

**(Stock code: 9911)**

Taiwan Sakura Corporation and Subsidiaries

Consolidated Financial Statements  
With Independent Auditors' Report

For The Years Ended  
31 December 2023 And 2022

Address: No. 436, Section 4, Yatan Road, Daya District, Taichung City

Company phone number: (04) 25666106

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

## Statement

For the year ended 31 December 2023 (from 1 January 2023 to 31 December 2023), pursuant to “Criteria Governing Preparation of Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and Affiliation Reports,” the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements under International Financial Reporting Standards 10. In addition, information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Hereby declare,

Taiwan Sakura Corporation

Chairman: Yung-Chieh Chang

13 March 2024

## **Independent Auditors' Report**

To Taiwan Sakura Corporation:

### **Opinion**

We have audited the accompanying consolidated balance sheets of Taiwan Sakura Corporation (the “Company”) and its subsidiaries as of 31 December 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of the other auditors (please refer to the Other Matter – Making Reference to the Audits of Other Auditors section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagement of 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 Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of the other auditors, 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 2023 consolidated financial statements. 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.

### Revenue recognition

The Company and its subsidiaries recognized operating revenue of NT\$8,272,415 thousand in 2023. The main products are gas cookers, water heaters and kitchen appliances. The main trading partners of the company are dealers and retailers. The transactions are frequent and of great volume, and the number of contract types is numerous. The judgement and decision on the performance obligation and the time of satisfaction are important to the consolidated financial statements. Therefore, we determined it as a key audit matter. Our audit procedures include, but are not limited to, understanding and testing of the effectiveness of the Company and the subsidiaries' internal control related to revenue recognition in the sales cycle; selecting samples to perform test of details of transactions and reviewing the revenue recognition requirements in the orders or contracts to meet the performance obligations; verifying the significant terms and conditions and checking the relevant supporting documents to confirm the accuracy of the timing to transfer commodity rights; examining the relevant supporting documents of the revenue transaction for a period of time before and after the balance sheet date to determine the revenue recognized at the appropriate timing. We also consider the appropriateness of the disclosure of operating revenue in Note 6 of the consolidated financial statements.

### **Other Matter – Making Reference to the Audits of Other Auditors**

The financial statements of some of the investee companies included in the consolidated financial statements of the Company and its subsidiaries were not audited by us, the independent accountant, but by other accountants. Therefore, our opinion expressed herein and the amounts listed in the consolidated financial statements of the investee companies are based solely on the audit reports of other auditors. The investments in the investee companies accounted for using the equity method as of 31 December 2023 and 2022 were NT\$1,087,985 thousand and NT\$1,041,974 thousand, respectively, accounting for 11% and 12% of the consolidated total assets, respectively. For the years ended 31 December 2023 and 2022, the profit and loss of subsidiaries, affiliates and joint ventures recognized by the equity method amounted to NT\$91,606 thousand and NT\$68,530 thousand, respectively, accounting for 7% and 5% of the consolidated net income before tax, respectively. For the years ended 31 December 2023 and 2022, shares of other comprehensive income of subsidiaries, affiliates and joint ventures recognized by the equity method amounted to NT\$(14,066) thousand and NT\$11,885 thousand, respectively, accounting for (26)% and 21% of the consolidated other comprehensive income, respectively.

## **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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

## **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 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 internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. 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 Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries 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 2023 consolidated financial statements 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.

### **Other**

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended 31 December 2023 and 2022.

Huang, Yu-Ting

Huang, Tzu-Ping

Ernst & Young, Taiwan

13 March 2024

### **Notes to Readers**

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

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

Taiwan Sakura Corporation  
CONSOLIDATED BALANCE SHEETS  
31 December 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

Assets		Notes	As of			
			31 December 2023		31 December 2022	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	4, 6(1)	\$2,448,970	26	\$2,036,762	23
1136	Financial assets measured at amortized cost, current	4, 6(2)	51,000	-	171,778	2
1140	Contract assets, current	4, 6(16),(17)	225,267	2	183,142	2
1150	Notes receivable, net	4, 6(3),(17)	145,185	1	111,022	1
1170	Accounts receivable, net	4, 6(3),(17)	1,097,802	12	1,052,556	12
130X	Inventories	4, 6(4)	1,297,886	14	1,165,622	14
1410	Prepayment		90,028	1	53,078	1
1470	Other current assets	4	7,776	-	14,633	-
11XX	<b>Total current assets</b>		<u>5,363,914</u>	<u>56</u>	<u>4,788,593</u>	<u>55</u>
<b>Non-current assets</b>						
1517	Financial assets measured at fair value through other comprehensive income, non-current	4, 6(5)	178,638	2	108,357	1
1550	Investment accounted for using equity method	4, 6(6)	1,087,985	11	1,041,974	12
1600	Property, plant and equipment	4, 6(7), 8	2,143,032	23	1,965,498	23
1755	Right-of-use assets	4, 6(18)	298,857	3	311,690	4
1760	Investment property, net	4, 6(8), 8	190,814	2	192,619	2
1780	Intangible assets	4, 6(9)	151,387	2	154,315	2
1840	Deferred income tax assets	4, 6(22)	28,473	-	26,602	-
1915	Prepayments for equipment		16,097	-	35,832	-
1900	Other non-current assets	4	75,148	1	65,367	1
15XX	<b>Total non-current assets</b>		<u>4,170,431</u>	<u>44</u>	<u>3,902,254</u>	<u>45</u>
1XXX	<b>Total assets</b>		<u>\$9,534,345</u>	<u>100</u>	<u>\$8,690,847</u>	<u>100</u>

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

(continued)



Taiwan Sakura Corporation  
CONSOLIDATED BALANCE SHEETS  
31 December 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity		Notes	As of			
			31 December 2023		31 December 2022	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term loans	4, 6(10)	\$54,586	-	\$39,099	-
2130	Contract liabilities, current	4, 6(16)	218,709	2	123,819	1
2150	Notes payable		1,007	-	6,584	-
2170	Accounts payable	7	1,581,224	17	1,393,660	16
2200	Other payables	6(11)	819,377	9	725,537	8
2230	Current tax income liabilities	4	273,697	3	254,833	3
2280	Leased liabilities, current	4, 6(18)	67,114	1	53,795	1
2320	Long-term loans payable, current portion	4, 6(12)	8,000	-	-	-
2300	Other current liabilities	4, 6(14)	42,336	-	45,882	1
21XX	<b>Total current liabilities</b>		<u>3,066,050</u>	<u>32</u>	<u>2,643,209</u>	<u>30</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	4, 6(12)	112,000	1	-	-
2570	Deferred tax income liabilities	4, 6(22)	44,024	1	30,312	-
2580	Leased liabilities, non-current	4, 6(18)	193,003	2	213,128	3
2640	Net defined benefit liability, non-current	4, 6(13)	24,712	-	29,748	-
2600	Other non-current liabilities	6(14)	56,718	1	51,969	1
25XX	<b>Total non-current liabilities</b>		<u>430,457</u>	<u>5</u>	<u>325,157</u>	<u>4</u>
2XXX	<b>Total liabilities</b>		<u>3,496,507</u>	<u>37</u>	<u>2,968,366</u>	<u>34</u>
31XX	<b>Equity attributable to owners of parent</b>	4, 6(15)				
3100	Capital					
3110	Common stock		2,211,212	23	2,211,212	25
3200	Additional paid-in capital		131,074	1	121,350	1
3300	Retained earnings					
3310	Legal reserve		939,528	10	830,964	10
3320	Special reserve		115,799	1	115,799	1
3350	Unappropriated earnings		2,585,864	27	2,437,651	28
	Total retained earnings		<u>3,641,191</u>	<u>38</u>	<u>3,384,414</u>	<u>39</u>
3400	Other components of equity					
3410	Exchange differences on translation of foreign operations		(126,385)	(1)	(108,057)	(1)
3420	Unrealised gains or losses from financial assets measured at fair value through other comprehensive income		149,828	1	79,547	1
34XX	Total other components of equity		<u>23,443</u>	<u>-</u>	<u>(28,510)</u>	<u>-</u>
3500	Treasury stock		(21,248)	-	(21,248)	-
31XX	Equity attributable to shareholders of the parent		<u>5,985,672</u>	<u>62</u>	<u>5,667,218</u>	<u>65</u>
36XX	Non-controlling interests		52,166	1	55,263	1
3XXX	<b>Total equity</b>		<u>6,037,838</u>	<u>63</u>	<u>5,722,481</u>	<u>66</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$9,534,345</u>	<u>100</u>	<u>\$8,690,847</u>	<u>100</u>

