classified as an investment property.

(10) Intangible assets

- (A) The increase or decrease of the Company's intangible assets-computer software is as follows:

Cost:	For the years ended December 31,	
	2022	2021
Balance - beginning	\$5,075	\$7,409
Addition - current	600	343
Decrease in the current period - delisted on the due date	(2,934)	(2,677)
Balance - ending	2,741	5,075
Accumulated depreciation:		
Balance - beginning	3,625	4,043
Amortization - current	1,094	2,259
Decrease in current period - delisted on the due date	(2,934)	(2,677)
Balance - ending	1,785	3,625
Book amount - ending	\$956	\$1,450

- (B) The Company did not have any impairment occurred to the intangible assets for the years ended December 31, 2022 and 2021.

(11) Short-term loans

	December 31, 2022	December 31, 2021
Credit loans	\$1,070,000	\$1,260,000

- (A) The Group's short-term loan interest rate is as follows:

Nature of loan	December 31, 2022	December 31, 2021
Credit loan	1.350%-1.99%	0.704%-1.269%

- (B) The Company did not provide collateral for the aforementioned short-term loans.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(12) Long-term loans

<u>Creditor</u>	<u>Nature of loan</u>	<u>Contract period</u>	<u>Amount</u>	<u>Repayment method</u>
<u>December 31, 2022</u>				
Fubon Bank	Credit loan	01/03/2020~01/03/2025	\$60,295	(Note 1)
Fubon Bank	Credit loan	02/07/2020~02/07/2025	18,737	(Note 2)
Total			79,032	
Less: Long-term loans due within one year			(38,735)	
Long-term loans due after one year			<u>\$40,297</u>	

<u>Creditor</u>	<u>Nature of loan</u>	<u>Contract period</u>	<u>Amount</u>	<u>Repayment method</u>
<u>December 31, 2021</u>				
Fubon Bank	Credit loan	01/03/2020~01/03/2025	\$57,587	(Note 1)
Fubon Bank	Credit loan	02/07/2020~02/07/2025	18,737	(Note 2)
Total			76,324	
Less: Long-term loans due within one year			-	
Long-term loans due after one year			<u>\$76,324</u>	

Note 1 : The first repayment date to Fubon Bank is on January 15, 2023, followed by a monthly installment for a total of 24 payments with the principal paid equally and the interest paid monthly. The company used it in stages from January 3, 2020 to January 5, 2022.

Note 2 : The first repayment date to Fubon Bank is on February 15, 2023, followed by a monthly installment for a total of 24 payments with the principal paid equally and the interest paid monthly. The company used it in stages from February 7, 2020 to August 7, 2020.

(A) The above-mentioned long-term loan from Taipei Fubon Bank is a financing loan for the project of Taiwanese company return to invest in Taiwan. The Interest rate on borrowings on December 31, 2022 and December 31, 2021 were 1.096% and 0.700%, respectively. IF the aforementioned project loan granted to Taiwanese businessmen to invest in Taiwan, in the event of violating law and regulations, or the budget of National Development Fund being freeze up by the Legislative Yuan during the implementation period, policy changes, fund allocation needs, or circumstances that are not attributable to the National Development Fund, starting from the date the National Development

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Fund stopping the payment of commission fee, the loan interest rate will be changed to “3M TAIBOR+0.50%” divided by 0.946 with a 3-month floating interest calculated automatically and regularly, which shall not be lower than 1.2% after tax. In addition, the machinery equipment purchased with the project loan may not be pledged or with ownership transferred to others.

(B) The Company did not provide collateral for the aforementioned long-term loans.

(13) Retirement benefits

(A) Defined benefit plan

(a) The Company has based on the employee’s seniority and the expected salary before retirement to have the employee retirement plan formulated, and has pension reserve appropriated for an amount equivalent to certain percentage of the monthly salary in accordance with the “Labor Standards Act” and then deposited in a special account and used by the Labor Pension Committee. The pension reserve is operated separately from the business operation of the Company; therefore, it is not included in the consolidated financial statements.

(b) The remeasurement of the net defined benefit liability is accumulated and recognized in other comprehensive profit and loss as follows:

	2022	2021
Balance - beginning	\$(91,494)	\$(100,528)
Net defined benefit plan remeasurement	20,496	9,034
Balance - ending	\$(70,998)	\$(91,494)

(c) The reconciliation of the present value of the defined benefit obligation and the fair value of the plan asset is as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$206,349	\$217,887
Fair value of plan assets	(174,034)	(155,492)
Plan shortfalls	32,315	62,395
Booked in other payables	(386)	(381)
Net defined benefit obligation	\$31,929	\$62,014

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(d) The changes in the present value of the defined benefit obligation are as follows:

	<u>2022</u>	<u>2021</u>
Book value - beginning	\$217,887	\$238,086
Current service cost	1,752	2,082
Interest expense	1,525	928
Net defined benefit obligation remeasurement		
Actuarial (benefits) losses due to changes in demographic assumptions	1,306	(1,840)
Actuarial (benefits) losses due to changes in financial assumptions	(9,200)	(8,123)
Actuarial (benefits) losses resulted from experience adjustments	(653)	3,162)
Benefits paid	<u>(6,268)</u>	<u>(16,408)</u>
Book value - ending	<u>\$206,349</u>	<u>\$217,887</u>

(e) The changes in the fair value of plan assets are as follows:

	<u>2022</u>	<u>2021</u>
Balance – beginning	\$155,492	\$155,402
Interest income	1,088	606
Net defined benefit assets remeasurement		
Actuarial benefits of plan assets resulted from experience adjustments	11,949	2,233
Employer’s contributions	11,773	13,659
Benefits paid	<u>(6,268)</u>	<u>(16,408)</u>
Balance - ending	<u>\$174,034</u>	<u>\$155,492</u>

(i) According to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund,” the income and expense, safeguard, and utilization of the Company’s plan assets are entrusted to Bank of Taiwan for process by the competent authorities and the Ministry of Finance, of which, the safeguard and utilization of the fund can be entrusted to other financial institutions. The scope of application for the funds includes deposited in domestic and foreign financial institutions, investment in domestic and foreign listed/OTC or private equity securities, investment in domestic and foreign debt securities, investment in domestic public offering or private

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

placement of securities investment trust funds, beneficiary certificates of futures trust funds, mutual trust fund beneficiary securities or collective trust instruments, investment in the beneficiary certificates issued or managed by foreign fund management institutions, fund shares or investment units, investment in domestic and foreign property and its securitized instruments, investment in domestic and foreign spot instruments, engagement in domestic and foreign financial derivatives transactions, marketable securities lending transactions, etc. Moreover, the minimum income distributed from the annual final account may not be less than the interest income calculated according to the local bank's 2-year time deposit interest rate. The information on the utilization of the labor pension fund assets includes the fund appropriation and profit ratio provided by the Bank of Taiwan, the fund assets allocation announced on the website of the Bureau of Labor Funds, Ministry of Labor, the Executive Yuan, etc. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor, the Executive Yuan for more information.

- (ii) The Company's pension reserves in the special account with the Bank of Taiwan were NT\$174,034 thousand and NT\$155,492 thousand on December 31, 2022 and 2021, respectively.
- (iii) As of December 31, 2022, the Company's expected appropriation of defined benefit plan in 2023 was NT\$4,603 thousand.

- (f) The pension expense recognized in profit and loss and booked amount are as follows:

	2022	2021
Service cost	\$1,752	\$2,082
Interest expense	1,525	928
Interest income	(1,088)	(606)
Total	<u>\$2,189</u>	<u>\$2,404</u>
Operating cost	\$1,102	\$2,279
Selling and marketing expenses	265	32
General and administrative expenses	627	73
Research and development expenses	195	20
Total	<u>\$2,189</u>	<u>\$2,404</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (g) The main actuarial assumptions used in determining the present value of the defined benefit obligation are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.23%	0.7%
Expected salary increase rate	1.50%	1.50%

Please refer to Note 5.(2)(A) to the consolidated financial statements for the sensitivity analysis regarding the impact on the net defined benefit liabilities due to the reasonable and possible changes in the Company's actuarial assumptions.

- (h) Information on the maturity overview of the defined benefit obligation is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Weighted average duration	<u>7 years</u>	<u>11 years</u>

Maturity analysis of future benefit payments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Within 1 year	\$174,007	\$172,857
2~5 years	23,966	22,514
Over 6 years	11,119	17,055
Total undiscounted amount	<u>\$209,092</u>	<u>\$212,426</u>
Present value of benefit payments	<u>\$207,229</u>	<u>\$210,990</u>

(B) Defined contribution plan

- (a) The Company has adopted a defined contribution plan since the implementation of the "Labor Pension Act" in July 2005. The employees may choose to be subject to the pension provisions of the "Labor Standards Act" or the "Labor Pension Act" with the reservation of the seniority prior to the "Labor Pension Act" took forth. For the employees subject to the "Labor Pension Act," the Company shall assume the pension contribution for an amount not less than 6% of the monthly salary that is to be appropriated on a monthly basis and deposited in the personal account of each employee with the Bureau of Labor Insurance. The Company is without any legal or presumed obligation to make any additional contribution other than the monthly pension contribution.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (b) The pension expense recognized by the Company according to the definite contribution plan is as follows:

	2022	2021
Operating cost	\$11,588	\$10,530
Selling and marketing expenses	1,848	1,806
General and administrative expenses	3,090	3,154
Research and development expenses	1,360	1,344
Total	<u>\$17,886</u>	<u>\$16,834</u>

(14) Capital stock

	Authorized capital stock (1,000 shares)	Common stock shares issued at NT\$10 par (including Advance Receipts for Capital Stock)	
		Shares (1,000 shares)	Capital stock
Balance amount on January 1,2022	<u>350,000</u>	187,832	\$1,878,323
Employee exercise of stock warrant		<u>2,822</u>	<u>28,220</u>
Balance amount on December 31, 2022	<u>350,000</u>	<u>190,654</u>	<u>\$1,906,543</u>
Balance amount on January 1,2021	<u>350,000</u>	184,968	\$1,849,683
Employee exercise of stock warrant		<u>2,864</u>	<u>28,640</u>
Balance amount on December 31,2021	<u>350,000</u>	<u>187,832</u>	<u>\$1,878,323</u>

- (A) As of December 31, 2022 and 2021, the company's authorized capital stock included 20,000 thousand shares reserved for the issuance of an employee stock warrant.
- (B) The related rights, priority, and restrictions of the common stock shares issued by the company are as follows:
- (a) Each shareholder is entitled to one vote per share.
  - (b) The distribution of dividends and bonuses are based on the shareholding ratio of each shareholder.
  - (c) The property net of the debt is distributed proportionally to the shareholding ratio of each shareholder.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(C) The number of shares subscribed through the exercise of employee stock options by our company in 2022 and 2021 were 2,822 thousand shares and 2,864 thousand shares, respectively. As of December 31, 2022 and 2021, the cumulative number of shares subscribed through the issuance of employee stock options was 10,602 thousand shares and 7,780 thousand shares, respectively. As of December 31, 2022, there were 870 thousand shares that had not completed the registration process for the change in ownership, and were therefore temporarily recorded under the category of prepaid capital. For more information on the issuance of employee stock options, please refer to Note 6.(20) in the consolidated financial statements.

(15) Additional paid-in capital

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Common stock premium	\$314,662	\$287,379
Treasury stock transaction	63,306	63,306
The difference between the actual acquisition price of the subsidiary's equity and the book amount	3,563	3,563
Changes in the net equity value of subsidiaries under the equity method and affiliated enterprises	31,862	31,847
Employee stock options	20,619	28,752
Invalid employee stock options	36,325	36,240
Received donation from shareholders	1,684	1,657
Total	<u>\$472,021</u>	<u>\$452,744</u>

According to the Company Act, the company shall apply the additional paid-in capital to make up for losses only. However, if the company has no loss, the stock premium and all or part of the donation received may be used to distribute new shares or cash proportionally to the shareholders' original shareholding ratio. In addition, the company may apply the additional paid-in capital to supplement the capital loss only when there is an insufficient reserve.

(16) Legal reserve

According to the Company Act, the company after having all taxes paid and ready for earnings distribution shall first appropriate 10% legal reserve and continue to appropriate

until the total legal reserve amount equals total capital. The legal reserve can be applied to make up for the company's losses; also, if the company has no loss, the amount of the legal reserve exceeding 25% of the paid-in capital can be used to distribute new shares or cash proportionally to the shareholders' original shareholding ratio.

(17) Special reserve

The Company has special reserve appropriated and reversed in accordance with Jin-Guan-Zheng-Far-Tzi No. 1010012865 Order, Jin-Guan-Zheng-Far-Tzi No. 1010047490 Order, and "Questions and Answers on the Appropriation of Special Reserves after the Adoption of International Financial Reporting Standards (IFRSs)." When the amount debited to other equity is reversed subsequently, the reversed amount could be distributed. In addition, the Financial Supervisory Commission had issued the Jin-Guan-Zheng-Far-Tzi No. 1090150022 Order on March 31, 2021, then the Jin-Guan-Zheng-Far-Tzi No. 1010012865 Order and Jin-Guan-Zheng-Far-Tzi No. 1010047490 Order were revoked on December 31, 2021 and March 31, 2021, respectively. The Company will comply with the relevant letter and orders continuously.

(18) Earnings distribution and dividend policy

- (A) According to the company's Articles of Incorporation, the annual earnings, if any, should be applied to pay income tax and make up for the losses of the previous years; also, appropriate 10% legal reserve from the remaining balance, if any. In addition, appropriate or reverse a certain amount of special reserve according to the regulations of the competent authority. Then, for the balance amount, if any, and the unappropriated earnings of the previous year, except for the retained amount, the board of directors shall draft an earnings distribution plan for the resolutions of the shareholders meeting.
- (B) The company's dividend policy: the company's current industrial development is growing and will be expanded to support the business development. The earnings distribution shall be handled in accordance with the company's Articles of Incorporation. However, the shareholders' dividends distributed in the current year shall include not more than 50% of the stock dividend and must be more than 50% of the cash.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (C) The aforementioned earnings distribution proposal issued by resolved in the shareholders' meeting is as follows:

	Years Ended December 31		
	2022	2021	2020
Legal reserve	\$88,833	\$65,821	\$28,424
Special reserve	\$-	\$-	\$-
Shareholder's dividends			
Cash	\$438,505	\$394,447	\$221,962
Cash dividend per share	NT\$2.30	NT\$2.08	NT\$1.20
Stock (NT\$10 par)	-share	-share	-share
Stock dividend per share	-NT\$	-NT\$	-NT\$

(19) Other equity (net amount after tax)

- (A) The exchange difference from the conversion of the financial statements of foreign operating institutions:

	For the years ended December 31,	
	2022	2021
Balance, beginning of the year	\$(441,852)	\$(357,177)
Current period occurrence	103,268	(84,675)
Reclassified to (profit) and loss in the current period	-	-
Balance, end of the year	<u>\$(338,584)</u>	<u>\$(441,852)</u>

- (B) Unrealized valuation benefits of financial assets measured at fair value through other comprehensive profit and loss:

	For the years ended December 31,	
	2022	2021
Balance, beginning of the year	\$279,295	\$177,692
Current period occurrence	(37,315)	93,984
Recognized under the equity method in the current period - affiliated enterprise	(4,278)	8,382
Reclassified to retained earnings in the current period	-	(763)
Balance, end of the year	<u>\$237,702</u>	<u>\$279,295</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(20) Share-based payment - employee rewards

The company was authorized by the Securities and Futures Bureau of the Financial Supervisory Commission to issue employee stock warrants on January 13, 2015, August 22, 2018, and June 21, 2022, for 500,000 units, 500,000 units, and 300,000 units respectively. One stock warrant is entitled to subscribe to 10 common stock shares of the company. New shares will be issued for the stock option exercised by employees and the subscription price is the company's common stock closing price on the issuance day. The stock warrant holders can exercise a certain percentage of the stock warrant after 2-year from the issuance date (according to the regulations, the exercisable subscription amount is 40% of the amount available for subscription in each stock warrant issued after 2-year from the issuance date, 60% after 3-year from the issuance date, 80% after 4-year from the issuance date, and 100% after 5 years from the issuance date). The duration of the stock warrant is for seven years. The unexercised stock options after 7 years shall be deemed as being waived, and the subscribers cannot claim their rights to subscribe.

