

Hu Lane Associate Inc. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HU LANE ASSOCIATE INC.

By

March 24, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hu Lane Associate Inc.

Opinion

We have audited the accompanying consolidated financial statements of Hu Lane Associate Inc. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Occurrence of Revenue

For the year ended December 31, 2022, the consolidated operating revenue amounted to NT\$6,526,749 thousand. The operating revenue derived from some major customers amounted to NT\$2,261,346 thousand. Since some single customers contributed more to the Group's operating revenue and there was material change on the amount of operating revenue as compared with the same period last year, the occurrence of the operating revenue from the abovementioned customers was identified as a key audit matter.

Refer to Note 4 to the Group's consolidated financial statements for the accounting policy of revenue recognition.

Our audit procedures performed to verify the occurrence of revenue in respect of the above key audit matter included the following:

1. We obtained an understanding of the design and tested the operating effectiveness of the relevant internal controls.
2. We sampled the transaction documents and the bank collection records, and checked whether the recipients of the products were the same as the counterparties of the transactions.

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Jiun-hung Shih and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 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 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.

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 966,258	9	\$ 678,299	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	17,269	-	526	-
Financial assets at amortized cost (Notes 4 and 9)	178,118	2	-	-
Notes receivable (Notes 4, 10, 26 and 28)	743,247	7	737,935	9
Trade receivables from unrelated parties (Notes 4 and 10)	2,155,832	20	1,399,929	17
Trade receivables from related parties (Note 27)	39,730	-	-	-
Other receivables	25,339	-	18,998	-
Current tax assets (Notes 4 and 22)	28,754	-	25,107	-
Inventories (Notes 4 and 11)	1,820,475	17	1,295,240	16
Other current assets	<u>342,183</u>	<u>3</u>	<u>289,833</u>	<u>4</u>
Total current assets	<u>6,317,205</u>	<u>58</u>	<u>4,445,867</u>	<u>54</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 26)	6,784	-	-	-
Investments accounted for using the equity method (Notes 4 and 13)	12,529	-	-	-
Property, plant and equipment (Notes 4, 14 and 28)	4,076,970	37	3,473,745	42
Right-of-use assets (Notes 4 and 15)	257,580	2	94,193	1
Investment properties (Note 4)	2,490	-	2,494	-
Other intangible assets (Note 4)	42,838	1	19,778	-
Deferred tax assets (Notes 4 and 22)	42,736	-	34,653	1
Other non-current assets	<u>213,074</u>	<u>2</u>	<u>129,784</u>	<u>2</u>
Total non-current assets	<u>4,655,001</u>	<u>42</u>	<u>3,754,647</u>	<u>46</u>
TOTAL	<u>\$ 10,972,206</u>	<u>100</u>	<u>\$ 8,200,514</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 28)	\$ 2,752,578	25	\$ 1,523,936	19
Notes payable	26,220	-	2,926	-
Trade payables to unrelated parties	1,171,023	11	763,562	9
Other payables to unrelated parties (Notes 17 and 26)	722,908	6	500,576	6
Current tax liabilities (Notes 4 and 22)	80,196	1	127,836	2
Finance lease payables - current (Notes 4 and 15)	20,237	-	14,865	-
Other current liabilities	<u>112,649</u>	<u>1</u>	<u>41,556</u>	<u>-</u>
Total current liabilities	<u>4,885,811</u>	<u>44</u>	<u>2,975,257</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	294,481	3	169,086	2
Finance lease payables - non-current (Notes 4 and 15)	181,776	2	10,745	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	28,676	-	33,797	1
Other non-current liabilities	<u>6,807</u>	<u>-</u>	<u>7,586</u>	<u>-</u>
Total non-current liabilities	<u>511,740</u>	<u>5</u>	<u>221,214</u>	<u>3</u>
Total liabilities	<u>5,397,551</u>	<u>49</u>	<u>3,196,471</u>	<u>39</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 19)				
Share capital				
Ordinary shares	<u>996,547</u>	<u>9</u>	<u>996,547</u>	<u>12</u>
Capital surplus	<u>934,183</u>	<u>9</u>	<u>1,033,837</u>	<u>13</u>
Retained earnings				
Legal reserve	949,240	9	871,116	10
Special reserve	263,672	2	262,423	3
Unappropriated earnings	<u>2,550,756</u>	<u>23</u>	<u>2,024,826</u>	<u>25</u>
Total retained earnings	<u>3,763,668</u>	<u>34</u>	<u>3,158,365</u>	<u>38</u>
Other equity	<u>(141,166)</u>	<u>(1)</u>	<u>(203,755)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	5,553,232	51	4,984,994	61
NON-CONTROLLING INTERESTS	<u>21,423</u>	<u>-</u>	<u>19,049</u>	<u>-</u>
Total equity	<u>5,574,655</u>	<u>51</u>	<u>5,004,043</u>	<u>61</u>
TOTAL	<u>\$ 10,972,206</u>	<u>100</u>	<u>\$ 8,200,514</u>	<u>100</u>

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

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 27)	\$ 6,526,749	100	\$ 4,948,862	100
OPERATING COSTS (Notes 11 and 21)	<u>4,561,586</u>	<u>70</u>	<u>3,213,022</u>	<u>65</u>
GROSS PROFIT	<u>1,965,163</u>	<u>30</u>	<u>1,735,840</u>	<u>35</u>
OPERATING EXPENSES (Notes 4, 10 and 21)				
Selling and marketing expenses	238,991	4	232,948	5
General and administrative expenses	399,823	6	330,505	7
Research and development expenses	287,762	4	212,423	4
Expected credit loss (reversal gain)	<u>839</u>	<u>-</u>	<u>(7,634)</u>	<u>-</u>
Total operating expenses	<u>927,415</u>	<u>14</u>	<u>768,242</u>	<u>16</u>
PROFIT FROM OPERATIONS	<u>1,037,748</u>	<u>16</u>	<u>967,598</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	4,981	-	2,235	-
Other income (Note 21)	96,279	1	31,911	1
Other gains and losses (Note 21)	161,780	3	(32,541)	(1)
Finance costs (Note 4)	(38,752)	(1)	(13,388)	-
Share of profit or loss of associates and joint ventures (Note 13)	<u>(4,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>220,048</u>	<u>3</u>	<u>(11,783)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,257,796	19	955,815	19
INCOME TAX EXPENSE (Notes 4 and 22)	<u>255,521</u>	<u>4</u>	<u>160,107</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,002,275</u>	<u>15</u>	<u>795,708</u>	<u>16</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 18 and 22)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	5,026	-	(9,133)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(1,424)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(1,005)</u>	<u>-</u>	<u>1,826</u>	<u>-</u>
	<u>2,597</u>	<u>-</u>	<u>(7,307)</u>	<u>-</u>

(Continued)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	\$ 63,852	1	\$ (1,248)	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	<u>161</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>64,013</u>	<u>1</u>	<u>(1,248)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>66,610</u>	<u>1</u>	<u>(8,555)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,068,885</u>	<u>16</u>	<u>\$ 787,153</u>	<u>16</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 999,901	15	\$ 788,545	16
Non-controlling interests	<u>2,374</u>	<u>-</u>	<u>7,163</u>	<u>-</u>
	<u>\$ 1,002,275</u>	<u>15</u>	<u>\$ 795,708</u>	<u>16</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,066,511	16	\$ 779,990	16
Non-controlling interests	<u>2,374</u>	<u>-</u>	<u>7,163</u>	<u>-</u>
	<u>\$ 1,068,885</u>	<u>16</u>	<u>\$ 787,153</u>	<u>16</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 10.03</u>		<u>\$ 7.91</u>	
Diluted	<u>\$ 10.00</u>		<u>\$ 7.89</u>	