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

Taiwan Sakura Corporation  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended 31 December 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December				
		2023		2022		
		Amount	%	Amount	%	
4000	<b>Operating revenues</b>	4, 6(16), 7	\$8,272,415	100	\$8,212,862	100
5000	<b>Operating costs</b>	6(4),(19), 7	(5,388,868)	(65)	(5,475,496)	(67)
5900	<b>Gross profit</b>		2,883,547	35	2,737,366	33
6000	<b>Operating expenses</b>	6(17),(18),(19)				
6100	Selling and marketing expenses		(1,222,276)	(15)	(1,235,497)	(15)
6200	Management and administrative expenses		(347,605)	(4)	(313,695)	(3)
6300	Research and development expenses		(83,206)	(1)	(75,448)	(1)
6450	Expected credit losses		(357)	-	(1,114)	-
	Total operating expenses		(1,653,444)	(20)	(1,625,754)	(19)
6900	<b>Operating income</b>		1,230,103	15	1,111,612	14
7000	<b>Non-operating income and expenses</b>	6(18),(20)				
7100	Interest income		24,536	-	14,075	-
7010	Other income		34,245	1	34,475	-
7020	Other gains and losses		(8,568)	-	50,035	1
7050	Finance costs		(6,586)	-	(4,894)	-
7060	Share of profit of associates and joint ventures accounted for using equity method	6(6)	91,606	1	68,530	1
	Total non-operating income and expenses		135,233	2	162,221	2
7900	<b>Income from continuing operations before income tax</b>		1,365,336	17	1,273,833	16
7950	<b>Income tax expense</b>	4, 6(22)	(296,229)	(4)	(264,380)	(3)
8200	<b>Income from continuing operations, net of tax</b>		1,069,107	13	1,009,453	13
8300	<b>Total other comprehensive income</b>	6(21)				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>					
8311	Remeasurements of defined benefit plans		3,401	-	22,366	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		70,281	1	19,552	-
8349	Income tax related to items that may not be reclassified subsequently to profit or loss	6(22)	(680)	-	(4,473)	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>					
8361	Exchange differences on translation of foreign operations		(8,843)	-	13,044	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(6)	(14,066)	-	11,885	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	6(22)	4,581	-	(4,443)	-
	<b>Total other comprehensive income, net of tax</b>		54,674	1	57,931	-
8500	<b>Total comprehensive income</b>		\$1,123,781	14	\$1,067,384	13
8600	<b>Net income attributable to:</b>					
8610	Shareholders of the parent		\$1,072,204		\$1,018,940	
8620	Non-controlling interests		(3,097)		(9,487)	
			<u>\$1,069,107</u>		<u>\$1,009,453</u>	
8700	<b>Comprehensive income attributable to:</b>					
8710	Shareholders of the parent		\$1,126,878		\$1,074,160	
8720	Non-controlling interests		(3,097)		(6,776)	
			<u>\$1,123,781</u>		<u>\$1,067,384</u>	
	<b>Earnings per share (NT\$)</b>	6(23)				
9750	Earnings per share-basic		\$4.90		\$4.66	
9850	Earnings per share-diluted		\$4.88		\$4.64	

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

Taiwan Sakura Corporation  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the years ended 31 December 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

Notes	Retained earnings					Other components of equity					
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive Income	Treasury Stock	Equity attributable to shareholders of the parent	Non-Controlling Interests	Total Equity
<b>Balance as of 1 January 2022</b>	\$2,211,212	\$112,370	\$729,523	\$115,799	\$2,249,490	\$(125,832)	\$108,800	\$(21,248)	\$5,380,114	\$62,039	\$5,442,153
Appropriation of earnings, 2021											
Legal reserve			101,441		(101,441)				-		-
Cash dividends					(796,036)				(796,036)		(796,036)
Donation from shareholders		654							654		654
Net income in 2022					1,018,940				1,018,940	(9,487)	1,009,453
Other comprehensive income (loss), net of income tax in 2022					17,893	17,775	19,552		55,220	2,711	57,931
Total comprehensive income (loss)	-	-	-	-	1,036,833	17,775	19,552	-	1,074,160	(6,776)	1,067,384
Adjustment due to dividends subsidiaries received from parent company		8,326							8,326		8,326
Disposal of investments in equity instruments designated at fair value through other comprehensive income					48,805		(48,805)				-
<b>Balance as of 31 December 2022</b>	4,6(15) <u>\$2,211,212</u>	<u>\$121,350</u>	<u>\$830,964</u>	<u>\$115,799</u>	<u>\$2,437,651</u>	<u>\$(108,057)</u>	<u>\$79,547</u>	<u>\$(21,248)</u>	<u>\$5,667,218</u>	<u>\$55,263</u>	<u>\$5,722,481</u>
<b>Balance as of 1 January 2023</b>	\$2,211,212	\$121,350	\$830,964	\$115,799	\$2,437,651	\$(108,057)	\$79,547	\$(21,248)	\$5,667,218	\$55,263	\$5,722,481
Appropriation of earnings, 2022											
Legal reserve			108,564		(108,564)				-		-
Cash dividends					(818,148)				(818,148)		(818,148)
Donation from shareholders		1,166							1,166		1,166
Net income in 2023					1,072,204				1,072,204	(3,097)	1,069,107
Other comprehensive income (loss), net of income tax in 2023					2,721	(18,328)	70,281		54,674	-	54,674
Total comprehensive income (loss)	-	-	-	-	1,074,925	(18,328)	70,281	-	1,126,878	(3,097)	1,123,781
Adjustment due to dividends subsidiaries received from parent company		8,558							8,558		8,558
<b>Balance as of 31 December 2023</b>	4,6(15) <u>\$2,211,212</u>	<u>\$131,074</u>	<u>\$939,528</u>	<u>\$115,799</u>	<u>\$2,585,864</u>	<u>\$(126,385)</u>	<u>\$149,828</u>	<u>\$(21,248)</u>	<u>\$5,985,672</u>	<u>\$52,166</u>	<u>\$6,037,838</u>

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

Taiwan Sakura Corporation  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended 31 December 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net income before tax	\$1,365,336	\$1,273,833
Adjustments:		
Adjustments to reconcile net income:		
Depreciation	160,471	134,953
Amortization	37,810	38,184
Expected credit losses	357	1,114
Interest expense	6,586	4,894
Interest income	(24,536)	(14,075)
Dividend income	(1,893)	(1,825)
Share of profit of associates and joint ventures accounted for using equity method	(91,606)	(68,530)
Loss (Gain) on disposal and retirement of property, plant and equipment	6,880	(302)
Gain on disposal of investment	(338)	(166)
Reversal of impairment loss on non-financial assets	-	(11,149)
Loss for market price decline and obsolete and slow-moving inventories (Gain from price recovery of inventories)	10,947	(760)
Changes in operating assets and liabilities:		
Increase in contract asset	(41,990)	(13,530)
Increase in notes receivable	(34,163)	(17,497)
(Increase) Decrease in accounts receivable	(45,738)	154,669
Increase in inventories	(143,211)	(210,358)
(Increase) Decrease in prepayment	(37,143)	3,437
Decrease (Increase) in other current assets	6,060	(508)
Increase in other non-current assets	(30,592)	(23,018)
Increase in contract liabilities	94,890	3,228
(Decrease) Increase in notes payable	(5,577)	3,181
Increase (Decrease) in accounts payable	187,564	(57,102)
Increase in other payables	93,840	7,635
(Decrease) Increase in other current liabilities	(3,546)	2,852
(Decrease) Increase in net defined benefit liabilities	(632)	124
Increase in other non-current liabilities	4,749	7,354
Cash generated from operations	<u>1,514,525</u>	<u>1,216,638</u>
Interest received	24,115	13,881
Dividend received	1,893	1,825
Income tax paid	<u>(260,607)</u>	<u>(251,201)</u>
Net cash provided by operating activities	<u>1,279,926</u>	<u>981,143</u>

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

(continued)

Taiwan Sakura Corporation  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended 31 December 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
(Continued)		
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	150,586
Acquisition of financial assets measured at amortized cost	(25,000)	(66,416)
Disposal of financial assets measured at amortized cost	145,141	6,500
Acquisition of financial assets measured at fair value through profit or loss	(150,000)	(150,000)
Proceeds from disposal of financial assets measured at fair value through profit or loss	150,338	150,166
Acquisition of property, plant and equipment	(252,312)	(98,957)
Proceeds from disposal of property, plant and equipment	350	518
Increase in refundable deposits	(2,247)	(6,274)
Decrease in refundable deposits	1,929	316
Increase in intangible assets	(13,501)	(8,039)
Increase in prepayment for equipment	(1,657)	(17,156)
Dividends distributed by investment accounted for using equity method	30,402	64,025
Net cash (used in) provided by investing activities	(116,557)	25,269
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	361,141	197,343
Decrease in short-term loans	(345,654)	(181,224)
Increase in long-term loans	120,000	-
Lease principal repayment	(72,188)	(45,396)
Cash dividend distribution	(809,590)	(787,710)
Interest paid	(2,730)	(1,956)
Capital surplus due to donation from shareholders	1,166	654
Net cash used in financing activities	(747,855)	(818,289)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(3,306)	(446)
<b>Net increase in cash and cash equivalents</b>	412,208	187,677
<b>Cash and cash equivalents at beginning of period</b>	2,036,762	1,849,085
<b>Cash and cash equivalents at end of period</b>	\$2,448,970	\$2,036,762

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

Taiwan Sakura Corporation and Subsidiaries

Notes to Consolidated Financial Statements

FOR THE YEARS ENDED  
31 DECEMBER 2023 AND 2022

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. COMPANY HISTORY

Taiwan Sakura Corporation (“the Company”) was established on 20 October 1988. It mainly manufactures and sells gas cookers, water heaters, kitchen appliances, furniture, building materials, metal hardware parts, sports equipment, electric hand tools, sanitary equipment and whole bathroom. In the year of 1992, the company's stock was approved by the authority to be traded on the Taiwan Stock Exchange. It was officially listed on 16 July 1992. Its registered location and main operations are located at No. 436, Section 4, Yatan Road, Daya District, Taichung City.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as the “Group”) for the years ended 31 December 2023 and 2022 were authorized for issue in accordance with the resolution of the Board of Directors’ meeting on 13 March 2024.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

- (a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

- (b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

- (c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

- (d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024. The new or amended standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended, so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.