As of December 31, 2022, the issuance of compensatory employee stock warrants is disclosed as follows:

Warrant issuance date	Total warrants issued originally	Total warrants outstanding at yearend	Total warrants available for subscription at yearend	Subscription price (NTD) (Note)
July 27, 2015	300,000	-	-	\$13.40
January 8, 2016	200,000	-	-	14.60
September 12, 2018	290,000	206,700	1,520,000	20.30
August 12, 2019	210,000	179,000	990,000	20.40
August 5, 2022	100,000	100,000	-	51.50
November 4, 2022	100,000	100,000	-	45.10

Note : The company has the subscription price adjusted when there is a change in common stock share or cash dividend is distributed for common stock shares in accordance with the "Regulations Governing the Issuance of Employee Stock Warrant and Stock Subscription." The stock subscription price per share after adjustment is disclosed as of December 31, 2022

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(A) The company adopts the Black-Scholes stock options model to assess the fair value of the employee stock warrant issued each year. The remuneration cost accrued were NT\$5,595 thousand and NT\$4,443 thousand, for the years ended December 31, 2022 and 2021, respectively. The input values of the stock option pricing model are as follows:

	2022 Stock option plan	2022 Stock option plan	2018 Stock option plan	2018 Stock option plan
Expected dividend ratio	-%	-%	-%	-%
Expected price fluctuation ratio	32.35%~36.13%	31.76%~35.33%	18.99%~20.95%	21.38%~22.07%
Risk-free interest rate	1.5365%~1.5954%	1.0109%~1.0687%	0.554%~0.582%	0.700%~0.758%
Expected duration	4.5~6 years	4.5~6 years	4.5~6 years	4.5~6 years
	2014 Stock option plan	2014 Stock option plan		
Expected dividend ratio	-%	-%		
Expected price fluctuation ratio	22.64%~25.43%	22.80%~27.68%		
Risk-free interest rate	0.663%~0.831%	0.976%~1.203%		
Expected duration	4.5~6 years	4.5~6 years		

The assumption of the expected price fluctuation ratio is measured according to the impact of the annual dividend distribution in the past on stock price, and the expected stock price fluctuations in the future period. The stock option duration is the employee exercising stock option period that is deducted from the historical data and current expectation, which may not necessarily match the actual result or actual implementation.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(B) The quantity and weighted average price of the compensatory employee stock option plan issued by the company is disclosed as follows:

Employee stock operations	2022		2021		
	QTY	(unit)	Weighted average price per share (NTD)	QTY (unit)	Weighted average price per share (NTD)
Outstanding shares - beginning	670,600		\$18.64	957,000	\$18.07
Granted in current period	200,000		49.50	-	-
Exercised in current period	(282,200)		14.83	(286,400)	15.41
Lost in current period (expired)	(2,700)		20.30	-	-
Outstanding shares - ending	<u>585,700</u>		29.89	<u>670,600</u>	18.64
Exercisable employee stock options - ending	<u>251,000</u>		20.34	<u>439,400</u>	17.26
Average fair value per share of stock options granted to employees in the current period (NTD)			<u>\$15.93</u>		<u>\$-</u>

The weighted average share price is NTD \$55.25 and NTD \$52.85 of the company's employees did execute stock options for the nine-month periods ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the company's outstanding compensatory employee stock option plan is as follows:

	Outstanding stock options				Exercisable employee stock options	
	Price range per share (NTD)	Outstanding QTY (Unit)	Weighted average expected remaining duration	Weighted average price per share (NTD)	Exercisable QTY (Unit)	Weighted average price per share (NTD)
<u>December 31, 2022</u>						
2018 Stock option plan	20.30	206,700	0.99	20.30	152,000	20.30
2018 Stock option plan	20.40	179,000	1.78	20.40	99,000	20.40
2022 Stock option plan	51.50	100,000	4.69	51.50	-	51.50
2022 Stock option plan	45.10	100,000	4.94	45.10	-	45.10

## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	Price range per share (NTD)	Outstandi ng QTY (Unit)	Weighted average expected remaining duration	Weighted average price per share (NTD)	Exercisable QTY (Unit)	Weighted average price per share (NTD)
<u>December 31,2021</u>						
2014 Stock option plan	\$13.40	99,200	-	\$13.40	99,200	\$13.40
2014 Stock option plan	15.30	163,200	-	15.30	163,200	15.30
2018 Stock option plan	21.20	220,400	1.95	21.20	109,200	21.20
2018 Stock option plan	21.30	187,800	2.75	21.30	67,800	21.30

(21) Net operating income

	For the years ended December 31,	
	2022	2021
Sales income		
Parts income	\$2,153,859	\$1,737,212
Mold income	102,035	107,131
Fixture income	65,628	79,734
Merchandise income	87,796	63,429
Total	2,409,318	1,987,506
Less : Sales return	(6,928)	(3,707)
Sales discount	(6,992)	(7,325)
Net operating income	\$2,395,398	\$1,976,474

(A) Income classification:(a) Main merchandise / service

	For the years ended December 31,	
	2022	2021
Parts income	\$2,141,119	\$1,728,483
Mold income	101,605	104,883
Tools income	65,624	79,724
Merchandise income	87,050	63,384
Total	\$2,395,398	\$1,976,474

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(b) Main regional markets

<u>Customer location</u>	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Taiwan	\$1,590,390	\$1,246,571
Asia (other than Taiwan)	702,676	695,390
Europe	54,269	18,783
America	48,063	15,730
Total	<u>\$2,395,398</u>	<u>\$1,976,474</u>

(c) Income recognition time

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Goods transferred at a certain time	<u>\$2,395,398</u>	<u>\$1,976,474</u>

(B) Contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract liabilities	<u>\$9,033</u>	<u>\$-</u>

The significant changes in the contract liability balance are as follows:

	<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Contract liabilities balance -beginning		
transferred to income in the current period	\$-	\$-
Increase in cash received in advance in the current period	9,033	-

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(22) Operating costs and expenses

The Company's employee welfare expenses, depreciation, and amortization expenses are summarized as follows:

Function Nature	For the years ended December 31, 2022			For the years ended December 31, 2021		
	Attributable to operating cost	Attributable to operating expense	Total	Attributable to operating cost	Attributable to operating expense	Total
Employee welfare expenses						
Employee expense (Note 1)	\$378,759	\$179,771	\$558,530	\$348,619	\$177,998	\$526,617
Labor and health insurance expenses	34,016	15,219	49,235	31,302	15,344	46,646
Pension expenses	12,690	7,385	20,075	12,809	6,429	19,238
Director remuneration	-	4,783	4,783	-	4,654	4,654
Other welfare expenses	11,641	3,365	15,006	9,747	2,950	12,697
Depreciation expenses (Note 2)	50,001	6,372	56,373	39,097	5,691	44,788
Amortization expense	10,694	1,357	12,051	5,418	3,930	9,348

Note 1 : (A) According to the company's Articles of Incorporation, the company shall appropriate an amount equivalent to 1-10% of the company's net income before tax before deducting remuneration to employees, directors, and supervisors as remuneration to employees and not more than 3% as remuneration to directors and supervisors. However, it is necessary to reserve a sufficient amount to make up for the losses, if any. The remuneration to employees in the preceding paragraph is paid in the form of stocks or cash, including the employees of the controlled companies who meet the conditions set by the board of directors. The remuneration to directors and supervisors must be paid in cash. The aforementioned matters shall be resolved by the board of directors for implementation and shall be reported to the shareholders meeting.

(B) The estimated amounts of accrued employee compensation payable for the fiscal years 2022 and 2021 of our company are NT\$23,000 thousand and NT\$21,000 thousand, respectively, and the remuneration to directors and supervisors was NT\$0, respectively. The estimated basis of employee compensation is determined by a certain proportion of the current year's pre-tax net profit (excluding the impact of employee compensation). The

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

recognized employee compensation accrual is classified as current period operating costs or operating expenses. However, if there is a change in the dividend payout amount approved by the Board of Directors in the future, it will be adjusted in the next year's income statement according to accounting estimates.

- (C) The company's board of directors had resolved on March 10, 2023 to distribute the 2022 remuneration to employees for NT\$23,000 thousand in cash and remuneration to directors for NT\$0; also, it was not different from the estimated remuneration to employees and directors in the company's 2022 financial report. The company's board of directors had resolved on March 10, 2022 to distribute the 2021 remuneration to employees for NT\$21,000 thousand in cash and remuneration to directors and supervisors for NT\$0 that were reported in the regular shareholders meeting on June 10, 2022; also, it was not different from the estimated remuneration to employees, directors, and supervisors in the company's 2021 financial report.
- (D) Please refer to the Market Observation Post System for the information regarding the remuneration to employees and directors resolved by the company's board of directors.

Note 2 : The depreciation expenses provided by the Company for the years 2022 and 2021 were NT\$56,410 thousand and NT\$44,825 thousand, respectively. Among them, the depreciation expenses for real estate, factories, and equipment - leased assets were all NT\$37 thousand, which were listed under the net amount of other income and expenses.

Note 3 : (A) The average number of employees in our company at the end of each month during 2022 and 2021 were 817 and 772, respectively. Among them, the number of directors who were not concurrently employees was 5 in both years.

- (B) The Company's average employee benefit expenses were NT\$792 thousand and NT\$789 thousand in 2022 and 2021, respectively.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (C) The Company's average employee salary was NT\$688 thousand and NT\$687 thousand in 2022 and 2021, respectively. The average employee salary was an increase of 0.15% in 2022 from the year 2021.
- (D) The Company's remuneration policy (including directors, supervisors, managerial officers, and employees) is as follows:
- (a) Director and supervisor's traveling allowance: The Company's board of directors has resolved a monthly traveling allowance for the board directors and supervisors for an amount of NT\$20,000.
  - (b) Remuneration to directors and supervisors from the earnings distribution: The Company's board of directors and supervisors have currently waived their remuneration with a letter of consent issued and filed, respectively.
  - (c) Remuneration to directors and supervisors: All board directors and supervisors, except for the Chairman and several board directors, do not receive remuneration for their services.
  - (d) Remuneration to managerial officers and employees, each one of them is compensated reasonably by taking into consideration of the Company's overall operational performance, the contribution of each position holder to the Company's performance, and the respective connection to future risks.

Please refer to Note 1(A) for the remuneration to employees and directors stipulated in the Company's Articles of Incorporation.

(23) Other income and expenses – net

	For the years ended December 31,	
	2022	2021
Property, plant and equipment – lease assets		
Rent income	\$615	\$1,322
Depreciation expense	(37)	(37)
Other income and expenses - net	<u>\$578</u>	<u>\$1,285</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(24) Non-operating income and expense

	<u>For the years ended December 31,</u>	
	2022	2021
(A) <u>Interest income</u>		
Bank deposit interest	\$24,674	\$13,767
Other interest income	52,287	55,212
Total	<u>\$76,961</u>	<u>\$68,979</u>
(B) <u>Other income</u>		
Cash dividends	\$13,571	\$8,482
Other income-other	91,139	83,606
Total	<u>\$104,710</u>	<u>\$92,088</u>
(C) <u>Other profit and loss</u>		
Net loss of financial assets measured at fair value through profit and (loss)	\$(14,403)	\$(32,881)
Net profit from the disposal of property, plant, and equipment	753	538
Total	<u>\$(13,650)</u>	<u>\$(32,343)</u>
(D) <u>Financial cost</u>		
Bank loan interest	<u>\$(13,906)</u>	<u>\$(10,515)</u>
(E) <u>Profit (loss) amount from the subsidiaries and affiliated enterprises under the equity method</u>		
Please refer to Note 6.(8)(C) of the parent company only financial report for details.		
(F) <u>Exchange loss - net</u>		
Realized exchange profit (loss) - net	\$63,040	\$(10,417)
Unrealized exchange profit (loss)-net	(4,020)	(10,066)
Total	<u>\$59,020</u>	<u>\$(20,483)</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(25) Other comprehensive profit and loss

Other comprehensive profit and loss constituents	Transactio ns of current period	Reclassificati on and adjustment of current period	Other comprehensi ve profit and loss	Income tax expense	Amount after tax
<u>For the years ended December 31, 2022</u>					
Items not reclassified to profit and loss:					
Remeasurements of defined benefit plan	\$20,496	\$-	\$20,496	\$-	\$20,496
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss	(37,315)	-	(37,315)	-	(37,315)
Remeasurements of defined benefit plan of affiliated enterprises under the equity method	232	-	232	-	232
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive profit of affiliated enterprises under the equity method	(4,278)	-	(4,278)	-	(4,278)
Total amount of items not reclassified to profit and loss:	<u>(20,865)</u>	<u>-</u>	<u>(20,865)</u>	<u>-</u>	<u>(20,865)</u>
Items that may be reclassified to profit and loss subsequently:					
Exchange difference from the conversion of the financial statements of foreign operating institutions of subsidiaries under the equity method	103,268	-	103,268	-	103,268
Total	<u>\$82,403</u>	<u>\$-</u>	<u>\$82,403</u>	<u>\$-</u>	<u>\$82,403</u>

Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Other comprehensive profit and loss constituents	Transactions of current period	Reclassification and adjustment of current period	Other comprehensive profit and loss	Income tax expense	Amount after tax
<u>For the years ended December 31, 2021</u>					
Items not reclassified to profit and loss:					
Remeasurements of defined benefit plan	\$9,034	\$-	\$9,034	\$-	\$9,034
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss	93,984	-	93,984	-	93,984
Remeasurements of defined benefit plan of affiliated enterprises under the equity method	39	-	39	-	39
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive profit of affiliated enterprises under the equity method	8,382	-	8,382	-	8,382
Total amount of items not reclassified to profit and loss:	<u>111,439</u>	<u>-</u>	<u>111,439</u>	<u>-</u>	<u>111,439</u>
Items that may be reclassified to profit and loss subsequently:					
Exchange difference from the conversion of the financial statements of foreign operating institutions of subsidiaries under the equity method	(84,675)	-	(84,675)	-	(84,675)
Total	<u>\$26,764</u>	<u>\$-</u>	<u>\$26,764</u>	<u>\$-</u>	<u>\$26,764</u>

(26) Income tax

(A) The Company's business income tax return filed before 2020 (inclusive) were reviewed and approved by the tax collection agency.

(B) The income tax expense constituents:

(a) Income tax recognized in profit and loss

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	Years Ended December 31	
	2022	2021
Current income tax expense		
Current income tax expense	\$158,950	\$152,876
Adjustment to previous income tax recognized in current period		2,507
Deferred income tax expense		
Origin of temporary difference and reversing relevant deferred income tax (benefits) expense	55,695	(2,158)
Income tax expense	\$214,645	\$153,225

(b) The Group had no income tax related to other comprehensive profit and loss constituents or direct debited or credited to equity for the years ended December 31, 2022 and 2021, respectively.