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

(Concluded)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital Ordinary Shares		Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
			Capital Surplus	Legal Reserve	Special Reserve			Unappropriated Earnings			
BALANCE AT JANUARY 1, 2021	\$ 996,547	\$ 1,133,491	\$ 815,276	\$ 287,251	\$ 1,573,564	\$ (202,507)	\$ -	\$ 4,603,622	\$ 11,886	\$ 4,615,508	
Appropriation of 2020 earnings											
Legal reserve	-	-	55,840	-	(55,840)	-	-	-	-	-	
Special reserve	-	-	-	(24,828)	24,828	-	-	-	-	-	
Cash dividends	-	-	-	-	(298,964)	-	-	(298,964)	-	(298,964)	
Cash dividends from capital surplus	-	(99,654)	-	-	-	-	-	(99,654)	-	(99,654)	
Net profit for the year ended December 31, 2021	-	-	-	-	788,545	-	-	788,545	7,163	795,708	
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(7,307)	(1,248)	-	(8,555)	-	(8,555)	
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	781,238	(1,248)	-	779,990	7,163	787,153	
BALANCE AT DECEMBER 31, 2021	996,547	1,033,837	871,116	262,423	2,024,826	(203,755)	-	4,984,994	19,049	5,004,043	
Appropriation of 2021 earnings											
Legal reserve	-	-	78,124	-	(78,124)	-	-	-	-	-	
Special reserve	-	-	-	1,249	(1,249)	-	-	-	-	-	
Cash dividends	-	-	-	-	(398,619)	-	-	(398,619)	-	(398,619)	
Cash dividends from capital surplus	-	(99,654)	-	-	-	-	-	(99,654)	-	(99,654)	
Net profit for the year ended December 31, 2022	-	-	-	-	999,901	-	-	999,901	2,374	1,002,275	
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	4,021	64,013	(1,424)	66,610	-	66,610	
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,003,922	64,013	(1,424)	1,066,511	2,374	1,068,885	
BALANCE AT DECEMBER 31, 2022	\$ 996,547	\$ 934,183	\$ 949,240	\$ 263,672	\$ 2,550,756	\$ (139,742)	\$ (1,424)	\$ 5,553,232	\$ 21,423	\$ 5,574,655	

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

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,257,796	\$ 955,815
Adjustments for:		
Depreciation expenses	346,815	269,797
Amortization expenses	36,991	34,343
Expected credit loss (reversal gain) recognized	839	(7,634)
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	1,676	(1,387)
Finance costs	38,752	13,388
Interest income	(4,981)	(2,235)
Dividend income	(225)	(26)
Share of loss of associates and joint ventures	4,240	-
(Gain) loss on disposal of property, plant and equipment	(83,554)	199
Gain on lease modifications	(272)	-
Write-downs of inventories	19,309	55,408
Gain from bargain purchase	(15,341)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	1,258
Notes receivable	(2,848)	(115,178)
Trade receivables	(620,580)	(97,700)
Trade receivables from related parties	(39,730)	-
Other receivables	(6,026)	(6,511)
Inventories	(466,283)	(547,134)
Other current assets	(34,573)	(174,129)
Other non-current assets	117,545	(4,549)
Notes payable	23,058	68
Trade payables from unrelated parties	278,004	243,185
Other payables	109,322	110,085
Other current liabilities	40,303	(12,338)
Provisions - non-current	(95)	(2,283)
Other non-current liabilities	(784)	744
Cash generated from operations	999,358	713,186
Interest received	4,981	2,235
Interest paid	(38,752)	(13,093)
Income tax received	17,868	15,953
Income tax paid	(191,742)	(126,867)
Net cash generated from operating activities	<u>791,713</u>	<u>591,414</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of financial assets at fair value through other comprehensive income	(2,540)	-
Purchase of financial assets at amortized cost	(178,118)	-

(Continued)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Purchase of financial assets at fair value through profit or loss	\$ (925)	\$ -
Proceeds from disposal of financial assets at fair value through profit or loss	920	-
Investments accounted for using the equity method	(16,608)	-
Payments for acquisition of subsidiary	(118,099)	-
Payments for property, plant and equipment	(1,065,193)	(591,445)
Proceeds from disposal of property, plant and equipment	181,596	54,550
Increase in refundable deposits	-	(5,050)
Decrease in refundable deposits	2,083	-
Payments for intangible assets	(26,090)	(4,974)
Dividends received	<u>225</u>	<u>26</u>
Net cash used in investing activities	<u>(1,222,749)</u>	<u>(546,893)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	1,208,642	299,751
Proceeds from guarantee deposits received	5	-
Refund of guarantee deposits received	-	(90)
Repayment of the principal portion of lease liabilities	(25,776)	(8,135)
Dividends paid to owners of the Company	<u>(498,273)</u>	<u>(398,618)</u>
Net cash generated from (used in) financing activities	<u>684,598</u>	<u>(107,092)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>34,397</u>	<u>(32,089)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	287,959	(94,660)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>678,299</u>	<u>772,959</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 966,258</u>	<u>\$ 678,299</u>

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

(Concluded)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Organization and Operations of the Parent Company

Hu Lane Associate Inc. (the “Company” or Hu Lane Associate) was incorporated in July 1977 as Hu Lane Enterprise Co., Ltd. and renamed as Hu Lane Industry Co., Ltd. on January 29, 2001, and later renamed again as Hu Lane Associate Inc. in 2003. Hu Lane Associate established the Hong Kong Branch in October 2001. Hu Lane Associate is mainly engaged in the manufacturing and sale of terminal devices, terminal crimping, industrial rubber and plastic products.

Hu Lane Associate’s shares have been listed on the Taipei Exchange since November 26, 2003. Hu Lane Associate’s stockholders approved the planned merger with Jie Yun Industry Co., Ltd. on May 28, 2004 with the effective merger date on August 31, 2004, and Hu Lane Associate was the surviving entity. Hu Lane Associate’s board of directors approved the planned merger with I-hung Steel Co., Ltd. on April 10, 2014 with the effective merger date on May 12, 2014, and Hu Lane Associate was the surviving entity.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

Organization and Operations of the Subsidiaries

Evervalue Investments Limited (Evervalue), a company established on March 12, 2001, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment.

Telford Investments Limited (Telford), a company established on March 8, 2001, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment.

Hu Lane Electronics (Vietnam) Limited (HuLane Vietnam), a company established in November 2009, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in manufacturing terminals and molding.

Hulane Electronics (Nanjing) Limited (Hulane Nanjing), a company established in January 2004, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in manufacturing terminals and molding.

Fortune Master Development Limited (Fortune Master), a company established on March 5, 2010, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in trading and investment.

Dongguan Hulane Electronics Technology (Dongguan Hulane), a company established in June 2011, is a 100%-owned subsidiary of Fortune Master. It is mainly engaged in the manufacturing of terminals and molding.

Dongguan Hulane Puquang Trading Limited (Dongguan Puquang), a company established in May 2012, is a 100%-owned subsidiary of Fortune Master. It is mainly engaged in sales of vehicle components and plastic materials.

PT Hulane Tech Manufacturing's 80% equity was acquired by the Company in December 2017. The purpose of this acquisition is to develop area integration for the long-term expansion and operations of the Company. PT Hulane Tech Manufacturing applied for capital increase in August 2020 and Evervalue Investments Limited participated in the capital increase. After the capital increase, the Company and Evervalue Investments Limited held 32% and 48% shareholding of PT Hulane Tech Manufacturing, respectively.

Shang Ho Industry Co., Ltd. (Shang Ho Industry), a company established in June 2022, is a 100%-owned subsidiary of the Company. It is mainly engaged in the manufacturing of terminals and molding.

Eagle Good Limited (Eagle Good), a company established in June 2022, is a 100%-owned subsidiary of the Company. It is mainly engaged in reinvestment.

Jiaxing Shanghe Electronic Technology Co., Ltd. (Jiaxing Shanghe), a company established in May 2012, is a 100%-owned subsidiary of Eagle Good. It is mainly engaged in the manufacturing of harnesses.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 24, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12, Table 7 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquire over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries, associates, joint ventures and branches in other countries that use currencies different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation (attributable to the owners of the Company) are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the consolidated financial statements only to the extent that interests in the associate are not related to the Group.

i. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling and the cost are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or asset related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or asset related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified as financial assets at fair value through profit or loss, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are mandatorily classified or designated as at fair value through profit or loss. Financial assets mandatorily classified as at fair value through profit or loss include investments in equity instruments which are not designated as at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

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

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

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

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables.

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the contracts are negotiated as a package with a single commercial objective.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of terminals and molds. Sales of terminals and molds are recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Any amounts previously recognized as contract assets are reclassified to trade receivables when the remaining obligations are performed.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

o. Leasing

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

1) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

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

2) The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

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

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

r. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 3,140	\$ 2,381
Checking accounts and demand deposits	824,409	538,902
Cash equivalents		
Time deposits with original maturities within three months	<u>138,709</u>	<u>137,016</u>
	<u>\$ 966,258</u>	<u>\$ 678,299</u>

The market rate intervals of demand deposits and time deposits at the end of year were as follows:

	December 31	
	2022	2021
Demand deposits	0.01%-1.38%	0.01%-1.72%
Time deposits	1.90%-4.25%	0.16%-0.29%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Foreign exchange forward contracts	\$ 73	\$ -
Non-derivative financial assets		
Domestic listed shares	370	526
Mutual funds	<u>16,826</u>	<u>-</u>
	<u>\$ 17,269</u>	<u>\$ 526</u>

At the end of the reporting period, outstanding foreign exchange swap contracts not under hedge accounting were as follows:

December 31, 2022

	Currency	Maturity Date	Notional Amount (In Thousands)
Foreign exchange swap contracts	NTD/USD	June 8, 2022 - March 8, 2023 (Note)	NTD30,442/USD1,000

Note: Extension from December 8, 2022 to March 8, 2023.