(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation, and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017, and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group determine the new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC (collectively referred to as “TIFRSs”).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“\$”) unless otherwise stated.

(3) Basis of Consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Company’s voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Subsidiaries are fully consolidated from the acquisition date, which is the date that the Company obtains control, and they continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Ownership percentage		Remark
			31 Dec. 2023	31 Dec. 2022	
The Company	Sakura Enterprise (British Virgin Islands) Ltd. (hereinafter referred to as B.V.I.)	Reinvestment to the holding Group in mainland China	100%	100%	
The Company	Svago International Corporation (hereinafter referred to as Svago International)	Originally importing, selling and leasing kitchen appliances, bathroom equipment and metal hardware parts. It changed to gas equipment and parts trading and leasing in 2009.	100%	100%	

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor	Subsidiary	Main businesses	Ownership percentage		Remark
			31 Dec. 2023	31 Dec. 2022	
The Company	SAKURA Home Collection Co., Ltd. (hereinafter referred to as SAKURA Home Collection)	Interior decoration, installation of electrical appliance, installation of kitchenware and bathroom equipment and other businesses	100%	100%	
The Company	Sakura Pan Pacific Holdings (Singapore) Pte. Ltd. (hereinafter referred to as Singapore)	Investment holding	100%	100%	
B.V.I.	Sakura Kitchen (Huanan) Co., Ltd. (hereinafter referred to as Huanan)	Originally manufacturing and selling bathroom equipment and kitchen equipment. It shifted its focus to kitchen appliance sales and real estate leasing in August 2009.	100%	100%	(Note)
Sakura Pan Pacific Holdings	Mekong Trading Corporation	Manufacturing and trading gas of equipment and parts	54.99%	54.99%	

Note : B.V.I. consists of five companies including Kunshan Hongyi, which is 100% invested (see Note 13(3) mainland China Investment Information for details).

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (\$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of foreign currency financial statements

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

- (6) The standards of which assets and liabilities are classified as current or non-current

An asset is classified as current when:

- (a) The Group expects to realize the asset or intends to sell or consume it during its normal operating cycle.
- (b) The Group holds the asset primarily for the purpose of trading.
- (c) The Group expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

- (7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The Group accounts for regular purchase or sales of financial assets on the trading date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as of the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B. 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.



- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
1. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  2. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and
- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity instruments

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as of fair value through profit or loss.

A financial liability is classified as held for trading if:

- A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as of fair value through profit or loss when doing so results in more relevant information, because either:

- A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. a group of financial liabilities or financial assets and financial liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities can only be offset and presented by the net amount on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - usually priced at standard cost, adjusted to the actual cost at the settlement date.

Finished goods and work in progress - including direct materials, direct labor and manufacturing costs. Fixed manufacturing costs are apportioned at normal capacity. In-process products and finished products are usually priced at standard cost and are adjusted to the actual cost at the settlement date.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate or an investment in a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

When the associate or an investment in a joint venture issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid-in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or an investment in a joint venture.

The financial statements of the associate or an investment in a joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (a) its share of the present value of the estimated future cash flows expected to be generated by the associate or an investment in a joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, Plant and Equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Item	Useful years
Buildings	4~51 years
Machinery equipment	8~11 years
Mold equipment	2~3 years
Transportation equipment	6~16 years
Office equipment	4~8 years
Other equipment	3~11 years



Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful years and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

<u>Item</u>	<u>Useful years</u>
Buildings	3~56 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group transfers to or from investment properties when there is a change in use for these assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

#### Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

Patents

The patent right has been granted for a period of 10 years by the relevant government agency.

Computer software

The cost of computer software is amortized using the straight-line method over its estimated useful life (3 to 5 years).

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Trademark rights

As of 2009, the Group purchased TOPAX Ltd. (TOPAX) from the court and invested in Svago International Corporation. Since TOPAX is a trademark of a market leading brand, the Group did not expect the net cash inflow of the asset to cease existence in the foreseeable period. Therefore, the useful life of TOPAX trademark was considered to be undeterminable. The rest of the trademark rights are amortized using the straight-line method over the 10-year period of validity.

A summary of the accounting policies applied to the Group's intangible assets is as follows:

	Patent rights	Computer software	Trademark rights	Other Intangible assets	Goodwill
Useful lives	Finite	Finite	Finite (excluding TOPAX trademark rights)	Finite	Not sure
Amortization method used	Amortized on the straight-line method over the period of the patent	Amortized on the straight-line method over the estimated useful life	Amortized on the straight-line method over the estimated useful life	Amortized on the straight-line method over the estimated useful life	Not amortized
Internally generated or externally acquired	Acquired	Acquired	Acquired	Acquired	Acquired

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited to the extent that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for warranties

Warranty provisions are estimated based on management's best estimate of future economic benefits due to warranty obligations (based on historical warranty experience).

(18) Treasury shares

The Company's own equity instruments which are reacquired (treasury shares) by the Group are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(19) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is gas cooker, water heaters, kitchen appliances, etc., and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. The Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized would not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers, and the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.



Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Most of the contractual considerations of the Group are collected evenly throughout the contract period. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets.

However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities. The period between the transfers of contract liabilities to revenue is usually within one year; thus, no significant financing component arose.

(20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(21) Post-employment benefit plans

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (1) the date of the plan amendment or curtailment, and
- (2) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(22) Income tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred tax is calculated as the temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities can be offset with each other if a legally enforceable right exists to set off current income tax assets against current income tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (1) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for unrecognized deferred tax assets.

(3) Accounts receivable – estimation of impairment loss

The Group estimates the impairment loss of accounts receivable at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that are expected to be received (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(4) Inventory valuation

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
Demand deposits	\$1,973,122	\$1,566,177
Time deposits	474,586	469,308
Cash on hand	1,262	1,277
Total	<u>\$2,448,970</u>	<u>\$2,036,762</u>

(2) Financial assets measured at amortized cost

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
Time deposits- Current	<u>\$51,000</u>	<u>\$171,778</u>

The Group's financial assets measured at amortized cost - current were not pledged. Please refer to Note 12 for details on credit risk.

(3) Notes receivable and accounts receivable

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
Notes receivable	\$145,185	\$111,022
Less: loss allowance	-	-
subtotal	<u>145,185</u>	<u>111,022</u>
Accounts receivable	1,098,315	1,053,255
Accounts receivable from related parties	-	2
Less: loss allowance	(513)	(701)
Subtotal	<u>1,097,802</u>	<u>1,052,556</u>
Total	<u>\$1,242,987</u>	<u>\$1,163,578</u>

The Group's notes receivable and trade receivable were generated as a result of business operations and were not pledged.

Notes receivable and accounts receivable are generally on 30-90 day terms. The Group follows the requirement of IFRS 9 to assess the impairment. The total carrying amount, including notes receivable and accounts receivable, as of 31 December 2023 and 2022 were \$1,243,500 and \$1,164,279, respectively. Please refer to Note 6(17) for more details on loss allowance of trade receivable for the periods ended 31 December 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Inventories

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
Commodity inventory	\$358,159	\$383,516
Raw materials	351,610	369,078
Finished goods	335,289	277,906
Work in progress	252,828	135,122
Total	<u>\$1,297,886</u>	<u>\$1,165,622</u>

The cost of inventories recognized in cost of goods sold by the Group in 2023 and 2022 was \$5,388,868 and \$5,475,496, respectively. The inventory-related loss and net income recognized in the year of 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Revenue from sale of scraps	\$3,502	\$4,459
Loss on physical inventory	(835)	(2,674)
Obsolete inventory	(10,739)	(12,447)
Inventory valuation (losses) gains	(10,947)	760
Net	<u>\$(19,019)</u>	<u>\$(9,902)</u>

No inventories above were pledged.

As the factor that caused the net realizable value to be less than the inventory cost does not exist, The Group recognizes the market price recovery of inventories in 2022.

(5) Financial assets measured at fair value through other comprehensive income

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
Equity instrument investments designated at fair value through other comprehensive income, non-current:		
Listed stocks	\$162,906	\$92,625
Unlisted stocks	15,732	15,732
Total	<u>\$178,638</u>	<u>\$108,357</u>

The financial assets that are measured by the Group at fair value through other comprehensive income were not pledged.

The Group did not dispose of its investment in equity instrument investments designated at fair value through other comprehensive income in 2023.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group disposed of its investment in equity instrument investments designated at fair value through other comprehensive income with a fair value of \$150,586 in 2022. And converted the unrealized gain accumulated at the time of disposal of \$48,805 from other components of equity into retained earnings.