(C) The relationship between income tax expense and accounting profit

	Years Ended December 31	
	2022	2021
Accounting profit		
Net income before tax of the continuing business unit	\$1,082,248	\$801,589
Tax calculated according to the applicable tax rate in the respective country	\$216,449	\$160,318
Unappropriated earnings with business income tax levied additionally	5,643	-
Adjustments		
Income tax effect of non-deductible expense in tax return	(6,371)	(4,548)
Income tax (profit ) expense on repatriation of foreign funds under special law	(1,076)	7,048
Income tax effect of temporary difference	(55,695)	(9,942)
Current income tax expense	158,950	152,876
Adjustment to previous income tax recognized in current period	-	2,507
Current income tax expense	158,950	155,383
Deferred income tax (profit) expense	55,695	(2,158)
Income tax expense	\$214,645	\$153,225

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(D) The deferred income tax assets and liabilities are analyzed as follows:

	Balance -ending	Recognized in profit and loss	Recognized in other profit and loss	Balance -ending
<u>For the years ended December 31, 2022</u>				
Deferred income tax assets				
Unrealized inventory loss in valuation	\$7,461	\$(1,276)	\$-	\$6,185
Unrealized financial assets and liabilities loss in valuation	16,535	(628)	-	15,907
Unrealized exchange losses	2,013	(1,209)	-	804
Financial and tax difference of property, plant and equipment	2,708	261	-	2,969
Total	<u>\$28,717</u>	<u>\$(2,852)</u>	<u>\$-</u>	<u>\$25,865</u>
Deferred income tax liabilities				
Unrealized long-term equity investment income	<u>\$563,593</u>	<u>\$52,843</u>	<u>\$-</u>	<u>\$616,436</u>
<u>For the years ended December 31, 2021</u>				
Deferred income tax assets				
Unrealized inventory loss in valuation	\$6,522	\$939	\$-	\$7,461
Unrealized financial assets loss in valuation	6,345	10,190	-	16,535
Unrealized exchange loss	3,633	(1,620)	-	2,013
Financial and tax difference of property, plant and equipment	2,448	260	-	2,708
Total	<u>\$18,948</u>	<u>\$9,769</u>	<u>\$-</u>	<u>\$28,717</u>
Deferred income tax liability				
Unrealized long-term equity investment income	<u>\$555,982</u>	<u>\$7,611</u>	<u>\$-</u>	<u>\$563,593</u>

(E) Unrecognized deferred income tax assets:

The Company's unrecognized deferred income tax assets were NT\$0 as of December 31, 2022 and 2021 respectively.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(27) Earnings per share(A) Basic earnings per share

The basic earnings per share are calculated by dividing the profit and loss attributable to the company's common stock shareholders by the outstanding weighted average common stock shares in the current period as follows:

	For the years ended December 31,	
	2022	2021
Net profit attributable to the company's Common stock shareholders	\$867,603	\$648,364
Outstanding weighted average shares	187,832,298 share	184,968,298 shares
Employee stock option – subscribing issue new shares (Note)	1,537,587	1,066,291
Outstanding weighted average shares	189,369,885 shares	186,034,589 shares
Basic earnings per share (after tax) (NTD)	\$4.58	\$3.49

Note : Calculated based on the period of circulation of each subscription.

(B) Diluted earnings per share

The diluted earnings per share are calculated by having the dilutive potential common stock share effect adjusted to the profit and loss attributable to the common stock shareholders of the company divided by the dilutive potential common stock share effect adjusted to the outstanding weighted average shares of the period as follows:

	For the years ended December 31,	
	2022	2021
Net profit to the company's common stock shareholders	\$867,603	\$648,364
Add: Potential common stock share effect	-	-
Adjusted net profit to the company's common stock shareholders	\$867,603	\$648,364
Outstanding weighted average shares	189,369,885 shares	186,034,589 shares
Add: Potential common stock share effect		
Employee stock option hypothesis -subscribing new shares (Note)	3,234,583	4,955,939
Employee Remuneration hypothesis –issuing new shares	586,277	411,408
Adjusted weighted average shares	193,190,745 shares	191,401,936 shares
Diluted basic earnings per share (after tax) (NTD)	\$4.49	\$3.39

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Note: The company issued employee stock option certificates that are in circulation in 2022. Due to their anti-dilution nature, they were not included in the calculation of diluted earnings per share for the fiscal year 2022.

(28) Reconciliation of liabilities from financing activities

Accounting item	Balance -beginning	Cash flow	Changes in non-cash			Balance -ending
			Transaction of current period	Change in exchange rate	Other	
<u>For the years ended December 31,2022</u>						
Short-term loan	\$1,260,00	\$(190,000)	\$-	\$-	\$-	\$1,070,000
Long-term loan	73,324	2,708	-	-	-	79,032
Total	<u>\$1,336,324</u>	<u>\$(187,292)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,149,032</u>
<u>For the years ended December 31,2021</u>						
Short-term loan	\$1,220,000	\$40,000	\$-	\$-	\$-	\$1,260,000
Long-term loan	43,506	32,818	-	-	-	76,324
Total	<u>\$1,263,506</u>	<u>\$72,818</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,336,324</u>

(29) Lease

Other lease information is as follows:

	Years Ended December 31	
	2022	2021
Short-term lease expense	\$1,694	\$1,476
Low-value asset lease expenses	\$-	\$-
Changes in lease expense excluded from the measurement of a lease liability	\$-	\$-
Total cash outflow of all leases	<u>\$1,694</u>	<u>\$1,476</u>
Lease liabilities interest	<u>\$-</u>	<u>\$-</u>

The Company elects to recognize an exemption for short-term leases of dormitories, offices, and similar assets, and does not recognize related right-of-use assets and lease liabilities for such leases.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

**7. RELATED PARTY TRANSACTIONS**(1) Name of related party and relationship

<u>Name of related party</u>	<u>Relationship with the Group</u>
G-SHANK ENTERPRISE (M) SDN. BHD. (MALAYSIA G-SHANK)	The subsidiary of the Company.
G-SHANK, Inc.	The subsidiary of the Company.
SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. (SHANGHAI G-SHANK)	The subsidiary of the Company.
GREAT-SHANK CO., LTD. (THAILAND G-SHANK)	The subsidiary of the Company.
G-SHANK JAPAN CO., LTD. (JAPAN G-SHANK)	The subsidiary of the Company.
XIAMEN G-SHANK PRECISION MACHINERY CO., LTD. (XIAMEN G-SHANK)	The subsidiary of the Company.
QINGDAO G-SHANK PRECISION SDN.BHD. (QINGDAO G-SHANK)	The subsidiary of the Company.
G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD. (SUZHOU G-SHANK)	The subsidiary of the Company.
G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD. (DONG GUAN G-LONG)	The subsidiary of the Company.
TIANJIN G-SHANK PRECISION MACHINERY CO., LTD. (TIANJIN G-SHANK)	The subsidiary of the Company.
PT INDONESIA G-SHANK PRECISION (INDONESIA G-SHANK)	The subsidiary of the Company.
SHENZHEN G-SHANK PRECISION SDN.BHD. (SHENZHEN G-SHANK )	The subsidiary of the Company.
SHENZHEN G-BAO PRECISION SDN.BHD. (SHENZHEN G-BAO)	The subsidiary of the Company.
SUNFLEX TECHNOLOGY CO., LTD. (SUNFLEX)	SUNFLEX is invested by the company under equity method.
KUAI LUNG PRECISION INDUSTRY CO., LTD. (KUAI LUNG)	The chairman of KUAI LUNG is the general manager of G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD., the subsidiary of the company.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(2) Major transactions with related parties(A) Purchases

Related party category/name	For the years ended December 31,	
	2022	2021
<u>Subsidiaries</u>		
JAPAN G-SHANK	\$2,850	\$643
SHENZHEN G-BAO	565	1,186
SUZHOU G-SHANK	550	1,468
SHENZHEN G-SHANK	143	275
THAILAND G-SHANK	107	-
SHANGHAI G-SHANK	9	-
Subtotal	4,224	3,572
<u>Other related parties</u>		
KUAI LUNG	170	180
<u>Affiliated enterprises</u>		
SUNFLEX	16,268	10,001
Total	\$20,662	\$13,753

The aforementioned purchase is mostly for molds and parts with special specifications from one single supplier. Therefore, there is no other purchase price available for comparison. The payment term from such a single supplier is OA 60-120 days; while other suppliers are with a payment term of OA 90-120 days.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(B) Sales

Related party category/name	For the years ended December 31,	
	2022	2021
<u>Subsidiaries</u>		
G-SHANK, Inc.	\$11,0000	\$5,741
MALAYSIA G-SHANK	5,919	9,708
THAILAND G-SHANK	5,217	4,912
JAPAN G-SHANK	2,122	1,207
INDONESIA G-SHANK	1,988	1,717
SHENZHEN G-BAO	1,911	4,514
SHANGHAI G-SHANK	371	629
QINGDAO G-SHANK	171	798
SUZHOU G-SHANK	-	1,674
TIANJIN G-SHANK	-	809
SHENZHEN G-SHANK	-	240
Subtotal	28,699	31,949
<u>Other related parties</u>		
KUAI LUNG	17	61
<u>Affiliated enterprises</u>		
SUNFLEX	32	12
Total	\$28,748	\$32,022

The products sold in the preceding paragraph are mostly equipment, tools, and materials used for production with the price negotiated by both parties by adding a percentage to the cost or by the cost price at the time of trade depending on the type of product traded; also, taking into account the expenses and exchange rate risk. The specifications of products that are sold to related parties are exclusive; therefore, there is no other customer available for comparison. The payment term of sales to a related party is OA 60-150 days; while the general customer is with a payment term of OA 90-120 days.

(C) Management and technical service income

The Company had collected management and technical service fees from the subsidiaries - SHANGHAI G-SHANK, TIANJIN G-SHANK, QINGDAO G-SHANK, THAILAND G-SHANK, MALAYSIA G-SHANK, SHENZHEN G-SHANK, XIAMEN G-SHANK, DONG GUAN G-LONG, SHENZHEN G-BAO, and SUZHOU G-SHANK for an amount of NT\$71,920 thousand and NT\$76,783

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

thousand in 2022 and 2021, respectively and had them booked in the “non-operating income and expenses - other income” account.

(D) Processing expense

The company had contracted the affiliated enterprise, SUNFLEX TECHNOLOGY CO., LTD., for product proceeding with a processing expense of NT\$16,572 thousand and NT\$14,542 thousand incurred for the years ended December 31, 2022 and 2021, respectively.

(E) Others

The Company had paid Japan G-SHANK, the subsidiary, for the management and technical support services and overseas information collection services for an amount of NT\$546 thousand and NT\$2,432 thousand in 2022 and 2021, respectively.

(F) Financing

The Company's situation regarding loans to related parties is as follows:

<u>Type and name of related party</u>	<u>Max. balance amount</u>	<u>Ending balance amount</u>	<u>Interest rate range</u>	<u>Total interest income</u>
<u>For the years ended December 31,2022</u>				
<u>Subsidiary</u>				
JAPAN G-SHANK	\$55,260	\$	1%	\$128
	(USD1,800,000)			
<u>For the years ended December 31,2021</u>				
<u>Subsidiary</u>				
G-SHANK JAPAN	\$49,806	19,369	1%	\$205
	(USD1,800,000)	(USD700,000)		

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(G) Claims/obligations arising from the aforementioned transactions

<u>Related party category/name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>(a) Accounts receivable -related party</u>		
<u>Subsidiaries</u>		
MALAYSIA G-SHANK	\$1,689	\$2,225
G-SHANK, Inc.	914	658
THAILAND G-SHANK	907	2,210
SHENZHEN G-BAO	250	1,967
JAPAN G-SHANK	195	42
QINGDAO G-SHANK	54	-
INDONESIA G-SHANK	49	334
MALAYSIA G-SHANK	38	38
SUZHOU G-SHANK	-	843
SHENZHEN G-SHANK	-	37
Subtotal	<u>4,096</u>	<u>8,354</u>
<u>Affiliated enterprises</u>		
SUNFLEX	15	13
Total	<u>\$4,111</u>	<u>\$8,367</u>
<u>(b) Other receivable -related party</u>		
<u>Subsidiaries</u>		
THAILAND G-SHANK	\$2,190	\$1,530
G-SHANK, Inc.	226	204
JAPAN G-SHANK	3	19,390
MALAYSIA G-SHANK	-	8
Total	<u>\$2,419</u>	<u>\$21,132</u>
<u>(c) Accounts payable -related party</u>		
<u>Subsidiaries</u>		
SUZHOU G-SHANK	\$232	\$682
SHANGHAI G-SHANK	5	-
JAPAN G-SHANK	2	-
SHENZHEN G-BAO	-	115
SHENZHEN G-SHANK	-	65
Subtotal	<u>239</u>	<u>862</u>
<u>Affiliated enterprises</u>		
SUNFLEX	11,289	3,913
Total	<u>\$11,528</u>	<u>\$4,775</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Related party category/name	December 31, 2022	December 31, 2021
<u>(d) Other payable -related party</u>		
<u>Subsidiaries</u>		
JAPAN G-SHANK	\$407	\$1,274
XIAMEN G-SHANK	10	5
SHANGHAI G-SHANK	-	32
SHENZHEN G-BAO	-	29
QINGDAO G-SHANK	-	4
Subtotal	417	1,344
<u>Affiliated enterprises</u>		
SUNFLEX	3,250	2,677
Total	\$3,667	\$4,021

The claims/obligations between the Company and the related party are without collateral or guarantee received or provided, and a conclusion is made after thorough evaluations that it is no need to appropriate allowance for loss for the Company's claims against the related parties.

(H) Information on total remunerations of key management personnel

The total remunerations to the Company's directors, general manager, vice general manager, and other managerial officers are summarized as follows:

Items	For the years ended December 31,	
	2022	2021
Short-term benefits	\$11,696	\$10,094
Retirement benefits	367	310
Share-based payment	179	254
Total	\$12,242	\$10,658

The remuneration to key management personnel is determined by the Company's Remuneration Committee with reference to the general standards of the industry and taking into account personal performance, the company operating performance, and related future risks.

**8. MORTGAGED ASSETS**

None.

**9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS**

The Company had the following significant contingent liabilities and unrecognized contractual commitments not yet included in the aforementioned the parent company only financial report as of December 31, 2022:

The company had had a guaranteed loan from financial institutions for the tariff guarantee amount of NT\$500 thousand on December 31, 2022.

**10. SIGNIFICANT DISASTER LOSS**

None.

**11. MATERIAL POST EVENTS**

(1) As stated in Note 6.(14)(C) of the individual financial report, in the fourth quarter of the year 2022, the employees of this company exercised their subscription rights for 870,000 shares (recorded as Advance Receipts for Capital Stock ). Subsequently, on March 10, 2023, the Board of Directors resolved to set the capital increase reference date on March 13, 2023.

(2) On March 10, 2023, the Board of Directors of this company proposed a profit distribution plan for the fiscal year 2022 (subject to approval at the shareholder's annual meeting to be held on June 9, 2023), please refer to Note 6(18)(C) of the individual financial report.

## 12. **OTHERS**

### (1) Capital management

(A) The Company's capital management is aimed to ensure the Company's ongoing concern, to continue to provide remuneration to shareholders and benefits to stakeholders, and to maintain the best capital structure in order to reduce capital costs and to set the price of products or services according to the relative risk levels in order to provide shareholders with sufficient remuneration.

(B) The Company bases on the risk ratio to set the capital stock; also, manage and adjust the capital structure appropriately in accordance with the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, refund shareholders by de-capitalization, and issue new shares or sell assets to settle liabilities.

### (2) Financial risk management

(A) The Company's main financial instruments include cash and cash equivalents, financial assets measured at fair value through profit and loss, financial assets measured at fair value through other comprehensive profit and loss, financial assets measured at amortized cost, other financial assets (time deposits), short-term loans, long-term loans, lease liabilities, receivables and payables arising from operating activities, etc., also, adjust operating fund needs through such financial instruments. Therefore, the Company's operations are subject to various financial risks, including market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk. The purpose of the Company's overall financial risk management is to reduce the potential adverse effects of the Company's exposure to financial risks due to changes in the financial market.

(B) The Finance Department of the Company is responsible for identifying, evaluating, and hedging financial risks through close contact with the business units of the Company, planning and coordinating the access to domestic and international financial markets, and manages the Company's operation related financial risks by analyzing the degree of risk exposure; also, the Company's board of directors is responsible for



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

supervision and management. In addition, the Group uses derivative financial instruments to hedge risk exposure at an appropriate time to reduce the impact of financial risks. The Company has the procedures for derivative financial instrument transactions stipulated that have been approved by the board of directors and the shareholders meeting. The said procedures include trade principles and policies, risk management measures, internal audit systems, regular evaluation methods, and handling of nonconformities, of which, the risk management includes credit, market prices, liquidity, cash flow, operations, law, etc.

(C) The main risks of the Company's financial instruments are as follows:

(a) Market risk

The main market risks of the Company are exchange rate risks arising from operating activities, such as sales or purchases denominated in non-functional currencies, and interest rate risks or price risks arising from financial instruments transactions.