The Group entered into the foreign exchange swap to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

The Group's copper option contract signed with Citibank (Taiwan) Commercial Bank (hereinafter referred to as Citibank) was recognized as derivative financial instrument transactions for which hedge accounting was not applied. At the end of the reporting period, outstanding copper option contracts were as follows:

December 31, 2021

	Exercise Price	Contract Date	Total Quantity
Commodity Option	More than US\$10,150/tonne, less than US\$9,155/tonne	September 1, 2021 - December 31, 2021	200 tonne

The above derivative transactions, the gain on financial assets at fair value through profit or loss amounted to \$73 thousand and \$1,258 thousand for the years ended December 31, 2022 and 2021, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Non-current</u>		
Investments in equity instruments		
Domestic listed shares	\$ 6,784	\$ -

The above investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate the investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (Note)	\$ 178,118	\$ -

Note: The range of interest rate for time deposits with original maturities of more than 3 months was approximately 3.50% per annum as of December 31, 2022.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
Notes receivable - operating	\$ 743,247	\$ 737,935
<u>Trade receivables from unrelated parties</u>		
Trade receivables	\$ 2,189,668	\$ 1,432,352
Less: Allowance for impairment loss	(33,836)	(32,423)
	\$ 2,155,832	\$ 1,399,929

Refer to Note 26 for details of the factoring agreements for trade receivables.

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with reputable entities, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the executive vice president, internal audit department and accounting department annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position at the reporting date. As the Group's historical credit loss experience show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Group's different customer base.

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

December 31, 2022

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Expected credit loss rate	0.04%-5.21%	0.18%-5.46%	4.83%-19.27%	7.91%-50.00%	100%	
Gross carrying amount	\$ 1,610,098	\$ 534,084	\$ 21,289	\$ 3,056	\$ 21,141	\$ 2,189,668
Loss allowance (Lifetime ECLs)	(5,337)	(3,972)	(1,950)	(1,436)	(21,141)	(33,836)
Amortized cost	\$ 1,604,761	\$ 530,112	\$ 19,339	\$ 1,620	\$ -	\$ 2,155,832

December 31, 2021

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Expected credit loss rate	0.03%-5.21%	0.21%-5.46%	6.1%-15.85%	7.91%-56.09%	100%	
Gross carrying amount	\$ 1,044,911	\$ 347,258	\$ 15,148	\$ 2,579	\$ 22,456	\$ 1,432,352
Loss allowance (Lifetime ECLs)	<u>(4,501)</u>	<u>(2,938)</u>	<u>(1,153)</u>	<u>(1,375)</u>	<u>(22,456)</u>	<u>(32,423)</u>
Amortized cost	<u>\$ 1,040,410</u>	<u>\$ 344,320</u>	<u>\$ 13,995</u>	<u>\$ 1,204</u>	<u>\$ -</u>	<u>\$ 1,399,929</u>

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

	2022	2021
Balance at January 1	\$ 32,423	\$ 40,256
Add: Net remeasurement of loss allowance	2,476	-
Less: Net remeasurement of loss allowance	839	(7,634)
Foreign exchange gains and losses	<u>(1,902)</u>	<u>(199)</u>
Balance at December 31	<u>\$ 33,836</u>	<u>\$ 32,423</u>

11. INVENTORIES

	<u>December 31</u>	
	2022	2021
Finished goods	\$ 403,858	\$ 424,558
Work in progress	220,547	179,171
Raw materials and supplies	340,755	287,311
Merchandise	<u>855,315</u>	<u>404,200</u>
	<u>\$ 1,820,475</u>	<u>\$ 1,295,240</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$4,561,586 thousand and \$3,213,022 thousand, respectively. The cost of goods sold included inventory write-downs amounted to \$19,309 thousand and \$55,408 thousand, respectively.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2022	2021
Hu Lane Associate	Telford	Investment	100	100
	Evervalue	Investment	100	100
	Hu Lane Vietnam	Manufacture of plastic connectors and molds	100	100
	PT Hulane Tech	Manufacture of plastic connectors and molds	32	32
	Manufacturing (Note 1)			
	Shang Ho Industry (Note 2)	Manufacture of plastic connectors and molds	100	-
Evervalue	Eagle Good (Note 2)	Investment	100	-
	Hulane Nanjing	Manufacture of plastic connectors and molds	100	100
	Fortune Master	Trading and investment	100	100
	PT Hulane Tech	Manufacture of plastic connectors and molds	48	48
Fortune Master	Manufacturing (Note 1)			
	Dongguan Hulane	Manufacture of plastic connectors and molds	100	100
	Dongguan Puguang	Sales of vehicle components and plastic materials	100	100
Eagle Good	Jiaxing Shanghe	Manufacture of plastic connectors and molds	100	-

Note 1: PT. Hulane Tech Manufacturing resolved to increase cash capital by the board of directors in July 2022. The Group's board of directors resolved to participate in the capital increase in November 2022.

Note 2: The subsidiary's 100% equity was acquired by the Company in June 2022.

b. Subsidiaries excluded from the consolidated financial statements: None.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Associate that is not individually material		
Yangzhou Lear Hulane Automotive Parts Trading Co., Ltd.	\$ 12,529	\$ -

Note: In January 2022, The Group established Yangzhou Lear Hulane Automotive Parts Trading CO., Ltd. with Lear (China) Holding Limited with a capital of US\$600 thousand of which the Company holds 40%, and acquired a significant impact on the Company.

The calculation is based on the unaudited financial statements of Yangzhou Lear Hulane Automotive Parts Trading Co., Ltd. However, the management considers that the unaudited financial statements of the above investees do not have material impacts.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Other Equipment	Prepayments for Equipment and Property under Construction	Total
<u>Cost</u>									
Balance at January 1, 2021	\$ 1,008,022	\$ 574,159	\$ 1,923,728	\$ 19,694	\$ 66,362	\$ 1,200	\$ 16,771	\$ 975,954	\$ 4,585,890
Additions	-	2,859	12,688	200	449	-	5,242	664,732	686,170
Disposals	-	(325)	(58,281)	(2,959)	(4,533)	(1,200)	(125)	(45,761)	(113,184)
Effect of foreign currency exchange differences	-	6,769	(4,024)	89	(15)	-	854	(911)	2,762
Reclassifications	54,595	622,035	302,601	4,629	2,846	-	3,974	(1,070,531)	(79,851)
Balance at December 31, 2021	<u>1,062,617</u>	<u>1,205,497</u>	<u>2,176,712</u>	<u>21,653</u>	<u>65,109</u>	<u>-</u>	<u>26,716</u>	<u>523,483</u>	<u>5,081,787</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2021	-	154,691	1,178,351	13,555	52,625	1,200	5,243	-	1,405,665
Depreciation expense	-	27,731	217,629	1,520	4,593	-	3,742	-	255,215
Disposals	-	(249)	(50,591)	(1,779)	(4,492)	(1,200)	(124)	-	(58,435)
Effect of foreign currency exchange differences	-	916	4,011	104	(32)	-	598	-	5,597
Reclassifications	-	183,089	1,349,400	13,400	52,694	-	9,459	-	1,608,042
Carrying amounts at December 31, 2021	<u>\$ 1,062,617</u>	<u>\$ 1,022,408</u>	<u>\$ 827,312</u>	<u>\$ 8,253</u>	<u>\$ 12,415</u>	<u>\$ -</u>	<u>\$ 17,257</u>	<u>\$ 523,483</u>	<u>\$ 3,473,745</u>
<u>Cost</u>									
Balance at January 1, 2022	\$ 1,062,617	\$ 1,205,497	\$ 2,176,712	\$ 21,653	\$ 65,109	\$ -	\$ 26,716	\$ 523,483	\$ 5,081,787
Additions	-	58,716	502,095	3,899	15,767	-	8,402	577,684	1,166,563
Disposals	-	(43,113)	(119,389)	(4,167)	(4,503)	-	(3,807)	(26,228)	(201,207)
Acquisitions through business combinations	-	129	62,552	2,187	7,505	-	15,620	-	87,993
Effect of foreign currency exchange differences	-	16,047	34,777	274	801	-	1,668	3,715	57,282
Reclassifications	-	203,420	351,572	-	5,473	-	1,513	(753,411)	(191,433)
Balance at December 31, 2022	<u>1,062,617</u>	<u>1,440,696</u>	<u>3,008,319</u>	<u>23,846</u>	<u>90,152</u>	<u>-</u>	<u>50,112</u>	<u>325,243</u>	<u>6,000,985</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2022	-	183,089	1,349,400	13,400	52,694	-	9,459	-	1,608,042
Depreciation expense	-	36,291	272,748	1,965	5,037	-	4,743	-	320,784
Disposals	-	(11,341)	(80,839)	(3,287)	(4,071)	-	(3,627)	-	(103,165)
Acquisitions through business combinations	-	93	48,754	2,092	7,128	-	15,553	-	73,620
Effect of foreign currency exchange differences	-	3,736	19,285	250	467	-	996	-	24,734
Balance at December 31, 2022	<u>-</u>	<u>211,868</u>	<u>1,609,348</u>	<u>14,420</u>	<u>61,255</u>	<u>-</u>	<u>27,124</u>	<u>-</u>	<u>1,924,015</u>
Carrying amounts at December 31, 2022	<u>\$ 1,062,617</u>	<u>\$ 1,228,828</u>	<u>\$ 1,398,971</u>	<u>\$ 9,426</u>	<u>\$ 28,897</u>	<u>\$ -</u>	<u>\$ 22,988</u>	<u>\$ 325,243</u>	<u>\$ 4,076,970</u>