(6) Investment accounted for using the equity method

(a) The details of the investment of the Group using the equity method are as follows:

Investees	31 Dec. 2023		31 Dec. 2022	
	Amount	% of ownership	Amount	% of ownership
Investment in associates:				
SAKURA (CAYMAN) CO., LTD.	\$796,884	45.00%	\$776,489	45.00%
PUDA Industrial Co., Ltd.	218,900	43.19%	195,315	43.19%
Sakura Bath and Kitchen Products (China) Co., Ltd.	72,201	3.89%	70,170	3.89%
Total	<u>\$1,087,985</u>		<u>\$1,041,974</u>	

(b) The investment benefit and conversion adjustments recognized by the equity method in the financial statements audited by the investee Group in 2023 and 2022 are as follows:

Investees	2023		2022	
	Share of profit or loss of associates and joint ventures	Exchange differences resulting from translation of the financial statements	Share of profit or loss of associates and joint ventures	Exchange differences resulting from translation of the financial statements
Investment in associates:				
SAKURA (CAYMAN) CO., LTD.	\$60,900	\$(13,034)	\$58,974	\$10,948
PUDA Industrial Co., Ltd.	24,387	-	3,425	-
Sakura Bath and Kitchen Products (China) Co., Ltd.	6,319	(1,032)	6,131	937
Total	<u>\$91,606</u>	<u>\$(14,066)</u>	<u>\$68,530</u>	<u>\$11,885</u>

(c) The investment in associates mentioned above were not pledged.

(d) The summarized financial information of the Group's investment in SAKURA (CAYMAN) CO. LTD, is as follows:



Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	31 Dec. 2023	31 Dec. 2022
Current assets	\$3,430,533	\$3,660,122
Non-current assets	662,824	812,288
Current liabilities	(2,144,567)	(2,513,010)
Non-current liabilities	(69,737)	(128,439)
Minority shareholding	(108,199)	(105,430)
Equity	1,770,854	1,725,531
Percentage of the Group's ownership	45%	45%
Carrying value of the investment	\$796,884	\$776,489
	2023	2022
Profit from continuing operations	\$135,333	\$131,054
Total comprehensive income	\$135,333	\$131,054

- (e) The Group's investments in Sakura Kitchen Products (China) Co., Ltd. and PUDA Industrial Co., Ltd. are not material to the Group. The Group's investment in Sakura Bath and Kitchen Products (China) Co., Ltd. and PUDA Industrial Co., Ltd. was consolidated on 31 December 2023 and 31 December 2022 and the total book values are \$291,101 and \$265,485, respectively. The aggregated financial information is listed as follows according to the total shares:

	2023	2022
Profit from continuing operations	\$30,706	\$9,556
Other comprehensive income, net of tax	(802)	2,484
Total comprehensive income	\$29,904	\$12,040

The investment in associates mentioned above did not have contingent liabilities or capital commitments as of 31 December 2023 and 2022, and no pledge was provided.

- (7) Property, plant and equipment

	31 Dec. 2023	31 Dec. 2022
Owner occupied property, plant and equipment	\$2,143,032	\$1,965,498

- (a) Owner occupied property, plant and equipment

	Land	Buildings	Machinery equipment	Mold equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment under installation	Total
Cost:									
1 Jan. 2023	\$1,314,864	\$977,371	\$304,991	\$171,353	\$67,830	\$44,920	\$93,522	\$17,878	\$2,992,729
Additions	-	2,383	15,326	16,398	1,642	5,276	46,178	165,109	252,312
Disposals	-	(159,680)	(86,262)	(134,034)	(37,062)	(31,481)	(40,723)	(3,566)	(492,808)
Other changes	-	2,948	12,765	7,597	1,300	138	2,436	(4,551)	22,633
Exchange rate differences	-	(7,494)	-	-	(70)	-	-	(11)	(7,575)
31 Dec. 2023	\$1,314,864	\$815,528	\$246,820	\$61,314	\$33,640	\$18,853	\$101,413	\$174,859	\$2,767,291

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Buildings	Machinery equipment	Mold equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment under installation	Total
Depreciation and impairment:									
1 Jan. 2023	\$-	\$531,587	\$181,616	\$155,963	\$54,341	\$36,378	\$67,346	\$-	\$1,027,231
Depreciation	-	28,100	27,348	13,964	4,469	3,612	9,049	-	86,542
Disposals	-	(156,083)	(86,263)	(134,034)	(37,062)	(31,413)	(40,723)	-	(485,578)
Exchange rate differences	-	(3,866)	-	-	(70)	-	-	-	(3,936)
31 Dec. 2023	\$-	\$399,738	\$122,701	\$35,893	\$21,678	\$8,577	\$35,672	\$-	\$624,259
Cost:									
1 Jan. 2022	\$1,273,734	\$970,485	\$287,744	\$164,107	\$67,844	\$41,412	\$93,925	\$1,587	\$2,900,838
Additions	41,130	1,083	14,855	9,566	7,087	4,698	4,241	16,297	98,957
Disposals	-	(1,048)	(6,497)	(2,320)	(7,513)	(1,230)	(4,737)	-	(23,345)
Other changes	-	-	8,822	-	17	-	-	-	8,839
Exchange rate differences	-	6,851	67	-	395	40	93	(6)	7,440
31 Dec. 2022	\$1,314,864	\$977,371	\$304,991	\$171,353	\$67,830	\$44,920	\$93,522	\$17,878	\$2,992,729
Depreciation and impairment:									
1 Jan. 2022	\$-	\$499,548	\$162,800	\$146,020	\$56,792	\$35,020	\$63,696	\$-	\$963,876
Depreciation	-	30,000	25,086	12,263	4,741	2,567	8,252	-	82,909
Disposals	-	(1,048)	(6,332)	(2,320)	(7,513)	(1,230)	(4,686)	-	(23,129)
Other changes	-	-	-	-	8	-	-	-	8
Exchange rate differences	-	3,087	62	-	313	21	84	-	3,567
31 Dec. 2022	\$-	\$531,587	\$181,616	\$155,963	\$54,341	\$36,378	\$67,346	\$-	\$1,027,231
Fair value									
31 Dec. 2023	\$1,314,864	\$415,790	\$124,119	\$25,421	\$11,962	\$10,276	\$65,741	\$174,859	\$2,143,032
31 Dec. 2022	\$1,314,864	\$445,784	\$123,375	\$15,390	\$13,489	\$8,542	\$26,176	\$17,878	\$1,965,498

(b) Components of building that have different useful lives are the main building structure, compartment works, utilities and firefighting equipment and renovation works, which are depreciated according to their life time of 50 years, 4 years, and 10 years, respectively.

(c) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(d) The Group owned land in the amount of \$77,167 and \$278,658 in 2023 and 2022 respectively, which was categorized as agricultural land. However, the ownership was temporarily registered in the name of a third party. The Group has obtained the land ownership certificate and is applying for the mortgage rights to the land administration office.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Investment property

The Group's investment properties include only its owner-occupied investment properties. The Group has entered commercial property leases on its owned investment properties. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	Land	Buildings	Total
Cost :			
As of 1 Jan. 2023	\$164,203	\$108,383	\$272,586
Disposal	-	(29,607)	(29,607)
As of 31 Dec. 2023	<u>\$164,203</u>	<u>\$78,776</u>	<u>\$242,979</u>
Depreciation and impairment:			
As of 1 Jan. 2023	\$2,611	\$77,356	\$79,967
Current period depreciation	-	1,805	1,805
Disposal	-	(29,607)	(29,607)
As of 31 Dec. 2023	<u>\$2,611</u>	<u>\$49,554</u>	<u>\$52,165</u>
	Land	Buildings	Total
Cost:			
As of 1 Jan. 2022	\$164,203	\$108,383	\$272,586
As of 31 Dec. 2022	<u>\$164,203</u>	<u>\$108,383</u>	<u>\$272,586</u>
Depreciation and impairment:			
As of 1 Jan. 2022	\$5,669	\$83,484	\$89,153
Current period depreciation	-	1,963	1,963
Gain on investment property measured at fair value	(3,058)	(8,091)	(11,149)
As of 31 Dec. 2022	<u>\$2,611</u>	<u>\$77,356</u>	<u>\$79,967</u>
Net carrying amount:			
As of 31 Dec. 2023	<u>\$161,592</u>	<u>\$29,222</u>	<u>\$190,814</u>
As of 31 Dec. 2022	<u>\$161,592</u>	<u>\$31,027</u>	<u>\$192,619</u>

	2023	2022
Rental income from investment property	\$4,842	\$4,842
Less:		
Direct operating expenses from investment property generating rental income	(1,692)	(1,849)
Direct operating expenses from investment property not generating rental income	(291)	(303)
Total	<u>\$2,859</u>	<u>\$2,690</u>

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For investment property pledge, please refer to Note 8.

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of the Company's investment property both amounted to NT\$369,714 as of 31 December 2023 and 2022. The fair value of investment property as of 31 December 2023 was determined by the Company's management using the comparative method and with reference to transaction prices in nearby locations. The fair value as of 31 December 2022 was evaluated by an independent external appraisal expert, using the cost method to evaluate the price of land, and the comparative method to evaluate the price of buildings.