(i) Exchange rate risk

(01) The Company evaluates and analyzes the overall exchange rate risk. When the listed assets and liabilities and future business transactions are exposed to significant exchange rate risk, within the permitted range of the policy, manage risk through forwarding exchange contract.

The Company's financial assets and liabilities denominated in non-functional currencies with significant risk exposure of exchange rate fluctuations on the reporting date, and sensitivity analysis information are as follows, sensitivity analysis is regarding the impact of the Company's financial assets and liabilities denominated in non-functional currencies appreciated by 5% against a respective foreign currency that is the functional currency of each overseas subsidiary on the net income before tax or equity on the reporting date; also, when it depreciated by 5%, it will affect the net income before tax and equity reversely:

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	Foreign currency (Thousand)	Exchange rate	Book amount	Sensitive analysis		
				Change ratio	Increase/ decrease in net income before tax	Decrease in Equity
<u>December 31, 2022</u>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$44,953	30.7	\$1,380,053	5%	\$69,003	\$-
JPY	13,147	0.2325	3,057	5%	153	-
RMB	1,928	4.409	8,499	5%	425	-
<u>Non-monetary items</u>						
USD	\$24,636	30.7	\$756,331	5%	\$37,817	\$-
<u>Derivative financial instrument:</u>						
USD	\$204	30.7	\$6,254 (Note)	5%	\$313	\$-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$219	30.7	\$6,713	5%	\$336	\$-
JPY	16,980	0.2325	3,948	5%	197	-
RMB	1,067	4.409	4,705	5%	235	-
<u>Non-monetary items:</u> None						
<u>Derivative financial instrument:</u> None						
<u>December 31, 2021</u>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$19,834	27.67	\$548,812	5%	\$27,441	\$-
JPY	45,130	0.2406	10,858	5%	543	-
RMB	139,705	4.345	607,076	5%	30,354	-
<u>Non-monetary items</u>						
USD	\$34,278	27.67	\$948,471	5%	\$47,274	\$-
<u>Derivative financial instrument:</u> None						

(Continuing to next page)

Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

	Foreign currency (Thousand)	Exchange rate	Book amount	Change ratio	Sensitive analysis	
					Increase/ decrease in net income before tax	Decrease in Equity
<u>December 31, 2021</u>						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$222	27.67	\$6,133	5%	\$307	\$-
JPY	22,455	0.2406	5,403	5%	270	-
<u>Non-monetary items:</u> None						
<u>Derivative financial instrument:</u>						
USD	\$60	27.67	\$1,671 (Note)	5%	\$84	\$-

Note: The aforementioned derivatives information refers to the book amount of the SWAP contracts that have not yet been settled on each reporting day. Please refer to Note 6.(2) of the parent company only financial report for the operation position, nominal principal, and due date.

The exchange profit and loss (including realized and unrealized) of the Company's monetary items converted to functional currencies, and the exchange rate for the conversion to the reporting currency of the parent company only financial report are as follows:

Functional currency	2022		2021	
	Exchange profit (loss)	Average exchange rate	Exchange profit (loss)	Average exchange rate
NTD	\$59,020	-	\$(20,483)	-

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(02) In addition, the SWAP contracts held by the Company are a financial hedging operation intended to hedge exchange rate risk arising from the change (mainly including sales and purchases denominated in non-functional currencies, such as USD) in the exchange rate of foreign claims. Regarding the aforementioned SWAP contracts, the profit and loss arising from changes in the exchange rate will generally offset the profit and loss of the hedged project, so there is no significant market risk. As for the aforementioned hedged project, the net position of foreign currency claims that are not effectively hedged is linked to the market risk of changes in exchange rates, of which, the depreciation or appreciation of USD, RMB, MYR, or JPY will result in the risk of exchange profit or loss.

(ii) Interest rate risk

The Company's interest rate risks include the fair value interest rate risk of the financial instruments with fixed interest rate and the cash flow interest rate risk of financial instruments with floating interest rate. The financial instruments with fixed interest rate refer to the company's time deposits, some financial assets-current measured at fair value through profit and loss, financial assets measured at amortized cost, some other financial assets-current and some bank loans; the financial instruments with floating rate refer to savings deposits, some other financial assets-current, some other noncurrent assets-others, and some bank loans. The Company has interest rate risk evaluated and analyzed on a dynamic basis and controlled the interest rate risk exposure by maintaining an appropriate combination of fixed and floating interest rates. The Company expects no significant interest rate risk.

(01) The Company's financial assets and liabilities with fixed and floating interest rates

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fixed interest rate		
Financial assets	\$1,953,010	\$1,776,891
Financial liabilities	<u>(1,070,000)</u>	<u>(1,260,000)</u>
Net amount	<u>\$883,010</u>	<u>\$516,891</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating interest rate		
Financial assets	\$122,584	\$242,960
Financial liabilities	<u>(79,032)</u>	<u>(76,324)</u>
Net amount	<u>\$43,552</u>	<u>\$166,636</u>

(02) Sensitivity Analysis

For the Company's financial assets and liabilities with a floating interest rate, if the interest rate of market deposits or loans increased by 0.5% on the reporting date, assuming that it is held for an accounting year and all other factors are given, it would cause the Company's net income before tax increased by NT\$218 thousand and NT\$833 thousand for the years of 2022 and 2021 respectively.

(iii) Other price risks

The Company's beneficiary certificates and equity securities, such as financial assets measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive profit and loss, are with price risk resulted. The Company manages the price risk of beneficiary certificates and equity securities by holding investment portfolios with different risks.

Sensitivity Analysis

For the Company's financial assets measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive profit and loss, the impact of the beneficiary certificates and equity securities with a 5% price increase on the net income before tax or equity on the reporting date is as follows; also, the beneficiary certificates and equity securities with a 5% price decrease will affect the net income before tax or equity reversely:

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	December 31, 2022	December 31, 2021
Increase in net income before tax		
Financial assets measured at fair value through profit and loss	\$37,817	\$47,424
Increase in equity		
Financial assets measured at fair value through other comprehensive profit and loss	\$13,101	\$14,967

(b) Credit risk

- (i) The Company's credit risk is mainly the potential impact of the counterparty or other parties' failure in performing financial assets contracts, which includes the concentration of credit risks, constituents, contract amounts, and other receivables of the financial assets transactions of the Company. In order to reduce credit risk, the Company has dealt with all well-known domestic and foreign financial or securities institutions for bank deposits, financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, some other financial assets, which are with low credit risk. For receivables, the Company continues to evaluate the financial status of the counterparties, historical experience, and other factors to adjust the trade amount and trade method of individual customers appropriately in order to improve the Company's credit-granting quality.
- (ii) The Company evaluates and analyzes the overdue or impairment of financial assets on the balance sheet date. The Company's credit risk exposure amount is as follows:

	December 31, 2022	December 31, 2021
Credit risk exposure amount		
Allowance for losses-measured by the expected credit losses amount for 12-month	\$-	\$-
Allowance loss-measured by the expected credit loss amount throughout the duration - Accounts receivable	430	1,069
Total	\$430	\$1,069

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

The aforementioned credit risk exposure amounts are all from the recovery of accounts receivable. The Company has continuously evaluated the losses that affect the estimated future cash flow of accounts receivable with appropriate allowance accounts appropriated. Therefore, the book amount of accounts receivable is with credit risk properly considered and reflected. In addition, the Company does not hold collateral for the impairment of financial assets that is with an allowance account appropriated.

- (iii) The expected credit loss of the Company's notes and accounts receivable as of September 30, 2022, December 31, 2021 and September 30, 2020 is analyzed as follows:

	Total book amount of notes and accounts receivable	Reserve matrix (loss rate)	Allowance for loss (expected credit loss throughout the duration)
<u>December 31, 2022</u>			
Not overdue	\$542,765	0.01%	\$68
30 days overdue	17,948	0.20%	36
31-90 days overdue	3,361	9.55%	321
91-180 days overdue	1,208	0.44%	5
181-365 days overdue	81	0.00%	-
Total	<u>\$565,363</u>		<u>\$430</u>
<u>December 31, 2021</u>			
Not overdue	\$542,381	0.14%	\$740
30 days overdue	18,621	0.26%	49
31-90 days overdue	4,311	6.48%	280
91-180 days overdue	6	2.01%	-
Total	<u>\$565,319</u>		<u>\$1,069</u>

- (iv) The concentration of credit risk of accounts receivable is analyzed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The accounts receivable ratio of the top five customers	<u>59.83%</u>	<u>57.33%</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(c) Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support all contractual obligations for business operations and to minimize the impact of cash flow fluctuations. Bank loans are an important source of liquidity to the Company. The management ensures the repeating bank loans through capital structure management, monitoring the use of bank credit line, and complying with loan contract terms to reduce liquidity risk. The Company's stock investment under the financial assets measured at fair value through other comprehensive profit and loss is exposed to liquidity risk due to lack of an active market. In addition, the exchange rate of the Company's SWAP contract has been determined; therefore, there is no significant cash flow risk.

(i) Bank loan amount

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term loan	\$1,520,468	\$1,229,500
Long-term loan	-	300,000
Long-term and short-term loan amount	-	3,676
Total	<u>\$1,520,468</u>	<u>\$1,533,176</u>

(ii) Maturity analysis of undiscounted financial liabilities

	<u>Less than 1 year</u>	<u>More than 1-2 years</u>	<u>More than 2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>December 31, 2022</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loan	\$1,075,100	\$-	\$-	\$-	\$1,075,100
Accounts payable	209,214	-	-	-	209,214
Accounts payable -related party	11,528	-	-	-	11,528
Other payables	299,216	-	-	-	299,216
Other payables -related party	3,667	-	-	-	3,667
Long-term loan	39,393	39,741	781	-	79,915
Total	<u>\$1,638,118</u>	<u>\$39,741</u>	<u>\$781</u>	<u>\$-</u>	<u>\$1,678,640</u>

Derivative financial liabilities: None



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	Less than 1 year	More than 1-2 years	More than 2-5 years	Over 5 years	Total
<u>December 31, 2021</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loan	\$1,263,014	\$-	\$-	\$-	\$1,263,014
Accounts payable	204,489	-	-	-	204,489
Accounts payable -related party	4,775	-	-	-	4,775
Other payables	326,939	-	-	-	326,939
Other payables -related party	4,021	-	-	-	4,021
Long-term loans	534	38,568	38,301	-	77,403
Total	<u>\$1,803,772</u>	<u>\$38,568</u>	<u>\$38,301</u>	<u>\$-</u>	<u>\$1,880,641</u>
<u>Derivative financial liabilities:</u>					
Financial assets at fair value through profit or loss - current	<u>\$1,671</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,671</u>

(D) Fair value of financial instruments

The book amount of the Company's financial instruments is an amount reasonably close to the fair value.

(a) The methods adopted for the fair value of financial instruments and the assumptions adopted for the use of evaluation techniques

- (i) The fair value of short-term financial instruments is estimated according to the book value on the balance sheet. Such financial instruments are with a short maturity date; also, the present value of future cash flows discounted at the market interest rate is close to the book amount; therefore, the book amount should be a reasonable basis for estimating the fair value. This method is applied to cash and cash equivalents, net notes receivable, net accounts receivable (including related parties), other receivables (including related parties), short-term loans, accounts payable (including related parties), and other payables (including related parties).

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (ii) Financial assets measured at fair value through profit and loss are those with active market quotations, and therefore, the fair value is determined based on the market price. For foreign bonds, the fair value is determined based on the quotations on the reporting date through Bloomberg, Reuters or other brokers and trading platforms.
- (iii) Financial assets measured at fair value through other comprehensive income are equity instrument investments without active market quotations. The fair value is estimated using the Market Approach, which is based on the prices derived from the market transactions of the same or comparable equity instruments and other relevant information.
- (iv) The fair value of other financial assets and other noncurrent assets-restricted assets is estimated according to the book amount, since the present value of future cash collected and discounted at the market interest rate is close to the book amount; therefore, the book amount should be a reasonable basis for estimating the fair value.
- (v) The evaluation of derivative financial instruments is based on the evaluation models that are widely accepted in the market, such as, discount method and option pricing model.
- (vi) The Group' s long-term loans are based on floating interest rates with the fair value estimated according to the book amount on the balance sheet, which has been adjusted with reference to market conditions. Therefore, the company' s loan interest rate is close to the market interest rate.

(b) Classification of fair value measurement

All assets and liabilities measured or disclosed at the fair value are classified to the respective fair value level according to the lowest level input value critical to the overall fair value measurement. The input values for each level are as follows:

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Level 1: The market price (unadjusted) available for the same asset or liability on the measurement date;

Level 2: Direct or indirect observable input values of assets or liabilities, except for those quotations in Level 1;

Level 3: Unobservable input value of assets or liabilities;

The assets and liabilities that were originally measured at fair value on a repetitive basis and recognized on the balance sheet should be reassessed for classification at the end of each reporting period to determine whether there is a swift between the levels of the fair value hierarchy.

(i) The classification of financial instruments measured at fair value and recognized in the balance sheet

The Group does not have assets and liabilities measured at fair value on a non-repetitive basis. The fair value level of assets and liabilities measured at fair value on a repetitive basis is as follows:

<u>December 31, 2022</u>	<u>Lever 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets:</u>				
Financial assets measured at fair value through profit and loss				
Bonds	\$-	\$756,331	\$-	\$756,331
Swap contract	-	6,254	-	6,254
Financial assets measured at fair value through other comprehensive profit and loss				
Unlisted stocks	-	-	262,023	262,023
<u>Liabilities:</u> None				

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

<u>December 31, 2021</u>	<u>Lever 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets:</u>				
Financial assets measured at fair value through profit and loss				
Bonds	\$948,471	\$-	\$-	\$948,471
Financial assets measured at fair value through other comprehensive profit and loss				
Unlisted stocks	-	-	299,338	299,338
<u>Liabilities:</u>				
Financial liability measured at fair value through profit and loss				
Swap contract	\$-	\$1,671	\$-	\$1,671

(ii) The foreign bonds held by G-SHANK Group were judged to be non-active market debt instruments due to liquidity shortage. Therefore, the amount transferred from the Level 1 to the Level 2 in the first half of the year 2022 was \$688,332 thousand; there was no significant transfer between Level 1 and Level 2 for fair value hierarchy in the first half of the year 2021.

(iii) The adjustment of the fair value measurement in Level 3 is as follows:

<u>Items</u>	<u>Financial assets measured at fair value through other comprehensive profit and loss</u>	
	<u>Equity instrument investment – Unlisted stocks</u>	
	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Balance -beginning	\$299,338	\$205,354
Total profit		
Recognized in other comprehensive profit and loss	(37,315)	98,984
Balance -ending	\$262,023	\$299,338

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

The Company had recognized total current (loss) profit for an amount of NT\$(37,315) thousand and NT\$93,984 thousand in other comprehensive profit and loss due to change in Level 3 fair value for the years of 2022 and 2021, respectively, and they were booked in the “other comprehensive profit and loss -unrealized appraisal profit of equity instrument investment measured at fair value through other comprehensive profit and loss” .

- (iv) The evaluation techniques and assumptions adopted to measure the fair value of financial assets.
  - (01) The fair value of financial assets with standard terms and conditions that are traded in an active market is determined by referring to market price.
  - (02) The foreign bonds are determined by quotations on the reporting date through Bloomberg, Reuters or other brokers and trading platforms.
  - (03) The exchange transaction contracts are based on the discounted cash flow methods. Future cash flows are estimated at the forward exchange rate observable on the reporting date and the exchange rate set in the contract, and discounted at a discount rate that can reflect the credit risk of each counterparty.
  - (04) The fair value of domestic unlisted equity instrument investment is evaluated with the Market Approach.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

## (v) Quantitative information on the fair value measurement of significant unobservable input values (Level 3):

Evaluation technique	Significant unobservable input value	Quantitative information	Relationship between the input value and fair value	Sensitivity analysis of the relationship between the input value and fair value	
<u>December 31, 2022</u>					
<u>Financial assets</u>					
Financial assets measured at fair value through other comprehensive profit and loss:					
Stock	Market Approach	Similar company's stock price-to-net value ratio	2.45	The higher the stock price-to-net value ratio of similar companies, the higher the estimated fair value	When the stock price-to-net value ratio of similar companies increases (decreases) by 5%, the equity of the Company will increase/decrease by NT\$13,101 thousand.
<u>December 31, 2021</u>					
<u>Financial assets</u>					
Financial assets measured at fair value through other comprehensive profit and loss:					
Stock	Market Approach	Similar company's stock price-to-net value ratio	3.28	The higher the stock price-to-net value ratio of similar companies, the higher the estimated fair value	When the stock price-to-net value ratio of similar companies increases (decreases) by 5%, the equity of the Company will increase/decrease by NT\$14,967 thousand.