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

Building	1-50 years
Machinery equipment	1-14 years
Transportation equipment	3-11 years
Furniture and fixtures and other equipment	1-11 years
Leasehold improvements	2 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 28.

Dongguan Hulane entered into a land use right acquisition agreement with Dongguan City Urban Management and Law Enforcement, the agreement acquires land and demolish buildings of Dongguan Hulane within the red line of land acquisition for the first phase of Songshan Lake Science Park to Guangming Science City (Dongguan section). For the year ended December 31, 2022, the Company recognized compensation for employee of \$6,800 thousand (RMB1,577 thousand) and compensation for land use rights of \$47,523 thousand (RMB11,019 thousand) under other income; compensation for buildings of \$82,364 thousand (RMB19,097 thousand) under gain on disposal of property and equipment.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Land	\$ 56,159	\$ 68,719
Buildings	189,643	19,516
Office equipment	3,464	678
Transportation equipment	<u>8,314</u>	<u>5,280</u>
	<u>\$ 257,580</u>	<u>\$ 94,193</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 196,200</u>	<u>\$ 25,410</u>
Deductions to right-of-use assets	<u>\$ 7,681</u>	<u>\$ 1,552</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,927	\$ 2,040
Buildings	20,512	11,463
Office equipment	798	427
Transportation equipment	<u>2,790</u>	<u>648</u>
	<u>\$ 26,027</u>	<u>\$ 14,578</u>

Except for the above additions, deductions and depreciation expense recognized, the Group's right-of-use assets were not significantly impaired in 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 20,237</u>	<u>\$ 14,865</u>
Non-current	<u>\$ 181,776</u>	<u>\$ 10,745</u>

Ranges of discount rates for lease liabilities were as follows:

	December 31	
	2022	2021
Buildings	0.6719%-6.7500%	0.6719%-6.7500%
Office equipment	0.6627%-1.6500%	0.6816%-0.8874%
Transportation equipment	0.6667%-2.3800%	0.6607%-2.3800%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 10,079</u>	<u>\$ 9,478</u>
Total cash outflow for leases	<u>\$ (37,455)</u>	<u>\$ (18,355)</u>

The Group's leases of certain building, office equipment and transportation equipment qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments 900 with lease terms commencing after the balance sheet dates are as follows:

	December 31	
	2022	2021
Lease commitments	<u>\$ 26,917</u>	<u>\$ 11,081</u>

16. BORROWINGS

	December 31	
	2022	2021
<u>Secured borrowings (Note 28)</u>		
Bank loans	\$ 900,000	\$ 200,000
Notes receivable as collateral	309,707	268,311
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>1,542,871</u>	<u>1,055,625</u>
	<u>\$ 2,752,578</u>	<u>\$ 1,523,936</u>

- The range of interest rate on borrowings was 1.25%-5.90% and 0.64%-2.10% per annum as of December 31, 2022 and 2021, respectively.
- Endorsements and guarantees for Dongguan Puguang and PT. Hulane Tech Manufacturing are provided by the Company.

17. OTHER PAYABLES

	December 31	
	2022	2021
Accrued salaries and bonuses	\$ 165,632	\$ 121,354
Compensation of employees and remuneration of directors and supervisors	50,113	46,005
Payables for equipment	248,773	147,403
Payables for interest	1,216	295
Others	<u>257,174</u>	<u>185,519</u>
	<u>\$ 722,908</u>	<u>\$ 500,576</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension schemes of the Group's branch in Hong Kong and its subsidiaries in China and Vietnam and Indonesia were defined contributions, under which the related contributions were made according to local regulations; holding companies had no employees and had no pension schemes. The other entities of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The expense of 2022 and 2021 defined contribution plans is set out below:

	December 31	
	2022	2021
Defined contribution plans	<u>\$ 62,875</u>	<u>\$ 45,028</u>

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 124,955	\$ 129,727
Fair value of plan assets	<u>(96,279)</u>	<u>(95,930)</u>
Net defined benefit liabilities	<u>\$ 28,676</u>	<u>\$ 33,797</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 123,390</u>	<u>\$ (96,443)</u>	<u>\$ 26,947</u>
Service cost			
Current service cost	976	-	976
Net interest expense (income)	<u>987</u>	<u>(817)</u>	<u>170</u>
Recognized in profit or loss	<u>1,963</u>	<u>(817)</u>	<u>1,146</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(882)	(882)
Actuarial loss - experience adjustments	<u>10,015</u>	<u>-</u>	<u>10,015</u>
Recognized in other comprehensive income	<u>10,015</u>	<u>(882)</u>	<u>9,133</u>
Contributions from the employer	<u>-</u>	<u>(3,429)</u>	<u>(3,429)</u>
Benefits paid	<u>(5,641)</u>	<u>5,641</u>	<u>-</u>
Balance at December 31, 2021	<u>129,727</u>	<u>(95,930)</u>	<u>33,797</u>
Service cost			
Current service cost	911	-	911
Net interest expense (income)	<u>843</u>	<u>(627)</u>	<u>216</u>
Recognized in profit or loss	<u>1,754</u>	<u>(627)</u>	<u>1,127</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,624)	(7,624)
Actuarial loss -changes in financial assumptions	<u>(3,485)</u>	<u>-</u>	<u>(3,485)</u>
Actuarial loss - experience adjustments	<u>6,083</u>	<u>-</u>	<u>6,083</u>
Recognized in other comprehensive income	<u>2,598</u>	<u>(7,624)</u>	<u>(5,026)</u>
Contributions from the employer	<u>-</u>	<u>(1,222)</u>	<u>(1,222)</u>
Benefits paid	<u>(9,124)</u>	<u>9,124</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 124,955</u>	<u>\$ (96,279)</u>	<u>\$ 28,676</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate	1.25%	0.65%
Expected rate of salary increase	2.00%	2.00%
Mortality rate	Taiwan actuarial life table	Taiwan actuarial life table
Turnover rate	Note	Note

Note: Based on historical experience of the turnover rate for the past few years and consideration of future developments.

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ (1,413)	\$ (1,749)
0.25% decrease	\$ 1,452	\$ 1,806
Expected rate of salary increase/decrease		
1% increase	\$ 5,960	\$ 7,440
1% decrease	\$ (5,436)	\$ (6,700)

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

	December 31	
	2022	2021
Expected contributions to the plan for the next year	\$ 1,222	\$ 1,146
Average duration of the defined benefit obligation	8.8 years	9.7 years

19. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	120,000	120,000
Shares authorized	\$ 1,200,000	\$ 1,200,000
Number of shares issued and fully paid (in thousands)	99,654	99,654
Shares issued	\$ 996,547	\$ 996,547

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares	\$ 880,359	\$ 980,013
Consolidation excess	53,723	53,723
<u>May only be used to offset a deficit</u>		
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>101</u>	<u>101</u>
	<u>\$ 934,183</u>	<u>\$ 1,033,837</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares), consolidation excess and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, please refer to Note 21 f: Compensation of employees and remuneration of directors.

In consideration of the operating environment and business growth, the Company distributed dividends both by cash and by stock to meet the capital needs for the Company's present and future expansion plans and to satisfy stockholders' cash flow requirements. In principle, cash dividends should not be lower than 10% of total dividends distributed.