(9) Intangible assets

	Patent rights	Trademark rights	Computer software cost	Goodwill	Other intangible assets	Total
Cost:						
As of 1 Jan. 2023	\$7,033	\$87,459	\$34,932	\$9,063	\$58,634	\$197,121
Addition						
- acquired separately	650	677	12,174	-	-	13,501
Disposals	(1,868)	(918)	(21,915)	-	-	(24,701)
Other changes	-	-	3,359	-	-	3,359
As of 31 Dec. 2023	<u>\$5,815</u>	<u>\$87,218</u>	<u>\$28,550</u>	<u>\$9,063</u>	<u>\$58,634</u>	<u>\$189,280</u>
As of 1 Jan. 2022	\$6,518	\$87,003	\$27,765	\$9,063	\$58,634	\$188,983
Addition	515	456	7,068	-	-	8,039
- acquired separately						
Exchange rate differences	-	-	99	-	-	99
As of 31 Dec. 2022	<u>\$7,033</u>	<u>\$87,459</u>	<u>\$34,932</u>	<u>\$9,063</u>	<u>\$58,634</u>	<u>\$197,121</u>
	Patent rights	Trademark rights	Computer software cost	Goodwill	Other intangible assets	Total
Amortization and impairment:						
As of 1 Jan. 2023	\$4,279	\$4,978	\$23,149	\$-	\$10,400	\$42,806
Amortization	706	732	11,234	-	7,116	19,788
Disposals	(1,868)	(918)	(21,915)	-	-	(24,701)
As of 31 Dec. 2023	<u>\$3,117</u>	<u>\$4,792</u>	<u>\$12,468</u>	<u>\$-</u>	<u>\$17,516</u>	<u>\$37,893</u>
As of 1 Jan. 2022	\$3,576	\$4,288	\$12,433	\$-	\$3,284	\$23,581
Amortization	703	690	10,682	-	7,116	19,191
Exchange rate differences	-	-	34	-	-	34
As of 31 Dec. 2022	<u>\$4,279</u>	<u>\$4,978</u>	<u>\$23,149</u>	<u>\$-</u>	<u>\$10,400</u>	<u>\$42,806</u>
Net carrying amount as of:						
31 Dec. 2023	<u>\$2,698</u>	<u>\$82,426</u>	<u>\$16,082</u>	<u>\$9,063</u>	<u>\$41,118</u>	<u>\$151,387</u>
31 Dec. 2022	<u>\$2,754</u>	<u>\$82,481</u>	<u>\$11,783</u>	<u>\$9,063</u>	<u>\$48,234</u>	<u>\$154,315</u>

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The amortized amount of recognized intangible assets is as follows:

	2023	2022
Operating expenses	\$19,788	\$19,191

(10) Short-term loans

	31 Dec. 2023	31 Dec. 2022
Unsecured bank loan	\$54,586	\$39,099

	31 Dec. 2023	31 Dec. 2022
Interest rates (%)	2.21%-7.50%	1.60%-5.90%

The Group's unused short-term lines of credits, including credit loans and secured loans, amounted to \$620,414 and \$569,901 as of 31 December 2023 and 31 December 2022, respectively, among which the secured loans were not drawn.

(11) Other payables

	31 Dec. 2023	31 Dec 2022
Accrued salary and bonus	\$357,010	\$323,780
Payables on promotion fee	116,429	131,758
Accrued employees' compensation and directors' remuneration	72,067	67,660
Payables on advertisement	63,813	58,756
Other payables - others	210,058	143,583
Total	\$819,377	\$725,537

(12) Long-term loans

Details of long-term loans as of 31 December 2023 are as follows:

Lenders	As of 31 Dec. 2023	Interest rate (%)	Maturity date and terms of repayment
Bank of Taiwan - Secured loans	\$120,000	1.71%	Repayable from 1 December 2023 to 1 December 2038, and amortized from 1 January 2024, in 180 installments with one installment per month.
Subtotal	120,000		
Less: current portion	(8,000)		
Total	\$112,000		

The Group did not have any long-term loans as of 31 December 2022.

Please refer to Note 8 for the above loans under pledge.

(13) Post-employment benefit plans

Defined contribution plans

The Group and its domestic subsidiaries adopt a defined contribution plan in accordance with the “Labor Pension Act of the R.O.C.”. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees’ monthly wages to the employees’ individual pension accounts. The Group has made monthly contributions of 6% of each individual employee’s salaries or wages to employees’ pension accounts.

Subsidiaries in China are required to pay pension insurance premiums according to the local government's laws and regulations, paying a certain percentage of the total salary of the employees to the relevant government departments. The pension accounts are preserved in separate employee accounts.

The other foreign subsidiaries of the Group appropriate pension funds to relevant pension management businesses in accordance with local regulations.

The Group’s expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were \$29,126 and \$27,125, respectively.

Defined benefits plan

The Group and its domestic subsidiaries adopt a defined benefit plan in accordance with the “Labor Standards Act of the R.O.C.” The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group and domestic subsidiaries contribute an amount equivalent to 2% of the employees’ total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group and its domestic subsidiaries will make up the difference in one payment before the end of March the following year.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is managed by the in-house managers or under discretionary accounts, based on a passive-aggressive investment strategy for mid-term and long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute \$1,800 to its defined benefit plan in the next year starting from 31 December 2023.

As of 31 December 2023 and 31 December 2022, the Group's defined benefit plans are expected to expire in 2029.

The summary of defined benefits plan reflected in profit or loss is as follows:

	2023	2022
Current period service cost	\$782	\$1,051
Net defined interest on benefit liabilities	362	242
Total	\$1,144	\$1,293

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Defined benefit obligation	\$167,537	\$175,829	\$194,053
Plan assets at fair value	(142,730)	(145,974)	(145,038)
Contribution status	24,807	29,855	49,015
Other payables due within one year	(95)	(107)	(130)
Net defined benefit liabilities – non-current	\$24,712	\$29,748	\$48,885

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of 1 Jan. 2022	\$194,053	\$(145,038)	\$49,015
Current period service costs	1,051	-	1,051
Interest expense (income)	970	(728)	242
Subtotal	<u>196,074</u>	<u>(145,766)</u>	<u>50,308</u>
Remeasurements of the net defined benefit liability (asset):			
Experience adjustments	(2,419)	-	(2,419)
Actuarial gains and losses arising from changes in financial assumptions	(4,494)	-	(4,494)
Loss of the planned asset remuneration	-	(12,348)	(12,348)
Subtotal	<u>(6,913)</u>	<u>(12,348)</u>	<u>(19,261)</u>
Payments from the plan	(13,332)	13,332	-
Contributions by employer	-	(1,192)	(1,192)
As of 31 Dec. 2022	<u>175,829</u>	<u>(145,974)</u>	<u>29,855</u>
Current period service costs	782	-	782
Interest expense (income)	2,198	(1,836)	362
Subtotal	<u>178,809</u>	<u>(147,810)</u>	<u>30,999</u>
Remeasurements of the net defined benefit liability (asset):			
Experience adjustments	(3,095)	-	(3,095)
Loss of the planned asset remuneration	-	(1,310)	(1,310)
Subtotal	<u>(3,095)</u>	<u>(1,310)</u>	<u>(4,405)</u>
Payments from the plan	(8,177)	8,177	-
Contributions by employer	-	(1,787)	(1,787)
As of 31 Dec. 2023	<u>\$167,537</u>	<u>\$(142,730)</u>	<u>\$24,807</u>

The principal actuarial assumptions used were as follows:

	31 Dec. 2023	31 Dec. 2022
Discount rate	1.25%	1.25%
Future salary increase rate	2.75%	2.75%

Sensitivity analysis for significant assumption are shown below:

	2023		2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	\$-	\$2,692	\$-	\$3,248
Discount rate decreased by 0.5%	2,833	-	3,429	-
Future salary increased by 1%	5,668	-	6,925	-
Future salary decreased by 1%	-	5,228	-	6,349



Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The foregoing sensitivity analysis is conducted to analyze the possible impact of determining a benefit obligation when a single actuarial assumption (e. g. discount rate or expected salary) is reasonably possible, assuming other assumptions remain unchanged. Since some of the actuarial assumptions are related to each other, there are only a few single actuarial assumptions that can be changed in practice, so the analysis has its limitations.

The methods and assumptions used in this period of sensitivity analysis are not different from the previous period.

(14) Provisions

	Warranties
As of 1 Jan. 2023	\$72,386
Addition - others	25,636
Utilized	(21,431)
Unused provision reversed	(196)
As of 31 Dec. 2023	\$76,395
Current - 31 Dec. 2023	\$20,106
Non-current - 31 Dec. 2023	56,289
As of 31 Dec. 2023	\$76,395
Current - 1 Jan. 2022	\$62,355
Addition - others	38,722
Utilized	(28,691)
As of 31 Dec. 2022	\$72,386
Current - 31 Dec. 2022	\$20,848
Non-current - 31 Dec. 2022	51,538
As of 31 Dec. 2022	\$72,386

Note: Provision for liabilities - current and provision for liabilities - non-current were separately booked under other current liabilities and other non-current liabilities.

Warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(15) Equities

(a) Common stock

The Company's authorized share capitals amounted to \$4,400,000 and the issued share capitals was \$2,211,212, both as of 31 December 2023 and 2022. The par value per share was NT\$10 dollar with a total of 221,121,188 shares. Each share is entitled to one vote and the right to receive dividends.