## (vi) The evaluation process for the fair value measurement of significant unobservable input values (Level 3):

The Accounting Department of the Company is responsible for fair value verification, using independent sources of information to bring the evaluation results closer to the market, confirming that the data source is independent, reliable, consistent with other data resources, and representing executable prices. Also, analyze the value change in the assets and liability that must be re-measured or re-evaluated on the reporting date according to the Company's accounting policies to ensure the reasonableness of the evaluation result.

Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

### 13. SUPPLEMENTARY DISCLOSURE MATTERS

#### (1) Information on major transactions

Supplementary information of the company and the subsidiaries for the year ended December 31, 2022 is disclosed as follows:

##### (A) Loans to others:

Unit: NT\$ Thousand / USD

No	Lending company	Borrower	Accounting item	Related party	Maximum amount -current	Balance – ending (12.31.2022) (Note 2)	Actual amount implemented (Note 3)	Interest rate range	Nature of loan	Transaction amount	Reason for short-term loan	Allowance for bad debt appropriated	Collateral		Loaning of fund limit to individual (Note 1)	Total loaning of fund limit (Note 1)
													Name	Value		
1	G-SHANK ENTERPRISE CO., LTD.	G-SHANK JAPAN CO., LTD.	Other accounts receivable -related party	Yes	\$55,260 (USD1,800,000)	\$-	\$-	1%	Short-term loan	\$-	Business operation of affiliated enterprise	\$-	-	-	\$582,080	\$2,328,318
2	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD	Other accounts receivable -related party	Yes	79,362 (RMB18,000,000)	79,362 (RMB18,000,000)	79,362 (RMB18,000,000)	0%	Short-term loan	-	Business operation of affiliated enterprise	-	-	-	192,567 (RMB 43,675,943)	770,269 (RMB 174,703,770)

Note 1: The total loaning of fund limit refers to an amount equivalent to 40% of the current net value of the lending company. The loaning of fund limit to individual refers to an amount equivalent to 10% of the current net value of the lending company. The current net value is based on the latest financial statements audited by an independent auditor.

Note 2: It is the loaning of fund amount resolved by the company's board of directors.

Note 3: It is the actual outstanding loan amount at yearend.

Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(B) Provision of endorsements and guarantees to others: None

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

Unit: NT\$ Thousand / RMB / THB / USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	December 31, 2022				Remarks
					Shares /unit /1,000 shares	Book amount	Shareholding ratio (%)	Fair value /net value	
G-SHANK ENTERPRISE CO., LTD.	Stocks	REEL MASK INDUSTRY CO., LTD.	None	Financial assets-noncurrent measured at fair value through other comprehensive profit and loss	3,392,713	\$262,023	9.98	\$262,023	
	Bonds	AXA bonds AXASA 4.5 12/29/2049	None	Financial assets-current measured at fair value through profit and loss	700,000	17,468 (USD568,988)	-	17,468 (USD568,988)	
	Bonds	HSBC Holding bonds HSBC 6 RERP (I)	None	Financial assets-current measured at fair value through profit and loss	3,100,000	87,929 (USD2,864,152)	-	87,929 (USD2,864,152)	
	Bonds	Macquarie Group Limited bonds MQGAU 6 1/8 PERP	None	Financial assets-current measured at fair value through profit and loss	1,400,000	37,179 (USD1,211,056)	-	37,179 (USD1,211,056)	
	Bonds	Societe Generale bonds SOCGEN 6.75 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	4,720,000	130,445 (USD4,249,038)	-	130,445 (USD4,249,038)	
	Bonds	Societe Generale bonds SOCGEN 7 3/8 PERP	None	Financial assets-current measured at fair value through profit and loss	400,000	11,805 (USD384,536)	-	11,805 (USD384,536)	
	Bonds	BCS-Barclays Plc bonds BACR 8 PERP	None	Financial assets-current measured at fair value through profit and loss	200,000	5,987 (USD195,020)	-	5,987 (USD195,020)	
	Bonds	DB-Deutsche Bank AG bonds DB 6 PERP	None	Financial assets-current measured at fair value through profit and loss	6,400,000	167,350 (USD5,451,136)	-	167,350 (USD5,451,136)	
	Bonds	HSBC Holding bonds HSBC 6 1/4 PERP	None	Financial assets-current measured at fair value through profit and loss	300,000	9,041 (USD294,492)	-	9,041 (USD294,492)	
	Bonds	HSBC Holding bonds HSBC 4.7 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	200,000	4,918 (USD160,184)	-	4,918 (USD160,184)	

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## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit: NT\$ Thousand / RMB / THB / USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	December 31, 2022				Remarks
					Shares /unit /1,000 shares	Book amount	Shareholding ratio (%)	Fair value /net value	
G-SHANK ENTERPRISE CO., LTD.	Bonds	Societe Generale bonds SOCGEN 6.75 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	2,000,000	55,282 (USD1,800,700)		55,282 (USD1,800,700)	
	Bonds	HSBC Holding bonds HSBC 6 3/8 PERP	None	Financial assets-current measured at fair value through profit and loss	1,000,000	\$29,174 (USD950,280)	-	\$29,174 (USD950,280)	
	Bonds	HSBC Holding bonds HSBC 6 RERP (II)	None	Financial assets-current measured at fair value through profit and loss	500,000	14,152 (USD460,965)	-	14,152 (USD460,965)	
	Bonds	UBS Group AG bonds UBS 5 PERP	None	Financial assets-current measured at fair value through profit and loss	300,000	9,197 (USD299,580)	-	9,197 (USD299,580)	
	Bonds	HSBC Holding bonds HSBC 4.7 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	600,000	14,696 (USD478,704)	-	14,696 (USD478,704)	
	Bonds	BNP Paribas bonds BNP 5 1/8 PERP	None	Financial assets-current measured at fair value through profit and loss	200,000	5,064 (USD164,958)	-	5,064 (USD164,958)	
	Bonds	HSBC Holding bonds HSBC 6 RERP (III)	None	Financial assets-current measured at fair value through profit and loss	700,000	19,714 (USD642,145)	-	19,714 (USD642,145)	
	Bonds	DB-Deutsche Bank AG bonds DB 7.5 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	1,600,000	45,987 (USD1,497,952)	-	45,987 (USD1,497,952)	
	Bonds	DB-Deutsche Bank AG bonds DB 7.5 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	800,000	22,976 (USD748,400)	-	22,976 (USD748,400)	
	Bonds	BCS-Barclays Plc (2022) bonds BACR 8 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	500,000	14,500 (USD472,315)	-	14,500 (USD472,315)	
	Bonds	BCS-Barclays Plc (2022) bonds BACR 8 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	1,300,000	37,690 (USD1,227,694)	-	37,690 (USD1,227,694)	

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## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit: NT\$ Thousand / RMB / THB / USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	December 31, 2022				Remarks
					Shares /unit /1,000 shares	Book amount	Shareholding ratio (%)	Fair value /net value	
G-SHANK ENTERPRISE CO., LTD.	Bonds	Societe Generale bonds SOCGEN 9 3/8 PERP	None	Financial assets-current measured at fair value through profit and loss	500,000	15,777 (USD513,885)	-	15,777 (USD513,885)	
CHIN DE INVESTMENT CO., LTD.	Bonds	HSBC Holding bonds HSBC 6 RERP	None	Financial assets-current measured at fair value through profit and loss	470,000	13,236 (USD431,155)	-	13,236 (USD431,155)	
	Bonds	HSBC Holding bonds HSBC 4.7 PERP	None	Financial assets-current measured at fair value through profit and loss	1,200,000	29,186 (USD950,700)	-	29,186 (USD950,700)	
GREAT-SHANK CO., LTD.	Funds	KFXAI6M7	None	Financial assets-current measured at fair value through profit and loss	1,200,012	10,716 (THB12,026,760)	-	10,716 (THB12,026,760)	
	Funds	KFXAI6M6	None	Financial assets-current measured at fair value through profit and loss	1,500,000	13,402 (THB15,041,100)	-	13,402 (THB15,041,100)	
	Funds	KFFAI6M87	None	Financial assets-current measured at fair value through profit and loss	1,730,000	15,444 (THB17,333,735)	-	15,444 (THB17,333,735)	
	Funds	BBLB1-22	None	Financial assets-current measured at fair value through profit and loss	1,030,000	9,202 (THB10,327,707)	-	9,202 (THB10,327,707)	
	Funds	SCBAS6MQ5	None	Financial assets-current measured at fair value through profit and loss	1,372,978	12,292 (THB13,795,408)	-	12,292 (THB13,795,408)	

(D) Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital:

None

(E) Acquired real estate for an amount of more than NT\$300 million or 20% of the paid-in capital: None

(F) Disposed real estate for an amount more than NT\$300 million or 20% of the paid-in capital: None

Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(G) The purchase or sale of goods with the related party for an amount more than NT\$100 million or 20% of the paid-in capital:

Purchaser /seller	Counterparty	Relationship with the counterparty	Transactions				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes /accounts receivable (payable)	
HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	Associates	sales	\$123,649 (RMB27,981,220)	100.00%	60 days T/T	(Note)	(Note)	\$22,000 (RMB4,989,795)	100.00%	

Note : The specifications of products that are sold to related parties are exclusive; therefore, there is no other customer available for comparison. The payment term for sales to general customers is OA 30-90 days.

(H) Accounts receivable from related parties amounted to more than NT\$100 million or 20% of the paid-in capital: None

(I) Engage in derivative instruments transactions: Please refer to Notes 6.(2) and 12 of the consolidated financial statements.

Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(J) Business relationship and important transactions and transaction amount between the parent company and subsidiaries and among subsidiaries:

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
0	G-SHANK ENTERPRISE CO., LTD.	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	1	Sales income	\$371	Note 4	0.01%
				Cost of goods sold	9	Note 7	-
				Other income	27,126		0.40%
				Accounts receivable -related party	38		-
				Accounts payables -related party	5		-
0	G-SHANK ENTERPRISE CO., LTD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	1	Other income	3,916	Note 7	0.06%
0	G-SHANK ENTERPRISE CO., LTD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	1	Other income	3,492	Note 7	0.05%
				Other payables -related party	10		-
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD	1	Cost of goods sold	550	Note 5	0.01%
				Other income	6,879	Note 7	0.10%
				Accounts payables -related party	232		-
0	G-SHANK ENTERPRISE CO., LTD.	QINGDAO G-SHANK PRECISION SDN.BHD.	1	Sales income	171	Note 4	-
				Other income	7,045	Note 7	0.10%
				Accounts receivable -related party	54		-
0	G-SHANK ENTERPRISE CO., LTD.	SHENZHEN G-SHANK PRECISION SDN.BHD.	1	Cost of goods sold	143	Note 5	-
				Other income	2,868	Note 7	0.04%-

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## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
0	G-SHANK ENTERPRISE CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	1	Other income	\$6,260	Note 7	0.09%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK, INC.	1	Sales income	11,000	Note 4	0.16%
				Accounts receivable -related party	914		0.01%
				Other receivables – related party	226		-
0	G-SHANK ENTERPRISE CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	1	Sales income	1,911	Note 4	0.03%
				Cost of goods sold	565	Note 5	0.01%
				Other income	4,197	Note 7	0.06%
				Accounts receivable -related party	250		-
0	G-SHANK ENTERPRISE CO., LTD.	GREAT-SHANK CO., LTD.	1	Sales income	5,217	Note 4	0.08%
				Cost of goods sold	107	Note 5	-
				Other income	3,926	Note 7	0.06%
				Accounts receivable – related party	907		0.01%
				Other receivables – related party	2,190		0.02%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK ENTERPRISE (M) SDN. BHD.	1	Sales income	5,919	Note 4	0.09%
				Other income	6,211	Note 7	0.09%
				Accounts receivable -related party	1,689		0.02%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK JAPAN CO., LTD.	1	Sales income	2,122	Note 4	0.03%
				Cost of goods sold	2,850	Note 5	0.04%
				Interest income	128	Note 8	-
				Operating expense	546	Note 7	0.01%
				Accounts receivable -related party	195		-
				Accounts payables -related party	2		-
				Other receivables – related party	3		-
				Other payables -related party	407		-

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## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
0	G-SHANK ENTERPRISE CO., LTD.	PT INDONESIA G-SHANK PRECISION	1	Sales income Accounts receivable -related party	\$1,988 49	Note 4	0.03% -
1	SHANGHAI G-SHANK PRECISION	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	3	Sales income Cost of goods sold Other profit and loss Accounts receivable -related party Other receivables – related party Other payables -related party	4,444 123,649 15,908 1,000 3,113 22,000	Note 6 Note 7	0.07% 1.82% 0.23% 0.01% 0.03% 0.23%
1	SHANGHAI G-SHANK PRECISION	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income Cost of goods sold	298 23	Note 6	- -
1	SHANGHAI G-SHANK PRECISION	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	3	Sales income Cost of goods sold Other profit and loss Accounts receivable -related party Other receivables – related party Other payables -related party	3,390 33,984 10,402 290 82,751 9,509	Note 6 Note 6 Note 7	0.05% 0.50% 0.15% - 0.86% 0.10%
1	SHANGHAI G-SHANK PRECISION	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	35	Note 6	-

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## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
1	SHANGHAI G-SHANK ECISION	GREAT-SHANK CO., LTD.	3	Sales income	\$1,362	Note 6	0.02%
1	SHANGHAI G-SHANK ECISION	G-SHANK JAPAN CO., LTD.	3	Sales income	2,226	Note 6	0.03%
				Cost of goods sold	20,334	Note 6	0.30%
				Accounts receivable -related party	562		0.01%
1	SHANGHAI G-SHANK ECISION	PT INDONESIA G-SHANK PRECISION	3	Sales income	\$4,054	Note 6	0.06%
1	SHANGHAI G-SHANK ECISION	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	3	Sales income	222	Note 6	-
				Cost of goods sold	4,815	Note 6	0.07%
				Accounts receivable -related party	13		-
				Other payables – related party	1,491		0.02%
1	SHANGHAI G-SHANK RECISSION	G-SHANK ENTERPRISE (M) SDN. BHD.	3	Sales income	1,452	Note 6	0.02%
				Cost of goods sold	522	Note 6	0.01%
				Accounts receivable -related party	110		-
				Accounts payables -related party	236		-
				Other receivables – related party	47		-
1	SHANGHAI G-SHANK RECISSION	SHENZHEN G-SHANK PRECISION SDN.BHD.	3	Cost of goods sold	2,621	Note 6	0.04%
				Accounts payables -related party	563	Note 6	0.01%
1	SHANGHAI G-SHANK RECISSION	HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD.	3	Sales income	2,200	Note 6	0.03%
				Cost of goods sold	7,427	Note 6	0.11%
				Accounts receivable -related party	181		-
				Accounts payables -related party	656		0.01%

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## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
1	SHANGHAI G-SHANK PRECISION	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	3	Sales income	30	Note 6	-
1	SHANGHAI G-SHANK PRECISION	QINGDAO G-SHANK PRECISION SDN.BHD.	3	Sales income	32	Note 6	-
				Cost of goods sold	1,781		0.03%
				Other payables -related party	2,489		0.03%
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	3	Cost of goods sold	209	Note 6	-
				Accounts payables -related party	27		-
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Sales income	5,825	Note 6	0.09%
				Cost of goods sold	948	Note 6	0.01%
				Accounts receivable -related party	1,970		0.02%
				Accounts payables -related party	8		-
				Other receivables – related party	5		-
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	GREAT-SHANK CO., LTD.	3	Sales income	258	Note 6	-
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	2,182	Note 6	0.03%
				Accounts receivable -related party	206		
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	3	Sales income	490	Note 6	0.01%
				Accounts receivable -related party	195		