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

The appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meetings on June 17, 2022 and July 29, 2021, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Legal reserve	\$ 78,124	\$ 55,840		
Special reserve	1,249	(24,828)		
Cash dividends	398,619	298,964	\$ 4.0	\$ 3.0

The Company's shareholders both resolved in the shareholders' meeting on June 17, 2022 and July 29, 2021 to issue cash dividends of \$99,654 thousand, from the capital surplus.

e. Other equity items

Unrealized valuation loss on financial assets at FVTOCI

	2022	2021
Balance at January 1	\$ -	\$ -
Recognized for the year		
Unrealized loss - equity instruments	<u>(1,424)</u>	<u>-</u>
Balance at December 31	<u>\$ (1,424)</u>	<u>\$ -</u>

Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (203,755)	\$ (202,507)
Exchange differences on translation of the financial statements of foreign operations	63,852	(1,248)
Share from associates accounted for using the equity method	<u>161</u>	<u>-</u>
Balance at December 31	<u>\$ (139,742)</u>	<u>\$ (203,755)</u>

20. REVENUE

	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 6,526,749</u>	<u>\$ 4,948,862</u>

21. NET PROFIT AND OTHER COMPREHENSIVE INCOME

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ <u>4,981</u>	\$ <u>2,235</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 4,382	\$ 4,343
Dividend income	225	26
Settlement compensation	6,800	-
Land use rights certificates	47,523	-
Others	<u>37,349</u>	<u>27,542</u>
	<u>\$ 96,279</u>	<u>\$ 31,911</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
(Loss) gain on financial assets at FVTPL	\$ (1,676)	\$ 1,387
Net foreign exchange losses	74,539	(20,103)
Gain from bargain purchases (Note 24)	15,341	-
Gain (loss) on disposal of property, plant and equipment	83,554	(883)
Other losses	<u>(9,978)</u>	<u>(12,942)</u>
	<u>\$ 161,780</u>	<u>\$ (32,541)</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 320,784	\$ 255,215
Investment properties	4	4
Intangible assets and others	36,991	34,343
Right-of-use assets	<u>26,027</u>	<u>14,578</u>
	<u>\$ 383,806</u>	<u>\$ 304,140</u>
An analysis of depreciation by function		
Operating costs	\$ 292,489	\$ 229,642
Operating expenses	<u>54,326</u>	<u>40,155</u>
	<u>\$ 346,815</u>	<u>\$ 269,797</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
An analysis of amortization by function		
Operating costs	\$ 14,841	\$ 10,500
Operating expenses	<u>22,150</u>	<u>23,843</u>
	<u>\$ 36,991</u>	<u>\$ 34,343</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	<u>\$ 1,235,982</u>	<u>\$ 910,144</u>
Post-employment benefits (Note 18)		
Defined contribution plans	62,875	45,028
Defined benefit plans	<u>1,127</u>	<u>1,146</u>
	<u>64,002</u>	<u>46,174</u>
Other employee benefits	<u>81,082</u>	<u>75,328</u>
Total employee benefits expense	<u>\$ 1,381,066</u>	<u>\$ 1,031,646</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 872,922	\$ 654,137
Operating expenses	<u>508,144</u>	<u>377,473</u>
	<u>\$ 1,381,066</u>	<u>\$ 1,031,646</u>

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of 1%-10% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on March 24, 2023 and March 25, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	3.52%	4.07%
Remuneration of directors (and supervisors)	0.86%	0.83%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 40,222	\$ 38,207
Remuneration of directors	9,891	7,798

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors (and supervisors) paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAX

- a. Major components of tax expense recognized in profit or loss:

	<u>For the Year Ended December 31</u>	
	2022	2021
<u>Current tax</u>		
In respect of the current year	\$ 134,222	\$ 166,675
Income tax on unappropriated earnings	15,162	11,421
Adjustments for prior years	<u>(18,524)</u>	<u>(21,684)</u>
	130,860	156,412
<u>Deferred tax</u>		
In respect of the current year	<u>124,661</u>	<u>3,695</u>
Income tax expense recognized in profit or loss	<u>\$ 255,521</u>	<u>\$ 160,107</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Profit before income tax	<u>\$ 1,257,796</u>	<u>\$ 955,815</u>
Income tax expense calculated at the statutory rate (20%)	\$ 251,559	\$ 191,163
Nondeductible expenses in determining taxable income	373	551
Unrecognized deductible temporary differences	(4,192)	(12,145)
Income tax on unappropriated earnings	15,162	11,421
Repatriations of subsidiaries investment income	27,411	-
Effect of different tax rate of entities in the Group operating in other jurisdictions	(7,637)	(9,199)
Adjustments for prior years' tax	<u>(27,155)</u>	<u>(21,684)</u>
Income tax expense recognized in profit or loss	<u>\$ 255,521</u>	<u>\$ 160,107</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	<u>\$ (1,005)</u>	<u>\$ 1,826</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ 28,754</u>	<u>\$ 25,107</u>
Current tax liabilities		
Income tax payable	<u>\$ 80,196</u>	<u>\$ 127,836</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	acquired in a business combination	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit obligation	\$ 6,759	\$ (19)	\$ (1,005)	\$ -	\$ 5,735
Allowance for inventory losses	4,927	(600)	-	5,253	9,580
Others	<u>22,967</u>	<u>697</u>	<u>-</u>	<u>3,757</u>	<u>27,421</u>
	<u>\$ 34,653</u>	<u>\$ 78</u>	<u>\$ (1,005)</u>	<u>\$ 9,010</u>	<u>\$ 42,736</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Others	\$ 150,799	\$ -	\$ -	\$ -	\$ 150,799
Land value increment tax	<u>18,287</u>	<u>125,395</u>	<u>-</u>	<u>-</u>	<u>143,682</u>
	<u>\$ 169,086</u>	<u>\$ 125,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,481</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 5,390	\$ (457)	\$ 1,826	\$ 6,759
Allowance for inventory losses	2,818	2,109	-	4,927
Others	<u>17,215</u>	<u>5,752</u>	<u>-</u>	<u>22,967</u>
	<u>\$ 25,423</u>	<u>\$ 7,404</u>	<u>\$ 1,826</u>	<u>\$ 34,653</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 150,799	\$ -	\$ -	\$ 150,799
Others	<u>7,188</u>	<u>11,099</u>	<u>-</u>	<u>18,287</u>
	<u>\$ 157,987</u>	<u>\$ 11,099</u>	<u>\$ -</u>	<u>\$ 169,086</u>

e. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities. The Company includes Hong Kong branch's income in the calculation of its taxable income during tax declaration each year, and applied for tax refund after attestation by a local organization in Hong Kong recognized by the ROC. As of December 31, 2022, the Company applied for refund of tax through 2019, which was approved by the tax authorities through 2018. As of December 31, 2022 and 2021, tax refund receivables amounted to \$28,754 thousand and \$25,107 thousand, respectively.

23. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share	<u>\$ 10.03</u>	<u>\$ 7.91</u>
Diluted earnings per share	<u>\$ 10.00</u>	<u>\$ 7.89</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2022	2021
Earnings used in the computation of basic earnings per share	<u>\$ 999,901</u>	<u>\$ 788,545</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 999,901</u>	<u>\$ 788,545</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	99,654	99,654
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>350</u>	<u>281</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,004</u>	<u>99,935</u>

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Shang Ho Industry	Manufacture of plastic connectors and molds	June 1, 2022	100	<u>\$ 63,500</u>
Eagle Good	Investment	June 1, 2022	100	<u>\$ 91,392</u>

In June 2022, Shang Ho Industry and Eagle Good were acquired in order to continue the expansion of the Group's activities in automotive products.

b. Consideration transferred

	Shang Ho Industry	Eagle Good
Cash	<u>\$ 63,500</u>	<u>\$ 91,392</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	Shang Ho Industry	Eagle Good
Current assets		
Cash and cash equivalents	\$ 28,433	\$ 8,360
Financial assets at fair value through profit or loss - current	17,794	-
Trade and other receivables	29,588	107,451
Inventories	18,802	62,416
Prepayments and other current assets	1,408	26,332
Non-current assets		
Financial assets at fair value through other comprehensive income - non-current	5,668	-
Property, plant and equipment	384	13,989
Right-of-use assets	6,301	4,727
Other intangible assets	3,313	-
Deferred tax assets	9,010	-
Other non-current assets	1,178	28,226
Current liabilities		
Short-term borrowings	(20,000)	-
Trade payables and other payables	(22,052)	(119,281)
Other current liabilities	(250)	(30,540)
Non-current liabilities		
Lease liabilities	<u>(6,330)</u>	<u>(4,694)</u>
	<u>\$ 73,247</u>	<u>\$ 96,986</u>