(b) Additional paid-in capital

	31 Dec. 2023	31 Dec. 2022
Treasury stock transactions	\$67,544	\$58,986
Premium issuance	47,959	47,959
Donated assets received	14,410	13,244
Changes in the net value of associates and joint venture equity using the equity method	1,161	1,161
Total	<u>\$131,074</u>	<u>\$121,350</u>

Under the relevant laws, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

Additional paid-in capital - treasury stock trading, which is a subsidiary of the Company - Svago International Corporation, holds the shares of the Company, and the cash dividends of the parent company are subject to the adjustment of the additional paid-in capital - treasury stock transactions.

Additional paid-in capital - the donated assets received are the additional paid-in capital generated by the Company due to the donated assets of the receiving shareholder, and the previous year's cash dividends are not received.

The equity method is used to recognize the changes in the net value of the related companies and the joint venture equity, which is the additional paid-in capital of the affiliated company, SAKURA (CAYMAN) CO., LTD., which transfers the trademark rights free of charge to the affiliated company, Sakura Bath and Kitchen Products (China) Co., Ltd.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Treasury stock

As of 31 December 2023 and 2022, the fair value of the treasury stock held by the Company's subsidiary, Svago International Corporation, was \$160,749 and \$143,633, respectively, and the number of shares held is 2,312,932 for both years. These shares held by Svago International Corporation were acquitted for the purpose of financing before the amendment of the Company Act on 12 November 2001.

(d) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- A. Payment of all taxes and dues;
- B. Offset prior years' operation losses;
- C. Set aside 10% of the remaining amount as legal reserve;
- D. Set aside or reverse special reserve in accordance with law and regulations;
- E. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company's products are diverse, and hence the products' different growth stages may be difficult to identify. Regardless, the Company still expects to make significant investment and financial improvement plans in the next few years. In addition, the Company will distribute at least 30% of the shareholders' dividends in the form of cash when it obtains sufficient external funds to pay for its significant annual capital expenditures.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to the difference between the balance of special reserve already set aside according to the requirements for the first time adoption of IFRS, and the net contra account in other equity. For any subsequent reversal of the net contra account in other equity, the amount reversed may be distributed from the special reserve.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

In accordance with Ruling No. Jin-Guan-Cheng-Fa-Zi 1090150022 issued by the Financial Supervisory Commission on 31 March 2021, on the first time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded on the transfer day that the company elects to transfer to retained earnings by application of the exemption under IFRS 1 "First Adoption of International Financial Reporting Standards", the company shall set aside an equal amount of special reserve. For any subsequent use, disposal of or reclassification of related assets, the amount reversed may be distributed according to the percentage of special reserve that's set aside.

The Company's special surplus reserve amount for the first adoption of IFRS was \$115,799 for both periods ended 1 January 2023 and 1 January 2022. In addition, the Company did not use, dispose or reclassify the relevant assets from 1 January to 31 December 2023 and 2022, and thus revolved the special surplus reserve to the undistributed surplus. As of 31 December 2023 and 2022, the special surplus reserve amount for the first adoption was \$115,799.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 13 March 2024 and 21 June 2023, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2023	2022	2023	2022
Legal reserve	\$107,492	\$108,564		
Cash dividend				
– common stock (Note)	857,950	818,148	\$3.88	\$3.70

Note : The Company was authorized according to the Articles of Association and passed by special resolution on 13 March 2024 and 10 May 2023, the proposal to distribute common share cash dividends of 2023 and 2022.

Please refer to Note 6(19) for relevant information on the estimation basis and amount for employees' compensation and remuneration to directors.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(e) Non-controlling interest

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
1 Jan. 2023	\$55,263	\$62,039
Contributed to non-controlling interests of net loss	(3,097)	(9,487)
Contributed to non-controlling interests of other comprehensive income:		
Exchange differences on translation of foreign financial statements	-	2,711
31 Dec. 2023	<u>\$52,166</u>	<u>\$55,263</u>

(16) Operating revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
- Sale of goods	\$8,201,818	\$8,141,791
Rental income	70,597	71,071
Total	<u>\$8,272,415</u>	<u>\$8,212,862</u>

Analysis of revenue from contracts with customers during the periods ended 31 December 2023 and 2022 are as follows:

(a) Disaggregation of revenue

For the year ended 31 December 2023:

	<u>Gas appliances division</u>	<u>Kitchenware division</u>	<u>Other divisions</u>	<u>Total</u>
Sale of goods	\$4,980,871	\$2,393,957	\$826,990	\$8,201,818
Rental income	-	-	70,597	70,597
Total	<u>\$4,980,871</u>	<u>\$2,393,957</u>	<u>\$897,587</u>	<u>\$8,272,415</u>

Timing of revenue recognition:

At a point in time	\$4,980,871	2,393,957	\$826,990	\$8,201,818
Over time	-	-	70,597	70,597
Total	<u>\$4,980,871</u>	<u>\$2,393,957</u>	<u>\$897,587</u>	<u>\$8,272,415</u>

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended 31 December 2022:

	Gas appliances division	Kitchenware division	Other division	8Total
Sale of goods	\$4,973,652	\$2,138,570	\$1,029,569	\$8,141,791
Rental income	-	-	71,071	71,071
<b>Total</b>	<b>\$4,973,652</b>	<b>\$2,138,570</b>	<b>\$1,100,640</b>	<b>\$8,212,862</b>

Timing of revenue  
recognition:

At a point in time	\$4,973,652	\$2,138,570	\$1,029,569	\$8,141,791
Over time	-	-	71,071	71,071
<b>Total</b>	<b>\$4,973,652</b>	<b>\$2,138,570</b>	<b>\$1,100,640</b>	<b>\$8,212,862</b>

(b) Contract balances

A. Contract assets - current

	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Sale of goods	\$225,267	\$183,142	\$169,648

The significant changes in the Group's balances of contract assets during the periods ended 31 December 2023 and 2022 are as follows:

	31 Dec. 2023	31 Dec. 2022
The opening balance transferred to trade receivables	\$(183,142)	\$(169,648)
Fulfilling performance obligations without achieving the unconditional collection	225,267	183,142
Changes during the period	\$42,125	\$13,494

B. Contract liabilities – current

	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Sale of goods	\$218,709	\$123,819	\$120,591

The significant changes in the Group's balances of contract liabilities for the year ended 31 December 2023 and 2022 are as follows:

	31 Dec. 2023	31 Dec. 2022
The opening balance transferred to revenue	\$(123,819)	\$(120,591)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	218,709	123,819
Changes during the period	\$94,890	\$3,228

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Transaction price allocated to unfulfilled performance obligations

None.

(d) Assets recognized from costs to fulfil a contract

None.

(17) Expected credit losses

	2023	2022
Operating expenses– Expected credit losses		
Accounts receivable	\$492	\$523
Other receivable	-	555
Contract assets	(135)	36
Total	\$357	\$1,114

Please refer to Note 12 for more details on credit risk.

The loss allowances of the Group's contract assets and receivables (including notes receivable and accounts receivable) were measured at lifetime expected credit loss. The assessment of the Company's loss allowance for the year ended 31 December 2023 and 2022 is as follows:

- (a) The total carrying amounts of the contract assets were \$225,328 and \$183,338, respectively. The amounts of the allowance loss were \$61 and \$196, respectively, based on individual customer assessment method.
- (b) The receivables are divided into groups based on the credit rating, regional and industrial factors of the counterparty, and the matrix is used to measure the allowance loss. The related information is as follows:

As of 31 December 2023

Group1:

	Not yet due (Note)	Days of overdue			Total
		Over a year	Over two years	Over three years	
Gross carrying amount	\$1,212,311	\$-	\$-	\$-	\$1,212,311
Loss ratio	0.01%-0.3%	70%	90%	100%	
Lifetime expected credit losses	-	-	-	-	-
Carrying amount	\$1,212,331	\$-	\$-	\$-	\$1,212,311

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Group2:

	Not yet due (Note)	Days of overdue			Total
		Over a year	Over two years	Over three years	
Gross carrying amount	\$28,993	\$2,196	\$-	\$-	\$31,189
Loss ratio	0.01%-30%	50%	70%	100%	
Lifetime expected credit losses	(513)	-	-	-	(513)
Carrying amount	\$28,480	\$2,196	\$-	\$-	\$30,676

As of 31 December 2022

Group1:

	Not yet due (Note)	Days of overdue			Total
		Over a year	Over two years	Over three years	
Gross carrying amount	\$1,132,979	\$30	\$-	\$-	\$1,133,009
Loss ratio	0.01%-0.3%	70%~75%	90%	100%	
Lifetime expected credit losses	-	(21)	-	-	(21)
Carrying amount	\$1,132,979	\$9	\$-	\$-	\$1,132,988

Group2:

	Not yet due (Note)	Days of overdue			Total
		Over a year	Over two years	Over three years	
Gross carrying amount	\$29,910	\$1,360	\$-	\$-	\$31,270
Loss ratio	0.01%-0.3%	50%	70%	100%	
Lifetime expected credit losses	-	(680)	-	-	(680)
Carrying amount	\$29,910	\$680	\$-	\$-	\$30,590

Note: The Group's note receivables are not overdue. The Group accrues the expected credit impairment loss according to the individual customer assessment method. The subsidiary, Svago International Corporation, separately presents its expected credit impairment loss for 0.3 % and above based on the balance of notes receivables.