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## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	PT INDONESIA G-SHANK PRECISION	3	Sales income	1,148	Note 6	0.02%
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	G-SHANK JAPAN CO., LTD.	3	Cost of goods sold	126	Note 6	-
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	DONGGUAN QIAOJUTRADING CO., LTD.	3	Sales income	86	Note 6	-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	162	Note 6	-
				Accounts receivable -related party	6		-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Sales income	56	Note 6	-
				Accounts receivable -related party	13		-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD.	3	Sales income	144	Note 6	-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	DONGGUAN QIAOJUTRADING CO., LTD.	3	Sales income	14,664	Note 6	0.22%
				Other profit and loss	159		-
				Accounts receivable -related party	4,150		0.04%
				Other receivables – related party	31		-

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Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	3	Sales income	\$18	Note 6	-
5	G-SHANK ENTERPRISE (M) SDN. BHD.	PT INDONESIA G-SHANK PRECISION	3	Sales income	256	Note 6	-
				Accounts receivable -related part	91		
5	G-SHANK ENTERPRISE (M) SDN. BHD.	G-SHANK JAPAN CO., LTD.	3	Sales income	9,981	Note 6	0.15%
				Cost of goods sold	7,451	Note 6	0.11%
				Accounts receivable -related party	1,948		0.02%
				Accounts payables -related party	90		-
				Other payables -related party	1,517		0.02%
6	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	3	Sales income	1	Note 6	-
7	G-SHANK JAPAN CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Cost of goods sold	900	Note 6	0.01%
				Accounts payables -related party	13		
7	G-SHANK JAPAN CO., LTD.	GREAT-SHANK CO., LTD.	3	Other receivables – related party	54	Note 6	-
7	G-SHANK JAPAN CO., LTD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	3	Other receivables – related party	126	Note 6	-

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## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
7	G-SHANK JAPAN CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Accounts payables -related party	89	Note 6	-
8	QINGDAO G-SHANK PRECISION SDN.BHD	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income Accounts payables -related party	706 152	Note 6	0.01% -
8	QINGDAO G-SHANK PRECISION SDN.BHD	PT INDONESIA G-SHANK PRECISION	3	Sales income	1,435	Note 6	0.02%
9	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD.	3	Sales income	4	Note 6	-

Note 1: Business transactions conducted between the parent company and subsidiaries should be noted in the “No.” column as follows:

- (a) Fill in “0” for the parent company;
- (b) The subsidiaries are numbered sequentially starting from the Arabic number “1” by the company type.

Note 2: The “relationship with the trading companies” includes three types (The same transaction between parent company and subsidiary or between two subsidiaries needs not to be disclosed repeatedly, for example, if the parent company has already disclosed the transaction conducted with the subsidiary, the subsidiary does not need to have it disclosed again. If one of the two subsidiaries has already disclosed the transaction conducted, the other subsidiary does not need to have it disclosed again), which should be marked as follows:

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (a) The parent company to the consolidated subsidiary;
- (b) Consolidate subsidiary to parent company;
- (c) Consolidated subsidiary to consolidated subsidiary;

Note 3: For the ratio of the transaction amount to the consolidated total operating income or total assets, if it is an asset or liability item, it is calculated for the ratio of the ending balance amount to the consolidated total assets; if it is a profit and loss item, it is calculated for the ratio of the interim cumulative amount to total consolidated operating income.

Note 4: The products sold are mostly equipment, tools, and materials used for production with the price negotiated by both parties by adding a percentage to the cost or by the cost price of trade depending on the type of product traded; also, taking into account the expenses and exchange rate risk. However, the specifications of products that are sold to related parties are exclusive; therefore, there is no other customer available for comparison. The payment term of sales to a related party is OA 60-150 days.

Note 5: The purchase is mostly for molds and parts with special specifications from one single supplier. Therefore, there is no other purchase price available for comparison. The payment term for such single supplier is OA 60-120 days.

Note 6: The collection (payment) term is OA 90-150 days according to the contract signed.

Note 7: It is calculated and collected according to the contract signed.

Note 8: Interest collection and principal repayment are made according to the loan contract signed.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(2) Re-investment business-related information

Supplementary disclosure of information related to the company's direct or indirect significant influence, control, or joint venture equity on the investee company not in Mainland China for the nine-month period ended December 31, 2022.

Unit : NTD Thousand/USD/MYR

Investor Company	Investee Company	Location	Main business operation	Original investment amount (Note 12)		As of December 31, 2022			Current profit (loss) of the Investee Company	Investment profit (loss) recognized in current period (Note 11)	Footnote
				December 31, 2022	December 31, 2021	Number of shares	Ratio (%)	Book amount (Note 11)			
G-SHANK ENTERPRISE CO., LTD.	CHIN DE INVESTMENT CO., LTD.	Note 1	General investment	\$50,000	\$50,000	5,000,000	100.00	\$52,709	\$(1,446)	\$(1,446)	
	GRAND STAR ENTERPRISES L.L.C. (Note 2)	Note 2	General investment	590,864	588,055	-	100.00	1,681,772	193,061	193,342	
	G-SHANK, INC.	Note 3	Stamping parts molds, fixtures	36,686	36,686	1,000	100.00	351,069	7,655	7,273	
	G-SHANK ENTERPRISE (M) SDN. BHD.	Note 4	Stamping parts molds, fixtures	85,112	85,112	6,924,750	92.33	383,540	42,604	38,976	
	GREAT-SHANK CO., LTD.	Note 5	Precision progressive die and hardware products	69,509	69,509	7,968,750	85.00	174,756	32,395	27,573	
	G-SHANK JAPAN CO., LTD.	Note 6	International trade	19,749	19,749	1,060	58.89	12,644	9,936	5,851	
	SUNFLEX TECHNOLOGY CO., LTD.	Note 7	Manufacturing and trading of electronic components	40,448	40,448	9,940,956	14.48	161,006	76,735	11,222	
CHIN DE INVESTMENT CO., LTD.	SUNFLEX TECHNOLOGY CO., LTD.	Note 7	Manufacturing and trading of electronic components	217	217	10,000	0.01	164	76,735	11	

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Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit : NTD Thousand/USD/MYR

Investor Company	Investee Company	Location	Main business operation	Original investment amount (Note 12)		As of December 31, 2022			Current profit (loss) of the Investee Company	Investment profit (loss) recognized in current period (Note 11)	Footnote
				December 31, 2022	December 31, 2021	Number of shares	Ratio (%)	Book amount (Note 11)			
G-SHANK ENTERPRISE (M) SDN. BHD.	PT INDONESIA G-SHANK PRECISION	Note 8	Stamping parts molds, fixtures	\$49,940 (RM7,144,500)	\$49,940 (RM7,144,500)	18,800	94.00	\$180,049 (RM25,758,077)	\$(1,233) (RM181,883)	-	
G-SHANK, INC.	G-SHANK DEMEXICO,S.A. DE C.V.	Note 9	Stamping parts molds, fixtures	4,882 (USD159,025)	4,882 (USD159,025)	-	100.00	23,736 (USD773,148)	2,904 (USD97,183)	-	
GRAND STAR ENTERPRISES L.L.C. (Note 2)	GLOBAL STAR INTERNATIONAL L CO., LTD.	Note 10	General investment	589,993 (USD19,218,011)	586,923 (USD19,118,011)	19,218,011	100.00	1,669,900	191,700	-	

Note 1: 20F-2, No. 83, Section 1, Chung Hsiao E. Road, Zhongzheng District, Taipei City.

Note 2: 201 Rogers Office Building Edwin Wallace Rey Drive George Hill Anguilla.

Note 3: 1034 Old Port Isabel Rd., Suite 2 Brownsville, TX 78521, U.S.A.

Note 4: Plot 94, Bayan Lepas Industrial Estate 11900 Bayan Lepas, Penang, Malaysia.

Note 5: 116 Moo 1 Hitech Industrial Estate T.Banlane , A.Bang Pa-In , Ayutthaya Thailand 13160

Note 6: 1-17-14, Nishi-Shinbashi ,Excel Annex 8F, Nishi-Shinbashi, Minato-Ku,Tokyo, 105-0003  
Japan.

Note 7: No. 522, Nanshang Road, Guishan District, Taoyuan City

Note 8: Jl. Industri Kawasan JABABEKA Tahap II Block RR 5C-5D Cikarang-Bekasi 17530,  
Indonesia.

Note 9: NO.15, Gral, Pedro Hinojosa, cd industrial H.Matamoros, Tamps, Mexico.

Note 10: Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town, Grand  
Cayman, KY1-9006 Cayman Islands.

Note 11: It is calculated according to the financial statements of the invested companies of the  
same period that have not been reviewed by the independent auditors.

Note 12: The original investment amount at the end of the current period and the end of last  
year is calculated according to the exchange rate on December 31, 2022.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(3) Investment in China

(A) The name, main business operation, paid-in capital, investment methods, remittance in and out of funds, shareholding ratio, investment profit and loss, investment book amount at yearend, remittance in of investment profit and loss, and investment limits of the invested company in China:

Unit : NTD Thousand/USD/RMB/HKD

Invested company in China	Main business operation	Paid-in capital	Investment method	Cumulative investment amount remitted out of Taiwan in current period - beginning	Investment amount remitted in or out in current period		Cumulative investment amount remitted out of Taiwan in current period - ending	Current profit (loss) of the invested company	The company's direct or indirect investment shareholding ratio (%)	Investment profit (loss) recognized in current period (Note 4)	Book amount of investment - ending	Investment profit remitted into Taiwan as of current period
					Remitted out	Remitted in						
SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	Precision progressive die and hardware products	USD 10,000,000 (Note A)	Entrusted investment (Note B)	USD1,700,000	\$-	\$-	USD1,700,000	\$395,876	85.00	\$336,494	\$1,636,821	\$1,762,515 (USD57,410,906)
HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	Precision progressive die and hardware products	USD1,590,000	Investment through the company set up in the third region (Note C)	USD1,275,000	-	-	USD1,275,000	18,435	80.19	14,783	71,627	\$83,357 (USD2,715,225)
G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	Precision progressive die and hardware products	USD3,000,000	Investment through the company set up in the third region (Note D)	USD1,530,000	-	-	USD1,530,000	54,638	51.00	27,866	142,826	\$20,943 (USD682,168)
XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	Precision progressive die and hardware products	USD2,500,000	Investment through the company set up in the third region (Note E)	USD1,990,000	-	-	USD1,990,000	(3,655)	79.60	(2,909)	87,801	70,059 (USD2,282,062)

(Continuing to next page)

## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit : NTD Thousand/USD/MYR

Invested company in China	Main business operation	Paid-in capital	Investment method	Cumulative investment amount remitted out of Taiwan in current period - beginning	Investment amount remitted in or out in current period		Cumulative investment amount remitted out of Taiwan in current period - ending	Current profit (loss) of the invested company	The company's direct or indirect investment shareholding ratio (%)	Investment profit (loss) recognized in current period (Note 4)	Book amount of investment - ending	Investment profit remitted into Taiwan as of current period
					Remitted out	Remitted in						
G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	Planer, milling machine or die machine, precision continuous die and hardware products	USD1,400,000	Investment through the company set up in the third region (Note F)	USD1,671,825	\$-	\$-	USD1,671,825	\$36,071	100.00	\$36,071	\$272,011	\$96,082 (USD3,129,696)
QINGDAO G-SHANK PRECISION SDN.BHD.	Precision progressive die and hardware products	USD4,000,000	Investment through the company set up in the third region (Note G)	USD3,342,000	-	-	USD3,342,000	(8,223)	92.83	(7,634)	230,043	\$333,438 (USD10,861,158)
TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	Precision progressive die and hardware products	USD2,500,000	Investment through the company set up in the third region (Note H)	USD2,205,000	-	-	USD2,205,000	54,510	88.20	48,078	231,502	\$76,059 (USD2,477,496)
SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	Precision progressive die and hardware products	USD300,000	Investment through the company set up in the third region (Note I)	USD 255,000	-	-	USD255,000	31,235	85.00	26,550	116,849	\$554,583 (USD18,064,591)
SHENZHEN G-SHANK PRECISION SDN.BHD.	Precision progressive die and hardware products	USD2,600,000	Investment through the company set up in the third region (Note J)	USD2,440,000	-	-	USD2,440,000	6,928	93.85	6,502	122,604	\$8,005 (USD260,742)

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## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit : NTD Thousand/USD/MYR

Invested company in China	Main business operation	Paid-in capital	Investment method	Cumulative investment amount remitted out of Taiwan in current period - beginning	Investment amount remitted in or out in current period		Cumulative investment amount remitted out of Taiwan in current period - ending	Current profit (loss) of the invested company	The company's direct or indirect investment shareholding ratio (%)	Investment profit (loss) recognized in current period (Note 4)	Book amount of investment - ending	Investment profit remitted into Taiwan as of current period
					Remitted out	Remitted in						
SHENZHEN G-BAO PRECISION SDN.BHD.	Precision progressive die and hardware products	USD3,150,000	Investment through the company set up in the third region (Note K)	USD2,880,000	\$-	\$-	USD2,880,000	\$48,536	91.43	\$44,377	\$407,589	\$151,561 (USD4,936,848)
HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD. (Note 5)	Precision progressive die and hardware products, electroplating processing	RMB30,000,000	Transfer investment of SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	-	-	-	-	4,356	100.00	\$4,356	\$137,562	-
DONGGUAN QIAOJU TRADING CO., LTD. (Note 5)	Plastic hardware wholesale and import/export business	HKD3,000,000	Transfer investment of G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	-	-	-	-	6,385	100.00	6,385	34,849	-
HUI ZHOU G-BAO PRECISION SDN.BHD. (Note 5)	Precision progressive die and hardware products	RMB55,000,000	Transfer investment of SHENZHEN G-BAO PRECISION SDN.BHD.	-	-	-	-	1,394	100.00	1,394	243,886	-

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Cumulative investment amount remitted out from Taiwan to China at yearend (Note 1)	Investment amount approved by the Investment Commission, MOEA (Notes 1 and 2)	The investment amount limit stipulated by the Investment Commission, MOEA (Note 3)
\$647,344 (USD21,086,140)	\$867,504 (USD28,257,472)	\$3,891,446

Note 1: It includes the net amount of USD1,797,315 derived from the approved investment of GSYUE DG TOOLING CO.,LTD. for USD2,730,000 and net of the liquidating investment fund remitted in for USD932,685.

Note 2: It includes the capital increase from earnings of SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in May 2001 and October 2004, and the capital increase from earnings of QINGDAO G-SHANK PRECISION SDN.BHD. in January 2019.

Note 3: According to the “Principles for the Review of Investment or Technical Cooperation in Mainland China” stipulated by the Investment Commission, MOEA the company’s investment in China is limited to 60% of the net worth or consolidated net worth, whichever is higher. However, the enterprises that are with the certification document to evidence its meeting the operation scope of the headquarters issued by the Industrial Development Bureau, MOEA is not subject to this limit. The company had applied to the Industrial Development Bureau, MOEA for approval as the corporate operation headquarters on April 18, 2019 that would be valid from March 29, 2021 to March 28, 2024 for the investment in China, which had not violated the investment limit of the Investment Commission, MOEA.

Note 4: The profit and loss amount from the subsidiary under the equity method for the years ended December 31, 2022 was calculated according to the investee company’s financial statements not audited by the independent auditors, except for SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.

Note 5: It is an investment made through the invested company in China; therefore, it is unnecessary to report to the Investment Commission MOEA and is not included in the “Cumulative investment amount remitted out from Taiwan to China.”

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Note A : SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. had a paid-in capital of US\$2,000 thousand originally. It had arranged a capital increase from earnings for an amount of US\$2,500 thousand and US\$5,500 thousand in May 2001 and October 2004, respectively. As of December 31, 2022, SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. had a paid-in capital of US\$10,000 thousand.