The Gain recognized in bargain purchase transaction from the acquisition of Shang Ho Industry and Eagle Good by the Group was \$9,747 thousand and \$5,594 thousand, respectively. The gain recognized in bargain purchase transaction is the difference between the amount of consideration transferred and the fair value of identifiable net assets acquired, and is recognized in profit or loss in the current year. The amount was only provisionally determined at the balance sheet date. The measurement period is at most one year from the date of acquisition.

d. Net cash outflow on the acquisition of subsidiaries

	Shang Ho Industry	Eagle Good
Consideration paid in cash	\$ 63,500	\$ 91,392
Less: Cash and cash equivalent balances acquired	<u>(28,433)</u>	<u>(8,360)</u>
	<u>\$ 35,067</u>	<u>\$ 83,032</u>

e. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

	Shang Ho Industry	Eagle Good
Revenue	<u>\$ 51,830</u>	<u>\$ 388,650</u>
(Loss) profit	<u>\$ (5,950)</u>	<u>\$ 4,284</u>

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the reporting period.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Management believes the carrying amounts of financial assets and financial liabilities not carried at fair values approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 370	\$ -	\$ -	\$ 370
Mutual funds	16,826	-	-	16,826
Foreign exchange forward contracts	-	73	-	73
	<u>\$ 17,196</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 17,269</u>
Financial assets at FVTOCI				
Domestic listed shares	<u>\$ 6,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,784</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	<u>\$ 526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 17,269	\$ 526
Financial assets at amortized cost (1)	4,120,875	2,848,417
Financial assets at FVTOCI equity instruments	6,784	-

Financial liabilities

Financial liabilities at amortized cost (2)	4,673,110	2,791,376
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1) The balances include financial assets measured at amortized cost, which comprised cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and part of other non-current assets.

2) The balances include financial liabilities measured at amortized cost, which comprised short-term loans, notes payable, trade payables, other payables and part of other non-current liabilities.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, lease liabilities and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports quarterly to the Company's board of directors.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Profit or loss	\$ 24,385	\$ 10,591	\$ 13,864	\$ 6,176

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 316,827	\$ 137,016
Financial liabilities	2,752,578	1,523,936
Cash flow interest rate risk		
Financial assets	824,409	538,902

Sensitivity analysis

The sensitivity analyses were determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The Group's floating-rate financial assets were demand deposits, which fluctuated moderately, and accordingly the Group was exposed to low interest rate risk. On the other hand, no floating-rate liabilities were held at the end of the reporting period, and no related sensitivity analysis was performed.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by related departments such as executive vice president, internal auditors, and financial accounting.

The Group transacts with a large number of diverse customers from different industries and geographical locations; the Group performs ongoing credit evaluation on the financial condition of trade receivables and controlled the credit risk exposure.

The Group's concentration of credit risk accounted for 7% and 10% of total trade receivables as of December 31, 2022 and 2021, respectively, which was attributable to the Group's specific customer.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate tables

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 830,727	\$ 1,046,200	\$ 43,244	\$ -	\$ 361
Lease liabilities	2,340	4,026	16,982	201,992	-
Fixed interest rate liabilities	<u>1,102,544</u>	<u>1,014,464</u>	<u>643,777</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,935,611</u>	<u>\$ 2,064,690</u>	<u>\$ 704,003</u>	<u>\$ 201,992</u>	<u>\$ 361</u>

December 31, 2021

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 453,890	\$ 805,559	\$ 7,635	\$ -	\$ 356
Lease liabilities	3,037	2,087	10,373	12,824	-
Fixed interest rate liabilities	<u>250,725</u>	<u>101,177</u>	<u>1,202,672</u>	<u>-</u>	<u>-</u>
	<u>\$ 707,652</u>	<u>\$ 908,823</u>	<u>\$ 1,220,680</u>	<u>\$ 12,824</u>	<u>\$ 356</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually		
Amount used	\$ 1,542,871	\$ 1,055,625
Amount unused	<u>515,841</u>	<u>837,655</u>
	<u>\$ 2,058,712</u>	<u>\$ 1,893,280</u>
Secured bank overdraft facilities		
Amount used	\$ 1,209,707	\$ 468,311
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 1,209,707</u>	<u>\$ 468,311</u>

e. Financial asset transfer information

During 2022 and 2021, the Group's discounted notes receivable with an aggregate carrying amount of \$1,214,824 thousand and \$515,629 thousand were sold to a bank for cash proceeds of \$1,197,607 thousand and \$512,072 thousand, respectively. According to the contract, if the notes receivable are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance, as the Group has not transferred the significant risks and rewards relating to these notes receivable.

As of December 31, 2022 and 2021, the carrying amount of the notes receivable that have been transferred but have not been derecognized was \$311,007 thousand and \$268,311 thousand, respectively, and the carrying amount of the related liabilities (refer to Note 16) was \$309,707 thousand and \$268,311 thousand, respectively.

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships with the Group

Related Party	Relationship with the Group
Lear (China) Holding Limited	Associate

b. Operating revenue

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Sales	Lear (China) Holding Limited	<u>\$ 55,226</u>	<u>\$ -</u>

c. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade receivables	Lear (China) Holding Limited	<u>\$ 39,730</u>	<u>\$ -</u>

d. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Salaries and short-term employee benefits	\$ 85,218	\$ 72,197
Post-employment benefits	<u>1,853</u>	<u>1,297</u>
	<u>\$ 87,071</u>	<u>\$ 73,494</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2022	2021
Land	\$ 961,465	\$ 132,770
Buildings	667,996	5,246
Notes receivable	<u>309,707</u>	<u>268,311</u>
	<u>\$ 1,939,168</u>	<u>\$ 406,327</u>

Land and buildings were recorded as property, plant and equipment.

29. SIGNIFICANT EVENTS

On March 24, 2023, the board of directors resolved to raise and issue the first domestic unsecured convertible bonds with a maximum of 15,000 units, each with a face value of \$100 thousand, for a total value of \$1,500,000 thousand, with a coupon rate of 0% and a maturity of five years. The bond is publicly underwritten by bidding auction, the base bid is issued at no less than the face value and the actual total issue amount is determined by the results of the bidding auction.

30. OTHER SIGNIFICANT EVENTS: NONE

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	December 31					
	2022			2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 20,192	30.710	\$ 620,096	\$ 13,454	27.6800	\$ 372,394
EUR	1,235	32.720	40,409	2,594	31.3200	81,243
RMB	62,953	4.408	277,497	28,487	4.3440	123,746
<u>Financial liabilities</u>						
Monetary items						
USD	4,311	30.710	132,391	5,801	27.6800	160,570
EUR	138	32.720	4,515	21	31.3200	654
RMB	51	4.408	225	52	4.3440	225

The Group is mainly exposed to the USD, EUR and RMB. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2022		2021	
	Foreign Currency	Exchange Rate	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 75,088	1 (NTD:NTD)	\$ (22,539)
RMB	4.4191 (RMB:NTD)	15,303	4.3440 (RMB:NTD)	(2,061)
VND	0.0013 (VND:NTD)	(3,529)	0.0012 (VND:NTD)	3,300
IDR	0.0020 (IDR:NTD)	(9,722)	0.0020 (IDR:NTD)	579
HKD	3.7821 (HKD:NTD)	(2,601)	3.5490 (HKD:NTD)	618
		<u>\$ 74,539</u>		<u>\$ (20,103)</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments: (Note 7)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 6)
 - 11) Information on investees. (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Note 27, Tables 1, 2 and 9)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.

Disposal of property, plant and equipment

Related Parties	Net Disposal Proceeds		Unrealized Profit and Loss	
	2022	2021	2022	2021
Hulane Nanjing	\$ 9,477	\$ 13,542	\$ 677	\$ 861
Dongguan Hulane	<u>-</u>	<u>2,497</u>	<u>-</u>	<u>571</u>
	<u>\$ 9,477</u>	<u>\$ 16,039</u>	<u>\$ 677</u>	<u>\$ 1,432</u>

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

33. SEGMENT INFORMATION

The Group makes operating decisions based on the information of the Group as a whole; thus, the Group is treated as a single operating segment, and there is no need to disclose the financial information of operating segments.

- a. Revenue from major products and services

The major products of the Group are connectors.

- b. Geographical information

The Group operates in two principal geographical areas - China and Asia.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
China	\$ 5,116,907	\$ 3,735,572	\$ 2,097,591	\$ 1,449,238
Asia	<u>1,409,842</u>	<u>1,213,290</u>	<u>2,514,674</u>	<u>2,270,756</u>
	<u>\$ 6,526,749</u>	<u>\$ 4,948,862</u>	<u>\$ 4,612,265</u>	<u>\$ 3,719,994</u>

Non-current assets exclude deferred tax assets.