The movement in the provision for impairment of contract assets, notes receivable and accounts receivable and other receivables during the ended 31 December 2023 and 2022 is as follows:



Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Contract assets	Notes receivable	Accounts receivable	Other receivables	Total
As of 1 Jan. 2023	\$196	\$-	\$701	\$3,268	\$4,165
(Reversal) Addition for the current year	(135)	-	492	-	357
Write off	-	-	(680)	(687)	(1,367)
As of 31 Dec. 2023	<u>\$61</u>	<u>\$-</u>	<u>\$513</u>	<u>\$2,581</u>	<u>\$3,155</u>
As of 1 Jan. 2022	\$160	\$-	\$1,321	\$2,656	\$4,137
Addition for the current year	36	-	523	555	1,114
Write off	-	-	(1,078)	(85)	(1,163)
Current reclassification	-	-	(142)	142	-
Exchange differences on translation of foreign operations	-	-	77	-	77
As of 31 Dec. 2022	<u>\$196</u>	<u>\$-</u>	<u>\$701</u>	<u>\$3,268</u>	<u>\$4,165</u>

(18) Leases

(1) Group as a lessee

The Group leases various properties, including real estate such as land and buildings and transportation equipment. The lease terms range from 1 to 51 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2023	31 Dec. 2022
Buildings	\$241,093	\$250,815
Land	47,975	51,075
Transportation equipment	5,141	3,238
Land improvement	4,648	6,562
Total	<u>\$298,857</u>	<u>\$311,690</u>

During the year ended 31 December 2023 and 2022, the Group's additions to right-of-use assets amounted to \$61,527 and \$188,345, respectively.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Lease liabilities

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
Lease liabilities		
Current	\$67,114	\$53,795
Non-current	193,003	213,128
Total	<u>\$260,117</u>	<u>\$266,923</u>

Please refer to Note 6(20)(d) for the interest on lease liabilities recognized during the period ended 31 December 2023 and 2022, and refer to Note 12(5) - Liquidity Risk Management for the maturity analysis for lease liabilities as of 31 December 2023 and 2022.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	<u>2023</u>	<u>2022</u>
Buildings	\$65,936	\$44,176
Land	2,164	2,178
Transportation equipment	2,110	1,868
Land improvement	1,914	1,859
Total	<u>\$72,124</u>	<u>\$50,081</u>

C. Income and costs relating to leasing activities

	<u>2023</u>	<u>2022</u>
The expenses relating to short-term leases	<u>\$4,704</u>	<u>\$6,819</u>

D. Cash outflow relating to leasing activities

During the year ended 31 December 2023 and 2022, the Group's total cash out-flows for leases amounted to \$76,892 and \$52,215, respectively.

(2) Group as a lessor

- (a) Please refer to Note 6(8) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	<u>2023</u>	<u>2022</u>
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	<u>\$4,861</u>	<u>\$4,861</u>

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (b) For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of 31 December 2023 and 2022 are as follows:

	31 Dec. 2023	31 Dec. 2022
No later than one year	\$41,182	\$71,071
Later than one year but no later than two years	-	41,458
<b>Total</b>	<b>\$41,182</b>	<b>\$112,529</b>

- (19) Summary statement of employee benefits, depreciation and amortization expenses by function is as follows:

Function Nature	2023			2022		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employee benefits expense						
Salaries	\$321,462	\$683,809	\$1,005,271	\$323,413	\$625,011	\$948,424
Labor and health insurance	29,039	53,839	82,878	25,967	51,655	77,622
Pension	8,610	21,660	30,270	8,019	20,399	28,418
Other employee benefits expense	12,539	26,096	38,635	12,572	24,616	37,188
Depreciation	94,431	66,040	160,471	79,169	55,784	134,953
Amortization	6,667	31,143	37,810	7,744	30,440	38,184

According to the Company's Articles of Incorporation, if the Company makes a profit for the year, it shall contribute 2% to 8% as employee remuneration, and no more than 5% as director compensation. However, the profit shall make up for losses first, if any. The above-mentioned employee compensation shall be distributed in stocks or cash and shall be approved by the Board of Directors with more than two-thirds of the directors' attendance and a majority of the directors' consents and the results are reported to the shareholders' meeting. Information about the appropriation of employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors, please refer to the "Market Observation Post System " of the TWSE.

For the year ended 31 December 2023, employees' compensation and remuneration to the directors were accrued at \$42,249 and \$26,758, respectively, which were booked under salary expenses. The Company has not yet convened a board meeting to determine employee compensation and remuneration to directors.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The actual distribution of the employee's compensation and remuneration to the directors in 2022 were \$39,592 and \$25,074, respectively, which were consistent with the estimated amount recognized in the 2022 financial statements.

(20) Non-operating income and expenses

(a) Interest income		2023	2022
Interest income			
Financial assets measured at amortized cost		\$24,536	\$14,075
(b) Other income		2023	2022
Rental income		\$4,861	\$4,861
Dividend income		1,893	1,825
Other income		27,491	27,789
Total		\$34,245	\$34,475
(c) Other gains and losses		2023	2022
Foreign exchange gains, net		\$3,193	\$50,649
Gain on disposal of investment		338	166
Gain on reversal of impairment loss		-	11,149
(Losses) Gains on disposal of property, plant and equipment		(6,880)	302
Other losses - others		(5,219)	(12,231)
Total		\$(8,568)	\$50,035
(d) Finance costs		2023	2022
Interest on lease liabilities		\$3,856	\$2,938
Interest on loans from bank		2,730	1,956
Total		\$6,586	\$4,894

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(21) Components of other comprehensive income

For the year ended 31 December 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive (loss) income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$3,401	\$-	\$3,401	\$(680)	\$2,721
Unrealized gains on equity instrument investments measured at fair value through other comprehensive income	70,281	-	70,281	-	70,281
To be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(8,843)	-	(8,843)	1,768	(7,075)
Share of gain (loss) of associates and joint ventures accounted for using equity method through other comprehensive income	(14,066)	-	(14,066)	2,813	(11,253)
<b>Total other comprehensive income</b>	<u>\$50,773</u>	<u>\$-</u>	<u>\$50,773</u>	<u>\$3,901</u>	<u>\$54,674</u>

For the year ended 31 December 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive loss	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$22,366	\$-	\$22,366	\$(4,473)	\$17,893
Unrealized gains on equity instrument investments measured at fair value through other comprehensive income	19,552	-	19,552	-	19,552
To be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	13,044	-	13,044	(2,066)	10,978
Share of gain (loss) of associates and joint ventures accounted for using equity method through other comprehensive income	11,885	-	11,885	(2,377)	9,508
<b>Total other comprehensive income</b>	<u>\$66,847</u>	<u>\$-</u>	<u>\$66,847</u>	<u>\$(8,916)</u>	<u>\$57,931</u>

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(22) Income tax

Components of the income tax expenses (income):

(a) Income tax expense recognized in profit or loss

	2023	2022
Current income tax expense:		
Current income tax charge	\$281,110	\$253,847
Undistributed surplus for income tax	4,342	3,126
Adjustments in respect of current income tax of prior periods	(4,763)	6,395
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	15,540	1,012
Total income tax expense	\$296,229	\$264,380

(b) Income tax relating to components of other comprehensive income

	2023	2022
Deferred tax expense (income):		
Remeasurements of defined benefit plans	\$680	\$4,473
Exchange differences on translation of foreign operations	(1,768)	2,066
Share of loss of associates and joint ventures accounted for using equity method through other comprehensive income	(2,813)	2,377
Income tax relating to components of other comprehensive income	\$(3,901)	\$8,916

(c) Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	2023	2022
Accounting profit before tax from continuing operations	\$1,365,336	\$1,273,833
Tax at the domestic rates applicable to profits in the country concerned	\$298,773	\$280,926
Income tax effects of deferred tax assets and liabilities	19,855	61
Undistributed surplus for income tax	4,342	3,126
Income tax effects of non-deductible expenses on tax returns	4	372
Adjustments in respect of current income tax of prior periods	(4,763)	6,395
Income tax effects of tax-exempt income	(21,982)	(26,500)
Total income tax expense	\$296,229	\$264,380

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(d) Amounts of deferred tax assets (liabilities):

For the year ended 31 December 2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Unrealized exchange gain or loss	\$(1,183)	\$992	\$-	\$(191)
Expected credit losses	7	-	-	7
Allowance for sales discounts	2,014	671	-	2,685
Unrealized inventory valuation loss	33	2,150	-	2,183
Impairment of investment property	2,731	-	-	2,731
Investment using the equity method	(148)	(19,855)	-	(20,003)
Unrealized gain on inter-affiliate accounts	464	(172)	-	292
Provision for warranties	14,477	802	-	15,279
Net defined benefit liability	5,895	(128)	(882)	4,885
Unrealized exchange profit or loss	(28,411)	-	4,581	(23,830)
Unused tax loss	411	-	-	411
Deferred income tax expense		<u>\$(15,540)</u>	<u>\$3,699</u>	
Net deferred tax liabilities	<u>\$(3,710)</u>			<u>\$(15,551)</u>
The information expressed on the balance sheet is as follows:				
Deferred income tax assets	<u>\$26,602</u>			<u>\$28,473</u>
Deferred income tax liabilities	<u>\$(30,312)</u>			<u>\$(44,024)</u>