Note B : The company has signed a power of attorney with G-SHANK ENTERPRISE (M) SDN. BHD. (hereinafter referred to as the “trustee”), a business entity of the company in the third region, to indirectly establish SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in China with the related party, Yuhuang Lin. The main content of the power of attorney is as follows:

- (a) The company designated the trustee to invest US\$1,700,000 (including bank transfer of US\$1,250,000 and machinery and equipment for an amount of US\$450,000) in SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in China.
- (b) The trustee is to apply to the competent authorities in China to invest and establish SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in the name of the trustee.
- (c) The trustee upon receiving income or benefits from SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. should have it transferred to the company entirely.
- (d) If SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. is to return the investment funds due to capital reduction, business termination, or other reasons, the trustee upon receiving such refund shall have it transferred to the company entirely.
- (e) The trustee shall notify the company when transferring investment funds, benefits, or income due to the reasons stated in the last two preceding paragraphs according to the instruction of the company.
- (f) The trustee’s rights and obligations in SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. are transferred to the company due to this entrusted investment relationship; therefore, the trustee does not guarantee the income and profit and loss.
- (g) The trustee shall exercise due diligence to manage investment, foreign exchange settlement, and benefit collection.
- (h) The matters not addressed in the power of attorney shall be handled in accordance with the law and regulations of the Republic of China, domestic and foreign banking practices, and other regulations.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- Note C : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90010260 (Investment Commission, MOEA had the (90) Shen-II-Tzi No. 90010260 amended by issuing the (95) Shen-II-Tzi No. 095004988 on 03.03.2006), and the company was approved by the Investment Commission, MOEA by issuing the Shen-II-Tzi No. 093031757 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in HONG JING (SHANGHAI) ELECTRONICS CO., LTD. HONG JING (SHANGHAI) ELECTRONICS CO., LTD. had arranged a capital increase in cash on November 1, 2012; however, the company did not subscribe shares proportionally to the shareholding ratio; therefore, the company's shareholding ratio was 80.19% thereafter.
- Note D : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90010259 and Jin-Shen-II-Tzi No. 91015965, and the company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092042580 Letter and Jin-Shen-II-Tzi No. 093031432 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.
- Note E : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90022866, and the company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092042581 Letter and Jin-Shen-II-Tzi No. 093006075 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.
- Note F : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90001835, Jin-Shen-II-Tzi No. 091031112, and Jin-Shen-II-Tzi No. 92008940 to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD. Subsequently, 5.86% (investment amount of US\$82 thousand) and 2% (investment amount US\$28 thousand) of the shareholding was transferred to non-related parties, Mr. Bershin Lo and Mr. Guodong Hsu, in March 2003, respectively. The company's shareholding was reduced to 92.14 % thereafter that was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092010563 Letter. HON YEY INVESTMENT CO., LTD., a subsidiary of the company, had paid US\$23 thousand to acquire the 2% (investment amount US\$28 thousand) shareholding from Mr.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Guodong Hsu on January 5, 2007 with the shareholding increased to 94.14% thereafter and it was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 09500329480 Letter. The company's board of directors had resolved on June 13, 2019 to acquire the 5.86% (investment amount US\$361 thousand) shareholding from the non-related party, Mr. Bershin Lo, and it was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 10800157300 Letter with the comprehensive shareholding increased to 100% thereafter.

Note G: HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Shen-II-Tzi No. 90010261, Jin-Shen-II-Tzi No. 91039369, Jin-Shen-II-Tzi No. 092003008 Letter, and Jin-Shen-II-Tzi No. 094008181 to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in QINGDAO G-SHANK PRECISION SDN.BHD. Subsequently, 5% (investment amount of US\$130 thousand), 2.23% (investment amount US\$58 thousand), and 0.58% (investment amount US\$15 thousand) of the shareholding was transferred to non-related parties, Mr. Shenwei Guo, Mr. Hongjun Li, and Mr. Bangyong Liu, in March 2003, respectively. The company's shareholding was reduced to 92.19 % thereafter that was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092010560 Letter. QINGDAO G-SHANK PRECISION SDN.BHD. had arranged capital increase in cash on November 25, 2006; however, the company did not subscribe shares proportionally to the shareholding ratio; therefore, the company's shareholding ratio was 92.83% thereafter. QINGDAO G-SHANK PRECISION SDN.BHD. had a paid-in capital of US\$3,600 thousand and then arranged a capital increase from earnings for an amount of US\$400 thousand in January 2019 and the paid-in capital of QINGDAO G-SHANK PRECISION SDN.BHD. was US\$4,000 thousand thereafter.

Note H: The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092044159, Jin-Shen-II-Tzi No. 093005557, and Jin-Shen-II-Tzi No. 093006249 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.

Note I: The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 095026420 Letter to indirectly invest in SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD. through G-SHANK ENTERPRISE (M) SDN. BHD. in the third region. Then it was approved for amendment by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 095032048 Letter to invest in SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD. through GLOBAL STAR INTERNATIONAL CO., LTD. that was invested by GRAND STAR

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

ENTERPRISES L.L.C. in the third region. The investment fund was transferred through GRAND STAR ENTERPRISES L.L.C. to GLOBAL STAR INTERNATIONAL CO., LTD. for an amount of US\$255 thousand on November 18, 2006, and the said amount was then transferred to SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD. on January 20, 2006.

Note J : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 09500121350, Jin-Shen-II-Tzi No. 09600108160, and Jin-Shen-II-Tzi No. 09600265810 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in SHENZHEN G-SHANK PRECISION SDN.BHD.

Note K : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 09600405610 and Jin-Shen-II-Tzi No. 09700084160 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in SHENZHEN G-BAO PRECISION SDN.BHD. SHENZHEN G-BAO PRECISION SDN.BHD. had arranged capital increase in cash on September 13, 2012; however, the company did not subscribe shares proportionally to the shareholding ratio; therefore, the company's shareholding ratio was reduced to 91.43% thereafter.

- (B) Significant transactions conducted with the invested companies in China in the current period:
- (a) The purchase amount and percentage and the related payable amount and percentage at yearend: Please refer to Notes 7 and 13.(1)(J) of the consolidated financial report for details.
  - (b) The sales amount and percentage and the related receivable amount and percentage at yearend: Please refer to Note 7 and 13.(1)(J) of the consolidated financial report for details.
  - (c) The property transaction amount and the profit and loss resulted : None
  - (d) The ending balance and purpose of notes endorsements/guarantees or collateral provided: None

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (e) Maximum balance amount, ending balance amount, interest rate range, and total interest of the current period of loans: Please refer to Note 13.(1)(A) of the consolidated financial report for details.
- (f) Other transactions that have a significant impact on the profit and loss or financial status: Please refer to Notes 13.(1)(J) of the consolidated financial report for details.

(4) Major Shareholder information

The name, shareholding, and shareholding ratio for more than 5% of the company's shareholders :

o Major shareholders	Shares	Shareholding (shares)	Shareholding ratio (%)
JIHONG <sup>t</sup> INVESTMENT CO., LTD.		16,089,465 shares	8.43
CHEN-LIN <sup>e</sup> INVESTMENT COMPANY		10,140,790 shares	5.31

Note 1 : The information of the major shareholders in this table is based on the shareholders who have received more than 5% common stock shareholding completed with dematerialized registration (including treasury stock) on the last business day of each quarter that is counted by Taiwan Depository & Clearing Corporation. The capital stock recorded in the company's consolidated financial report and the company's actual number of shares delivered with dematerialized registration may be different due to different calculation bases adopted.

Note 2 : If the aforementioned information is regarding shareholders having their shares delivered to the trust, it is disclosed by the individual account of the principal who entrusts the trustee to open a trust account. As for the shareholder's reporting 10% or more of insider's shareholding in accordance with the Securities and Exchange Act, the shareholding includes the principal's shareholding and the shares delivered to the trust that remains under the control of the principal. Please refer to the Market Observation Post System for the insider's equity reporting information.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

**14. DEPARTMENT INFORMATION**

The company has disclosed departmental information in the consolidated financial report, so the parent company only financial report may not be disclosed according to regulation.



G-SHANK ENTERPRISE CO., LTD.  
1.Statement of Cash and Cash Equivalents  
December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description		Amount	Note
Cash and petty cash			\$ 2,300	1.2022.12.31 exchange rate : 1 USD = NT30.7 1 JPY = NT0.2325 1 RMB = NT4.409 2.Demand deposits include foreign currency : USD                   1,189,202.65 JPY                   7,289,587.20 3.Time deposits with foreign currency : USD                   38,581,295.00 RMB                   1,100,000.00
Checking deposit and savings deposit	<u>Maturity Date</u>	<u>Interest Rates</u>	133,294	
Time deposits	2023.01.05-2023.06.07	1.05%~5.3%	<u>1,189,296</u>	
Total			<u>\$ 1,324,890</u>	

G-SHANK ENTERPRISE CO., LTD.

2.Statement of Financial Assets at Fair Value through Profit or Loss - Current

December 31, 2022

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name of securities	Shares /unit /1,000 shares	unit cost /face value	Total Amount	Rates	acquisition cost	Market Value		Changes in fair value attributable to changes in credit risk	Note
						Unit Pric(\$US)	Total Amount		
Financial assets-Bonds :									
AXA bonds									
AXASA 4.5 12/29/2049	700,000	USD 98.8857	USD 692,200	4.500%	\$ 22,364	USD 81.2840	\$ 17,468		
HSBC Holding bonds									
HSBC 6 RERP (I)	3,100,000	USD 99.4998	USD 3,084,494	6.000%	95,248	USD 92.3920	87,929		
Macquarie Group Limited bonds									
MQGAU 6 1/8 PERP	1,400,000	USD 102.7251	USD 1,438,152	6.125%	45,253	USD 86.5040	37,179		
Societe Generale bonds									
SOCGEN 6.75 PERP (I)	4,720,000	USD 99.8894	USD 4,714,780	6.750%	144,148	USD 90.0220	130,445		
Societe Generale bonds									
SOCGEN 7 3/8 PERP	400,000	USD 100.5000	USD 402,000	7.375%	12,226	USD 96.1340	11,805		
BCS-Barclays Plc bonds									
BACR 8 PERP	200,000	USD 105.0000	USD 210,000	8.000%	6,387	USD 97.5100	5,987		
DB-Deutsche Bank AG bonds									
DB 6 PERP	6,400,000	USD 101.7139	USD 6,509,690	6.000%	197,918	USD 85.1740	167,350		
HSBC Holding bonds									
HSBC 6 1/4 RERP	300,000	USD 99.5000	USD 298,500	6.250%	9,070	USD 98.1640	9,041		
HSBC Holding bonds									
HSBC 4.7 PERP(-)	200,000	USD 99.3508	USD 198,702	4.700%	5,956	USD 80.0920	4,918		
Societe Generale bonds									
SOCGEN 6.75 PERP(二)	2,000,000	USD 100.9875	USD 2,019,750	6.750%	59,925	USD 90.0350	55,282		
HSBC Holding bonds									
HSBC 6 3/8 PERP	1,000,000	USD 99.9500	USD 999,500	6.375%	30,238	USD 95.0280	29,174		
HSBC Holding bonds									
HSBC 6 RERP (II)	500,000	USD 100.4040	USD 502,020	6.000%	14,957	USD 92.1930	14,152		
UBS Group AG bonds									
UBS 5 PERP	300,000	USD 96.6000	USD 289,800	5.000%	8,908	USD 99.8600	9,197		
HSBC Holding bonds									
HSBC 4.7 PERP (II)	600,000	USD 99.1000	USD 594,600	4.700%	18,037	USD 79.7840	14,696		
BNP Paribas bonds									
BNP 5 1/8 PERP	200,000	USD 99.1000	USD 198,200	5.125%	6,355	USD 82.4790	5,064		
HSBC Holding bonds									
HSBC 6 RERP (III)	700,000	USD 101.1714	USD 708,200	6.000%	22,706	USD 91.7350	19,714		
DB-Deutsche Bank AG bonds									
DB 7.5 PERP (I)	1,600,000	USD 103.1650	USD 1,650,640	7.500%	50,185	USD 93.6220	45,987		
DB-Deutsche Bank AG bonds									
DB 7.5 PERP (II)	800,000	USD 104.6625	USD 837,300	7.500%	23,911	USD 93.5500	22,976		
BCS-Barclays Plc bonds									
BACR 8 PERP 2022 (I)	500,000	USD 100.4000	USD 502,000	8.000%	15,050	USD 94.4630	14,500		
BCS-Barclays Plc bonds									
BACR 8 PERP 2022 (II)	1,300,000	USD 94.4108	USD 1,227,340	8.000%	37,048	USD 94.4380	37,690		
Societe Generale bonds									
SOCGEN 9 3/8 PERP	500,000	USD 100.7486	USD 503,743	4.375%	16,227	USD 102.7770	15,777		
Subtotal			USD 27,581,610		\$ 842,117		756,331		
Derivative financial instrument :									
SWAP contracts	-	-	-	-	-	-	6,254		
Total							\$ 762,585		

G-SHANK ENTERPRISE CO., LTD.

3. Statement of Net Notes Receivable

December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Notes receivable			The notes receivable in the left column are due to operation.
Client A		\$ 2,459	
Client B		193	
Others	(Note)	<u>245</u>	
Total		2,897	
Less: Allowance loss		<u>-</u>	
Net amount		<u>\$ 2,897</u>	

Note: The balance of each customer does not exceed 5% of the balance of this item

**G-SHANK ENTERPRISE CO., LTD.**  
**4. Statement of Net Accounts Receivable**  
**December 31, 2022**

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amoun	Note
Notes receivable			The notes receivable in the left column are due to operation.
Client C		\$ 107,481	
Client D		98,046	
Client E		76,778	
Client F		42,508	
Client G		37,546	
Others	(Note)	<u>200,107</u>	
Total		562,466	
Less: Allowance loss		<u>(430)</u>	
Net amount		<u><u>\$ 562,036</u></u>	

Note: The balance of each customer does not exceed 5% of the balance of this item.

G-SHANK ENTERPRISE CO., LTD.  
5.Statement of Account Receivable - Related Parties  
December 31, 2022

(In Thousands of New Taiwan Dollars)

Name of related party	Description	Amount	Note
Account receivable			
G-SHANK ENTERPRISE (M) SDN. BHD.		\$ 1,689	
G-SHANK, INC.		914	
GREAT-SHANK CO., LTD.		907	
SHENZHEN G-BAO PRECISION		250	
G-SHANK JAPAN CO., LTD.		195	
QINGDAO G-SHANK PRECISION SDN.BHD.		54	
PT INDONESIA G-SHANK PRECISION		49	
SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.		38	
SUNFLEX TECHNOLOGY CO., LTD		15	
Total		<u>\$ 4,111</u>	

G-SHANK ENTERPRISE CO., LTD.

6. Statement of Other Receivables

December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Interest receivable		\$ 24,788	
Others		<u>202</u>	
Total		<u>\$ 24,990</u>	

G-SHANK ENTERPRISE CO., LTD.

7. Statement of Other Receivables - Related Parties

December 31, 2022

(In Thousands of New Taiwan Dollars)

Name of related party	Description	Amount	Note
GREAT-SHANK CO., LTD.		\$ 2,190	
G-SHANK, INC.		226	
G-SHANK JAPAN CO., LTD.		<u>3</u>	
Total		<u>\$ 2,419</u>	

## G-SHANK ENTERPRISE CO., LTD.

## 8. Statement of Inventory

December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 70,773	\$ 66,933	1. The inventories listed on the left are not guaranteed or pledged.
Supplies		12,801	12,953	
Work in process		104,132	100,430	2. Inventories are evaluated at the lower of cost and net realizable value at the end of the period. When comparing cost and net realizable value, except for inventories of the same category, individual items are compared item by item.
Finished product		99,640	155,519	
Merchandise		3,713	2,879	
Total		291,059	<u>\$ 338,714</u>	
Less: Allowance to reduce inventory to market		(30,927)		
Book amount		<u>\$ 260,132</u>		



G-SHANK ENTERPRISE CO., LTD.