- c. Information about major customers

No single customer contributed 10% or more to the Group's revenue for 2022 and 2021.

TABLE 1

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
1	Evervalue Investments Limited	PT. Hulane Tech. Manufacturing	Other receivables from related parties	Yes	\$ 30,710 (US\$ 1,000)	\$ 30,710 (US\$ 1,000)	\$ 30,710 (US\$ 1,000)	2.0%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 367,653 (Note 2)	\$ 367,653 (Note 2)
		Hu Lane Associate Inc.	Other receivables from related parties	Yes	131,426 (US\$ 4,000) (Note 4)	8,586 (US\$ -)	8,586 (US\$ -)	1.0%	Short-term financing	-	Operations	-	None	-	367,653 (Note 2)	367,653 (Note 2)
2	Telford Investments Limited	Hu Lane Associate Inc.	Other receivables from related parties	Yes	122,840 (US\$ 4,000)	- (US\$ -)	- (US\$ -)	0.8%	Short-term financing	-	Operations	-	None	-	174,727 (Note 3)	174,727 (Note 3)

Note 1: a. Issuer is numbered 0.

 b. The investee companies are numbered starting with 1.

Note 2: According to the operating procedures of Evervalue Investments Limited’s financing provided to others, the limitations on borrowers and total amount of financing are as follows:

 a. The total amount of Evervalue Investments Limited’s financing to others does not exceed 40% of net value of Evervalue Investments Limited.

 b. For those companies that have business transactions with Evervalue Investments Limited, the total amount of financing provided does not exceed 20% of net value of Evervalue Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Evervalue Investments Limited in the previous 12 months.

 c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Evervalue Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Evervalue Investments Limited. The rest is limited by 10% of current net value of Evervalue Investments Limited.

 d. For foreign companies of which 100% of its shares is directly or indirectly held by Hu Lane Associate Inc., the total amount of financing provided should not exceed 40% of the net value of Evervalue Investments Limited, and the financing amount of individual borrowers should not exceed 40% of the net value of Evervalue Investments Limited.

Note 3: According to the operating procedures of Telford Investments Limited’s financing provided to others, the limitations on borrowers and total amount of financing are as follows:

 a. The total amount of Telford Investments Limited’s financing to others does not exceed 40% of net value of Evervalue Investments Limited.

 b. For those companies that have business transactions with Telford Investments Limited, the total amount of financing provided does not exceed 20% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Telford Investments Limited in the previous 12 months.

 c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Telford Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Telford Investments Limited. The rest is limited by 10% of current net value of Telford Investments Limited.

 d. For foreign companies of which 100% of its shares is directly or indirectly held by Hu Lane Associate Inc., the total amount of financing provided does not exceed 100% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed 100% of net value of Telford Investments Limited.

TABLE 2

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	Hu Lane Associate Inc. (Note 1)	Evervalue Investments Limited	Subsidiary of which more than 50% of its shares is held by the investor	\$ 1,110,646	\$ 92,130	\$ 92,130 (US\$ 3,000)	\$ -	\$ -	1.66	\$ 2,221,293	Y	N	N
		Dongguan Hulane Puguang Trading Co., Ltd.	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	555,323	285,790	255,080 (US\$ 4,000) (CNY 30,000)	246,848	-	4.59	2,221,293	Y	N	Y
		Hulane Electronics (Vietnam) Limited	Subsidiary of which more than 50% of its shares is held by the investor	1,110,646	138,195	99,193 (US\$ 3,230)	-	-	1.79	2,221,293	Y	N	N
		PT. Hulane Tech Manufacturing	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	555,323	76,775	32,860 (US\$ 1,070)	30,710	-	0.59	2,221,293	Y	N	N
		Hulane Electronics (Nanjing) Limited	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	555,323	110,200	110,200 (CNY 25,000)	44,080	-	1.98	2,221,293	Y	N	Y

Note 1: The amount of endorsements or guarantee of Hu Lane Associate Inc. does not exceed 20% of current net value on the financial statements to a single company, excluding the subsidiaries of which more than 90% of its shares is held by Hu Lane Associate Inc. The rest is limited by 10% of current net value of Hu Lane Associate Inc.

Note 2: The cumulative amount of Hu Lane Associate Inc.’s endorsements does not exceed 40% of current net value on the financial statements.

TABLE 3

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Hu Lane Associate Inc.	<u>Domestic listed shares</u> Chia Chang Co., Limited	-	Financial assets at fair value through profit or loss - current	10,451	\$ 370	-	\$ 370	
Shang Ho Industry	Taiwan Semiconductor Manufacturing Co., Limited	-	Financial assets at fair value through profit or loss - non-current	15,000	6,728	-	6,728	
	Eva Airways Co.,	-	Financial assets at fair value through profit or loss - non-current	2,000	56	-	56	
Shang Ho Industry	<u>Mutual funds</u> Allianz Global Investors US Short Duration High Income Bond Fund	-	Financial assets at fair value through profit or loss - current	850,494	7,340	-	7,340	
	M&G (Lux) Investment Funds 1-M&G (Lux) Income Allocation Fund USD A	-	Financial assets at fair value through profit or loss - current	1,431	3,668	-	3,668	
	Franklin Templeton Investment Funds-Franklin Income Fund Class A (Mdis) USD	-	Financial assets at fair value through profit or loss - current	12,388	3,797	-	3,797	
	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	-	Financial assets at fair value through profit or loss - current	125,000	2,021	-	2,021	

TABLE 4

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Hu Lane Associate Inc.	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	\$ (626,713)	(23)	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	\$ 629,502	49	
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	(2,241,625)	(85)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	1,119,010	81	
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	(1,595,129)	(84)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	415,892	67	
Dongguan Hulane Electronics Technology	Hu Lane Associate Inc.	Parent company	Sale	(284,886)	(11)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	68,442	5	
Hulane Electronics (Nanjing) Limited	Hu Lane Associate Inc.	Parent company	Sale	(218,327)	(12)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	78,426	13	
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	Sale	(631,312)	(24)	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	205,292	16	
Hulane Electronics (Vietnam) Limited	Hu Lane Associate Inc.	Parent company	Sale	(158,995)	(33)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	82,204	51	
Dongguan Hulane Electronics Technology	Hulane Electronics (Nanjing) Limited	Subsidiary	Sale	(118,341)	(4)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	49,661	4	
Dongguan Hulane Puguang Trading Co., Ltd.	Dongguan Hulane Electronics Technology	Subsidiary	Purchase	2,241,625	49	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practice	(1,119,010)	(51)	
	Hulane Electronics (Nanjing) Limited	Subsidiary	Purchase	1,595,129	35	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(415,892)	(19)	
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	Purchase	284,886	17	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(68,442)	(14)	
	Hulane Electronics (Nanjing) Limited	Subsidiary	Purchase	218,327	13	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(78,426)	(16)	
Dongguan Hulane Electronics Technology	Hu Lane Associate Inc.	Parent company	Purchase	631,312	36	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(205,292)	(30)	
Dongguan Hulane Puguang Trading Co., Ltd.	Hu Lane Associate Inc.	Parent company	Purchase	626,713	14	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(629,502)	(29)	
Hu Lane Associate Inc.	Hulane Electronics (Vietnam) Limited	Subsidiary	Purchase	158,955	9	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(82,204)	(17)	
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Electronics Technology	Subsidiary	Purchase	118,341	9	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(49,661)	(11)	

TABLE 5

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	\$ 415,892	2.63	\$ -	-	\$ 240,526	\$ -
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	1,119,010	2.19	-	-	261,235	-
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	205,292	1.61	-	-	50,528	-
	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	629,502	1.99	-	-	-	-
Dongguan Hulane Electronics Technology	Hulane Electronics (Nanjing) Limited	Subsidiary	118,341	4.77	-	-	192,799	-