9. Statement of Prepayments and Other Current Assets

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepaid expenses		\$ 3,916	
Prepayment for purchases		1,432	
Others		<u>545</u>	
Total		<u>\$ 5,893</u>	

G-SHANK ENTERPRISE CO., LTD.

10. Statement of Other Financial Assets - Current

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description		Amount	Note
Special account for transferring overseas funds back to Taiwan	<u>Maturity Date</u>	<u>Interest Rates</u>		1.2022.12.31 exchange rate : 1 USD = NT 30.7
Savings deposit				2. Time deposits with foreign currency :
Time deposit	2023.12.20	3.73%	\$ <u>7,383</u>	USD 240,491.02

G-SHANK ENTERPRISE CO., LTD.

11. Statement of Changes in Fair Value of Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-Current  
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Name	Beginning of the period		Additions in Investment		Decrease in Investment		Equity instrument investment evaluation adjustment	End of period		Accumulated Impairment Loss	Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Market Value			
Unlisted stocks REEL MASK INDUSTRY CO., LTD.	3,392,713	<u>\$ 299,338</u>	-	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ (37,315)</u>	3,392,713	<u>\$ 262,023</u>	N/A	None	

G-SHANK ENTERPRISE CO., LTD.  
12. Statement of Changes in Investments Accounted for Using Equity Method  
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Investees	Beginning of the period		Additions in Investment		Decrease in Investment		Share of the profit (loss) of associates	Exchange differences on translating foreign operations	End of period			Market Value or Net Assets Value		Collateral	Remark
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Shareholding ratio	Amount	Unit Price (NT\$)	Total Amount		
Investments accounted for using equity method															
CHIN DE INVESTMENT CO., LTD.	5,000,000	\$ 54,158	-	\$ 1 (NOTE 1)	-	\$ (4) (NOTE 2)	\$ (1,446)	\$ -	5,000,000	100.00%	\$ 52,709	\$ 10.54	\$ 52,709	N/A	Note 6
G-SHANK, INC.	1,000	309,672	-	-	-	-	7,273	34,124	1,000	100.00%	351,069	351,492.00	351,492	N/A	Note 6
GRAND STAR ENTERPRISES L.L.C.	-	1,713,946	-	2,809	-	(253,979) (NOTE 3)	193,342	25,654	-	100.00%	1,681,772	-	1,682,054	N/A	Note 6
G-SHANK ENTERPRISE (M) SDN. BHD.	6,924,750	373,614	-	-	-	(42,235) (NOTE 3)	38,976	13,185	6,924,750	92.33%	383,540	55.48	384,160	N/A	Note 6
SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	-	1,282,203	-	-	-	-	336,494	18,124	-	85.00%	1,636,821	-	1,636,821	N/A	Note 6
GREAT-SHANK CO., LTD.	7,968,750	185,520	-	-	-	(50,395) (NOTE 3)	27,573	12,058	7,968,750	85.00%	174,756	21.94	174,833	N/A	Note 6
G-SHANK JAPAN CO., LTD.	1,000	6,899	-	-	-	-	5,851	(106)	1,060	58.89%	12,644	11,928.30	12,644	N/A	Note 6
SUNFLEX TECHNOLOGY CO., LTD.	9,940,956	157,590	-	246 (NOTE 4)	-	(8,052) (NOTE 5)	11,222	0	9,940,956	14.48%	161,006	17.60	174,961	N/A	Note 6
G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	-	14,393	-	-	-	(796) (NOTE 3)	2,114	229	-	5.86%	15,940	-	15,940	N/A	Note 6
Total		<u>\$ 4,097,995</u>		<u>\$ 3,056</u>		<u>\$ (355,461)</u>	<u>\$ 621,399</u>	<u>\$ 103,268</u>			<u>\$ 4,470,257</u>		<u>\$ 4,485,614</u>		

Note 1 : Note 1: The fluctuation amount of subsidiary accounted for using the equity method is NTD \$1 thousands.

Note 2 : The fluctuation amount of unrealized losses on financial assets measured at fair value through other comprehensive income - items not reclassified to profit or loss - attributed to subsidiary recognized using the equity method is NTD \$4 thousands.

Note 3 : Cash dividends issued by investee companies.

Note 4 : The amount of re-measurement of defined benefit plans, attributed to associated companies recognized using the equity method, in other comprehensive income - items not reclassified to profit or loss - is 232 thousands, and the fluctuation amount of associated companies recognized using the equity method is 14 thousands.

Note 5 : The cash dividends received from the investee company amount to 3,778 thousands, and the amount of unrealized losses on financial assets measured at fair value through other comprehensive income - items not reclassified to profit or loss - attributed to associated companies recognized using the equity method is 4,274 thousands.

Note 6 : Calculated based on the audited financial statements of the aforementioned investee companies for the same period by the accountant.

G-SHANK ENTERPRISE CO., LTD.

13. Statement of Changes in Cost of Real Estate, Buildings, and Equipment  
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

For relevant information, please refer to Note 6.(9)(A) of the parent company only financial report.

G-SHANK ENTERPRISE CO., LTD.

14. Statement of Changes in Accumulated Depreciation of Real Estate, Buildings, and Equipment  
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

For relevant information, please refer to Note 6.(9)(A) of the parent company only financial report.

G-SHANK ENTERPRISE CO., LTD.

15. Statement of Changes in Intangible Assets  
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

For relevant information, please refer to Note 6.(10)(A) of the parent company only financial report.

G-SHANK ENTERPRISE CO., LTD.

16. Statement of Deferred Tax Assets  
December 31, 2022

(In Thousands of New Taiwan Dollars)

For relevant information, please refer to Note 6.(26)(D) of the parent company only financial report.

G-SHANK ENTERPRISE CO., LTD.

17. Statement of Advances for Equipment, Deposits, and Other Non-Current Assets - Other

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepayments for business facilities	Prepayment for the facilities that has not been Shipped to the Company	\$ 13,135	
Refundable deposits	Lease guarantee, etc.	635	
Other noncurrent assets, others	Details listed on important account statement 18	5,178	
Total		\$ 18,948	

G-SHANK ENTERPRISE CO., LTD.  
18. Statement of Changes in Other Non-Current Assets - Other  
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Beginning of the period	Increase during the period	Decrease during the period	reclassification	End of the period	Note
Deferred expenses						
Mole expense	\$ 5,710	\$ 8,900	\$ (9,556)	\$ -	\$ 5,054	
Other	<u>1,525</u>	<u>-</u>	<u>(1,401)</u>	<u>-</u>	<u>124</u>	
Total	<u>\$ 7,235</u>	<u>\$ 8,900</u>	<u>\$ (10,957)</u>	<u>\$ -</u>	<u>\$ 5,178</u>	

G-SHANK ENTERPRISE CO., LTD.  
 19.Statement of Short-term Borrowings  
 December 31, 2022

(In Thousands of New Taiwan Dollars)

Borrowing items	Directions	End of the period	Contract period	Interest rate	Financing available Mortgage or	Collateral	Note
Credit loan							
Taipei Fubon Bank		\$ 320,000	2022.11.21-2023.11.06	1.35%-1.99%	\$ 200,968	None	
Cathay United Bank		300,000	2022.09.02-2023.09.02	1.596%	-	None	
CTBC Bank		330,000	2022.11.30-2023.02.28	1.99%	90,000	None	
Bank of Taiwan		<u>120,000</u>	2022.08.11-2023.08.11	1.70%	<u>30,000</u>	None	
Total		<u>\$ 1,070,000</u>			<u>\$ 320,968</u>		



G-SHANK ENTERPRISE CO., LTD.  
 20.Statement of Contract Liabilities - Current  
 December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Contract liabilities		\$ <u>5,813</u>	

G-SHANK ENTERPRISE CO., LTD.

21. Statement of Accounts Payable

December 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Note
Accounts payable			
Vendor H		\$ 28,660	The notes receivable in the left column are due to operation.
Vendor I		24,936	
Vendor J		15,124	
Vendor K		13,677	
Vendor L		13,066	
Other	(Note)	113,751	
Total		<u>\$ 209,214</u>	

Note : The balance of each customer does not exceed 5% of the balance of this item

G-SHANK ENTERPRISE CO., LTD.  
22.Statement Of Accounts Payable- Related Parties, Net  
December 31, 2022

(In Thousands of New Taiwan Dollars)

Name of related party	Description	Amount	Note
Accounts payable			
SUNFLEX TECHNOLOGY CO., LTD.		\$ 11,289	
G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.		232	
SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.		5	
G-SHANK JAPAN CO., LTD.		2	
Total		<u>\$ 11,528</u>	

G-SHANK ENTERPRISE CO., LTD.

23. Statement of Other Payables

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries and Bonuses Payable		\$ 107,104	
Processing Fees Payable		82,849	
Employee Compensation Payable		23,000	
Equipment Payments Payable		14,194	
Insurance Premiums Payable		8,759	
Retirement Benefits Payable		5,023	
Other		<u>58,287</u>	
Total		<u>\$ 299,216</u>	

G-SHANK ENTERPRISE CO., LTD.

24. Statement of Other Payables - Related Parties

December 31, 2022

(In Thousands of New Taiwan Dollars)

Name of related party	Description	Amount	Note
SUNFLEX TECHNOLOGY CO., LTD.		\$ 3,250	
G-SHANK JAPAN CO., LTD.		407	
XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.		<u>10</u>	
Total		<u>\$ 3,667</u>	

G-SHANK ENTERPRISE CO., LTD.  
 25. Statement of Income Tax Liabilities -Current  
 December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Income tax liabilities -current	Corporate Income Tax	<u>\$ 53,630</u>	

G-SHANK ENTERPRISE CO., LTD.  
 26. Statement of Other Current Liabilities  
 December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Temporary credits		\$ 7,016	
Receipts under custody		<u>3,969</u>	
Total		<u>\$ 10,985</u>	

G-SHANK ENTERPRISE CO., LTD.  
27.Statement of Long-term Borrowings  
December 31, 2022

(In Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Contract period	Range of Interest Rates	Collateral	Repayment method	Remark
Taipei Fubon Bank	Credit loan	\$ 60,295	2020.01.03~2025.01.03	1.0960%	None	Please refer to Note 6(12) .	
Taipei Fubon Bank	Credit loan	<u>18,737</u>	2020.01.03~2025.01.03	1.0960%	None		
Total		79,032					
Less: Long-term loans due within one year		<u>(38,735)</u>					
Long-term loans due after one year		<u>\$ 40,297</u>					



G-SHANK ENTERPRISE CO., LTD.  
28. Statement of Deferred Tax Liabilities  
December 31, 2022

(In Thousands of New Taiwan Dollars)

For relevant information, please refer to Note 6.(26)(D) of the parent company only financial report.

29. Statement of Net Defined Benefit Liabilities - Noncurrent  
December 31, 2022

(In Thousands of New Taiwan Dollars)

For relevant information, please refer to Note 6.(13)(A)(c) of the parent company only financial report.

G-SHANK ENTERPRISE CO., LTD.

30. Statement of Deposits Received

December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Guarantee deposits received	Lease Deposits and Others	<u>\$ 4,646</u>	

G-SHANK ENTERPRISE CO., LTD.  
31. Statement of Net Operating Revenues  
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Total Operating Revenue			
Sales revenue			
Parts	3,135,052 KPCS	\$ 2,153,859	
Mold	166 units	102,035	
Tools	11,823 sets	65,628	
Product	8,025 KPCS	<u>87,796</u>	
Total		2,409,318	
Less: Sales returns		(6,928)	
Sales discounts and allowances		<u>(6,992)</u>	
Net sales revenue		<u>\$ 2,395,398</u>	

## G-SHANK ENTERPRISE CO., LTD.

32.Statement of Operating Costs  
For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Self-production :			
Direct raw material			
Beginning inventory		\$ 88,974	
Add : Current net material purchased		705,744	
Work-in-process cover into		120,005	
Other cover into		32	
Less : Ending inventory		(70,773)	
Rendering product		(12,188)	
Rendering work-in-process		(1,278)	
Inventory surplus or deficit		(483)	
Current used		830,033	
Direct labor		279,504	
Manufacturing overhead		813,759	
Manufacturing cost		1,923,296	
Add : Beginning work-in-process		113,464	
Raw material cover into		1,278	
Work-in-process cover into		366,554	
Less : Ending work-in-process		(104,132)	
Rendering raw material		(120,005)	
Rendering product		(3,062)	
Rendering expenses		(3,352)	
Cost of finished goods		2,174,041	
Add : Beginning finished goods		81,957	
Inventory surplus or deficit		2,032	
Less : Ending finished goods		(99,640)	
Rendering assets		(3,153)	
Rendering work-in-process		(366,554)	
Rendering expenses		(8,268)	
Cost of goods sold (Self-production)		1,780,415	
Buying and selling:			
Beginning inventory		1,624	
Add : Current net material purchased		51,300	
Work-in-process cover into		3,062	
Raw material cover into		12,188	
Expenses cover into		632	
Inventory surplus or deficit		10	
Less : Ending finished goods		(3,713)	
Cost of goods sold (Buying and selling)		65,103	
Other operating cost:			
Inventory surplus or deficit		(1,559)	
Inventory cost write-down to net realizable value		(6,376)	
Total operation cost		\$ 1,837,583	

## G-SHANK ENTERPRISE CO., LTD.

## 33. Statement of Manufacturing Expenses

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Wages and salaries		\$ 111,945	
Rent expense		1,242	
Repairs and maintenance expense		13,792	
Packing expenses		27,363	
Utilities expense		19,881	
Insurance expense		34,277	
Processing expense		335,414	
Depreciations		50,001	
Depletions and amortizations		10,694	
Meal expense		11,641	
Indirect materials		131,350	
Consumables		28,032	
Ole mold parts expenses		14,941	
Other expenses		23,186	
Total		<u>\$ 813,759</u>	

G-SHANK ENTERPRISE CO., LTD.

34.Statement of Selling and Marketing Expenses

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Wages and salaries		\$ 58,537	
Freight		5,407	
Utilities expense		3,568	
Insurance expense		5,600	
Depreciations		1,360	
Export expenses		13,717	
Packing expenses		2,451	
Services expense		2,555	
Other expenses		10,721	
Total		<u>\$ 103,916</u>	

G-SHANK ENTERPRISE CO., LTD.

35.Statement of General and Administrative Expenses

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Wages and salaries		\$ 101,977	
Traveling Expense		1,024	
Postage expenses		1,837	
Repairs and maintenance expense		3,967	
Utilities expense		5,133	
Insurance expense		8,854	
Taxes		4,408	
Depreciations		4,246	
Amortizations		832	
Employee benefits/welfare		4,607	
Training expense		2,748	
Miscellaneous purchases		1,623	
Environmental maintenance fee		1,891	
Services expense		2,534	
Consumables		2,402	
Other expenses		10,205	
Total		<u>\$ 158,288</u>	

G-SHANK ENTERPRISE CO., LTD.

36. Statement of Research and Development Expenses

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Wages and salaries		\$ 31,425	
Utilities expense		2,837	
Insurance expense		2,885	
Depreciations		766	
Amortizations		525	
Miscellaneous purchases		81	
Consumables		817	
Services expense		1,800	
Other expenses		7,978	
Total		<u>\$ 49,114</u>	



G-SHANK ENTERPRISE CO., LTD.  
37.Statement of Loss (reversal) of expected credit loss  
For the year ended December 31, 2022

For relevant information, please refer to Note 6.(4) of the parent company only financial report.

G-SHANK ENTERPRISE CO., LTD.  
38.Statement of Other Operating Income and Expenses, Net  
For the year ended December 31, 2022

For relevant information, please refer to Note 6.(23) of the parent company only financial report.

G-SHANK ENTERPRISE CO., LTD.  
39.Statement of Non-operating Income and Expenses  
For the year ended December 31, 2022

For relevant information, please refer to Note 6.(24) of the parent company only financial report.

G-SHANK ENTERPRISE CO., LTD.  
40.Statement of Employee Benefits, Depreciation, and Amortization Expenses Incurred in the  
Current Period by Functional Categories  
For the year ended December 31, 2022

For relevant information, please refer to Note 6.(22) of the parent company only financial report.