TABLE 6

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	Hu Lane Associate Inc.	Hulane Electronic (Nanjing) Co., Ltd.	1	Purchase	\$ 218,327	Based on general terms	3
		Hulane Electronic (Nanjing) Co., Ltd.	1	Trade payables to related parties	78,426	Regular settlement or debit-credit offset	-
		Hulane Electronic (Nanjing) Co., Ltd.	1	Other receivables	58,227	Regular settlement or debit-credit offset	-
		Hulane Electronic (Nanjing) Co., Ltd.	1	Other payables	10,359	Regular settlement or debit-credit offset	-
		Hulane Electronic (Nanjing) Co., Ltd.	1	Other revenue	49,763	Based on general terms	1
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Sales	626,712	Based on general terms	10
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Purchase	53,530	Based on general terms	1
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Trade receivables from related parties	629,502	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Trade payables to related parties	53,749	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Other receivables	12,359	Regular settlement or debit-credit offset	-
		PT. Hulane Tech Manufacturing	1	Trade receivables from related parties	33,238	Regular settlement or debit-credit offset	-
		PT. Hulane Tech Manufacturing	1	Sales	40,926	Based on general terms	1
		Hulane Electronic (Vietnam) Co., Ltd.	1	Trade receivables from related parties	96,238	Regular settlement or debit-credit offset	-
		Hulane Electronic (Vietnam) Co., Ltd.	1	Trade payables to related parties	82,204	Regular settlement or debit-credit offset	-
		Hulane Electronic (Vietnam) Co., Ltd.	1	Sales	85,259	Based on general terms	1
		Hulane Electronic (Vietnam) Co., Ltd.	1	Purchase	158,955	Based on general terms	2
		Hulane Electronic (Vietnam) Co., Ltd.	1	Other receivables	180,231	Regular settlement or debit-credit offset	-
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Trade receivables from related parties	205,292	Regular settlement or debit-credit offset	-
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Other receivables	69,889	Regular settlement or debit-credit offset	-
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Trade payables to related parties	68,444	Regular settlement or debit-credit offset	-
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Sales	631,312	Based on general terms	10
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Purchase	284,886	Based on general terms	4
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Other revenue	65,070	Based on general terms	1
1	Evervalue Investments Limited	PT. Hulane Tech Manufacturing	3	Other receivables	31,184	Regular settlement or debit-credit offset	-
2	Hulane Electronic (Nanjing) Co., Ltd.	Dongguan Hulane Puguang Trading Co., Ltd.	3	Sales	1,595,129	Based on general terms	24
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Trade receivables from related parties	415,892	Regular settlement or debit-credit offset	-
		PT. Hulane Tech Manufacturing	3	Sales	12,249	Based on general terms	1
		Jiaxing Shanghe Electronic Technology Co., Ltd.	3	Prepayment	45,927	Regular settlement or debit-credit offset	-
		Jiaxing Shanghe Electronic Technology Co., Ltd.	3	Other receivables	15,207	Regular settlement or debit-credit offset	-
3	Dongguan Hulane Electronic Technology Co., Ltd.	Dongguan Hulane Puguang Trading Co., Ltd.	3	Trade receivables from related parties	1,119,010	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Sales	2,241,625	Based on general terms	34
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Purchase	88,822	Based on general terms	1
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Trade payables to related parties	91,158	Based on general terms	-
		Hulane Electronic (Nanjing) Co., Ltd.	3	Sales	118,341	Based on general terms	2
		Hulane Electronic (Nanjing) Co., Ltd.	3	Trade receivables from related parties	49,661	Regular settlement or debit-credit offset	1

(Continued)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
4	Hulane Electronic (Vietnam) Co., Ltd.	Fortune Master Development Limited	3	Sales	\$ 65,562	Based on general terms	1
		Dongguan Hulane Electronic Technology Co., Ltd.	3	Sales	73,269	Regular settlement or debit-credit offset	1
		Dongguan Hulane Electronic Technology Co., Ltd.	3	Trade receivables from related parties	33,615	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Trade receivables from related parties	24,865	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Sales	16,700	Regular settlement or debit-credit offset	-
5	Dongguan Hulane Puguang Trading Co., Ltd.	Jiaxing Shanghe Electronic Technology Co., Ltd.	3	Prepayment	44,088	Regular settlement or debit-credit offset	-

Note 1: The No column is denoted as follows:

- a. The parent company is numbered 0.
- b. The subsidiary companies are numbered starting from 1.

Note 2: The relationship column is denoted as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Subsidiary to subsidiary.

Note 3: The ratio of transaction amount to consolidated total revenue or total assets is calculated as the ending balance to consolidated total assets for asset and liability accounts and as the cumulative amount to consolidated total revenue for profit and loss accounts.

Note 4: A transaction of NT\$10 million or more.

(Concluded)

TABLE 7**HU LANE ASSOCIATE INC. AND SUBSIDIARIES****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
Hu Lane Associate Inc.	Evervalue Investments Limited	Offshore Chambers, P.O. Box 217, Apia, Samoa	Investment	\$ 467,557	\$ 467,557	15,520	100.00	\$ 3,567,422	\$ 549,230	\$ 549,230	Note Note
	Telford Investments Limited	"	Investment	38,490	38,490	1,034	100.00	174,727	19,107	19,107	
	Eagle Good Limited	"	Investment	225,132	-	10,680	100.00	236,227	(45,597)	4,284	
	Hulane Electronics (Vietnam) Limited	Vietnam	Manufacturing	182,033	182,033	6,300	100.00	213,317	14,448	14,448	
	Shang Ho Industry Co., Ltd.	Taiwan	Manufacturing	63,500	-	8,660	100.00	65,873	(12,985)	(5,950)	
	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	15,472	15,472	800	32.00	25,777	11,873	3,799	
Evervalue Investments Limited	Fortune Master Development Limited	Hong Kong	Investment	277,993	277,993	9,400	100.00	1,806,001	535,633	535,633	
	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	36,286	36,286	1,200	48.00	59,176	11,873	5,699	

Note: The acquisition was made through a merger on June 1, 2022, the investment income (loss) only recognized from June to December.

TABLE 8

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Hulane Electronics (Nanjing) Limited	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,500	Note 1	\$ 275,946	\$ -	\$ -	\$ 275,946	\$ 6,459	100.00	\$ 6,459	\$ 1,372,839	\$ -
Dongguan Hulane Electronics Technology	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,000	Note 1	236,287	-	-	236,287	367,511	100.00	367,511	1,372,887	-
Dongguan Hulane Puguang Trading Co., Ltd.	Sales of terminals, bales of wire, connectors and molds.	US\$ 1,400	Note 1	41,706	-	-	41,706	171,288	100.00	171,288	391,436	-
Lear (China) Holding Limited	Sales of terminals, bales of wire, connectors and molds.	US\$ 1,500	Note 2	-	16,608	-	16,608	(10,600)	40.00	(4,240)	12,529	-
Jiaxing Shanghe Electronic Technology Co., Ltd.	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 10,500	Note 3	-	133,740	-	133,740	(29,113)	100.00	4,332	236,208	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
US\$26,090 thousand (NT\$704,287 thousand)	US\$26,090 thousand	\$5,574,655 thousand × 60% = \$3,344,793 thousand

Note 1: Investment through companies incorporated in a third region.

Note 2: Direct investment by the Company.

Note 3: The acquisition through merger of Eagle Good Limited.

TABLE 9**HU LANE ASSOCIATE INC. AND SUBSIDIARIES**

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Amount	Price	Payment Terms	Comparison with Normal Transaction	Ending Balance	%	Unrealized (Gain) Loss
Hulane Electronics (Nanjing) Limited	Sales Purchase	\$ 1,835,070 130,888	Not significantly different from general customers Not significantly different from general customers	90-270 days 90 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	\$ 503,391 (60,343)	81 (14)	Note 2 -
Dongguan Hulane Puguang Trading Co., Ltd.	Sales Purchase	159,547 4,483,785	Not significantly different from general customers Not significantly different from general customers	90-180 days 180-365 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	159,751 (2,199,773)	7 (100)	Note 2 -
Dongguan Hulane Electronics Technology	Sales Purchase	2,644,852 805,620	Not significantly different from general customers Not significantly different from general customers	90-270 days 90-365 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	1,237,115 (340,120)	90 (50)	Note 2 -
Jiaxing Shanghe Electronic Technology Co., Ltd.	Sales Purchase	9,181 8,760	Not significantly different from general customers Not significantly different from general customers	270 days 270 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	9,376 (20,689)	3 (9)	- -
Lear (China) Holding Limited	Purchase	55,226	Not significantly different from general customers	270 days	Credit conditions adjusted based on China's trading practices	(39,730)	(88)	-

Note 1: All unrealized gains and losses with investee companies in mainland China were eliminated in the consolidated financial statements.

Note 2: Hulane Electronics (Nanjing) Limited had an unrealized balance of \$21,192 thousand through December 31, 2022; the unrealized balance of Dongguan Hulane Puguang Trading Co., Ltd. is \$93,432 thousand; the unrealized balance of Dongguan Hulane Electronics Technology is \$92,082 thousand.

TABLE 10**HU LANE ASSOCIATE INC.****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sheng-Ching Hu	5,775,315	5.79

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.