For the year ended 31 December 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Unrealized exchange gain or loss	\$153	\$(1,336)	\$-	\$(1,183)
Expected credit losses	-	7	-	7
Allowance for sales discounts	2,274	(260)	-	2,014
Unrealized inventory valuation loss	33	-	-	33
Impairment of investment property	4,350	(1,619)	-	2,731
Investment using the equity method	(148)	-	-	(148)
Unrealized gain on inter-affiliate accounts	294	170	-	464
Provision for warranties	12,471	2,006	-	14,477
Net defined benefit liability	9,727	20	(3,852)	5,895
Unrealized exchange profit or loss	(23,968)	-	(4,443)	(28,411)
Unused tax loss	411	-	-	411
Deferred income tax expense		<u>\$(1,012)</u>	<u>\$(8,295)</u>	
Net deferred tax assets (liabilities)	<u>\$5,597</u>			<u>\$(3,710)</u>
The information expressed on the balance sheet is as follows:				
Deferred income tax assets	<u>\$30,283</u>			<u>\$26,602</u>
Deferred income tax liabilities	<u>\$(24,686)</u>			<u>\$(30,312)</u>

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (e) The following table contains information of the unused tax losses of the Group:

Year	Tax losses for the period	Unused tax losses as of		
		31 Dec. 2023	31 Dec. 2022	Expiration year
2019	\$2,054	\$2,054	\$2,054	2029
2020	49,393	49,393	49,393	2030
2021	39,768	39,768	39,768	2031
2022	46,952	46,952	46,952	2032
2023	52,751	52,751	-	2033
		<u>\$190,918</u>	<u>\$138,167</u>	

- (f) Unrecognized deferred tax assets

As of 31 December 2023 and 2022, temporary differences not recognized as deferred tax assets amounted to \$37,773 and \$27,223 respectively.

- (g) Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group's income tax payable on the repatriation of the undistributed earnings of the foreign subsidiaries prior to the fourth quarter of 2009 has been recognized as related deferred income tax liabilities in the amount of \$58,186. The Group's surplus from foreign subsidiaries in 2019 was repatriated to the surplus before the fourth quarter of 2009 amounted to \$290,189, and the 8% substantive investment preferential tax rate was applied. Therefore, the deferred income tax liability estimated in the previous years was reversed by \$35,059 in 2019. As of 31 December 2023 and 2022, deferred income tax liabilities that both were recognized amounted to \$23,127, and deferred income tax liabilities that both were not recognized amounted to \$152,893, respectively.

- (h) The assessment of income tax returns

As of 31 December 2023, the assessment returns of income tax returns of the Company is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved through 2021
Subsidiary - Svago International Corporation	Assessed and approved through 2021
Subsidiary - SAKURA Home Collection	Assessed and approved through 2021

As at 31 December 2023, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2022.



Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2023	2022
(a) Basic earnings per share		
Net profit attributable to ordinary stockholders	\$1,072,204	\$1,018,940
Weighted average number of ordinary shares outstanding (in thousands)	\$218,808	\$218,808
Basic earnings per share (NT\$)	\$4.90	\$4.66
	2023	2022
(b) Diluted earnings per share		
Net profit attributable to ordinary stockholders	\$1,072,204	\$1,018,940
Net profit after adjusting the dilution effect (in thousands)	\$1,072,204	\$1,018,940
Weighted average number of ordinary shares outstanding (in thousands)	218,808	218,808
Effect of dilution:		
Employee compensation		
— stock (in thousands)	827	849
Weighted average number of ordinary shares outstanding after dilution (in thousands)	219,635	219,657
Diluted earnings per share (NT\$)	\$4.88	\$4.64

There has not been other transaction involving ordinary shares or potential ordinary shares between the reporting date and the date that the financial statements were authorized for issuance.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Sakura Bath and Kitchen Products (China) Co., Ltd. (hereinafter referred to as Sakura China)	Invested company evaluated by equity method
PUDA Industrial Co., Ltd. (hereinafter referred to as PUDA)	Invested company evaluated by equity method
Sakura Shunde Co., Ltd. (hereinafter referred to as Sakura Shunde)	Subsidiary of the invested company evaluated by the equity method
Sakura Cultural and Educational Foundation	Substantive related party

Significant transactions and balances with related parties

(a) Sales

	<u>2023</u>	<u>2022</u>
Subsidiaries of the invested company evaluated by the equity method	<u>\$70,597</u>	<u>\$71,071</u>

The sales price of the Group to related parties is not significantly different from any third parties. The credit terms range from two to three months after monthly-closing, T/T. In addition, the subsidiary of the Group has leased a factory to the related party, Sakura Bath and Kitchen Products (Shunde) Co., Ltd. since October 2009. The rental income from the operating income for 2023 and 2022 was \$70,597 and \$71,071, respectively.

(b) Purchases

	<u>2023</u>	<u>2022</u>
Subsidiary of the invested company evaluated by the equity method	\$21,778	\$23,049
Invested company evaluated by equity method	<u>15,401</u>	<u>16,449</u>
Total	<u>\$37,179</u>	<u>\$39,498</u>

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The terms of purchases and payment of the Group from related parties is not significantly different from any third parties.

(c) Accounts payable	31 Dec. 2023	31 Dec. 2022
Invested company evaluated by equity method	\$3,230	\$2,812
Subsidiary of the invested company evaluated by the equity method	3,088	2,412
Total	<u>\$6,318</u>	<u>\$5,224</u>

(d) Endorsements and guarantees

Please refer to Note 9(3) for details of the guarantees provided by the Company for related corporate borrowings. For details, please refer to Note 13(1)(b) - Information on reinvestments.

(e) Key management personnel compensation	2023	2022
Short-term employee benefits	\$121,058	\$109,448
Post-employment benefits	906	728
Total	<u>\$121,964</u>	<u>\$110,176</u>

(f) Donation expenses

	2023	2022
Sakura Cultural and Educational Foundation	<u>\$3,000</u>	<u>\$1,000</u>

8. PLEDGED ASSETS

The following table lists assets of the Group were pledged:

	Carrying amount	
Item	31 Dec. 2023	31 Dec. 2022
Property, plant and equipment	\$867,443	\$878,518
Investment property, land	80,484	80,484
Investment property, buildings	17,915	19,269
Total	<u>\$965,842</u>	<u>\$978,271</u>

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(a) As of 31 December 2023, the Group's unused letters of credit amounted to CN\$6,854,031.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (b) As of 31 December 2023, the Group's remaining balance due to construction in progress and loans was \$366,320.
- (c) Information about endorsement and guarantee to others as of 31 December 2023, please refer to Note 13(1)(b).
- (d) The Group's major contracts and related payments with constructors and engineering companies are as follows:

Name of Construction	Contract price (tax included)	Amount paid	Outstanding amount
Factory construction of the Wufeng Plant	\$540,000	\$95,040	\$444,960

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Financial instruments

Financial assets

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
Financial assets at fair value through profit or loss:		
Financial assets at fair value through other comprehensive income	\$178,638	\$108,357
Financial assets measured at amortized cost		
Cash and cash equivalents	2,448,970	2,036,762
Financial assets measured at amortized cost - current	51,000	171,778
Contract assets - current	225,267	183,142
Notes receivable	145,185	111,022
Accounts receivable	1,097,802	1,052,556

Financial liabilities

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>
Financial liabilities at amortized cost:		
Short-term loans	\$54,586	\$39,099
Contract liability - current	218,709	123,819
Notes payable	1,007	6,584
Accounts payables	1,581,224	1,393,660
Other payables	819,377	725,537
Lease liabilities (including current and non-current)	260,117	266,923
Long-term loans (including current portion with maturity less than 1 year)	120,000	-

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

The Group's market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risks (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investment in foreign operating agencies.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The impact of foreign currency appreciation/depreciation on the Group's profit and loss. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for US\$, CN\$ and VND. The sensitivity analysis information is as follows:

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (a) When the exchange rate of NT\$ to US\$ is appreciated/depreciated by 1%, the profit and loss of the Group for the years of 2023 and 2022 from 1 January to 31 December is increased by \$3,108 and \$3,555, respectively. The equity is decreased by \$7,969 and \$7,765, respectively.
- (b) When the exchange rate of NT\$ to CN\$ is appreciated/depreciated by 1%, the profit and loss of the Company for the years of 2023 and 2022 from 1 January to 31 December is increased by \$2,272 and \$3,768, respectively. The equity is decreased/increased by \$722 and \$702, respectively.
- (c) When the exchange rate of NT\$ to VND\$ is appreciated/depreciated by 1%, the profit and loss of the Company for the years of 2023 and 2022 from 1 January to 31 December is increased/decreased by \$233 and \$61, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with fixed interest rates.

Equity price risk

The fair value of the Group's listed and unlisted equity securities and the conversion rights in the issued overseas convertible corporate bonds will be affected by the fair value of the uncertainty of the future value of the investment securities. The listed and unlisted equity securities held by the Group are included in the holdings for trading and provisioning, respectively. The conversion rights of the overseas convertible corporate bonds issued are non-compliance with the definition of equity elements, therefore, they are financial liabilities at fair value through profit or loss. The Group manages the equity price risk through diversifying and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors must review and approve all equity investment decisions.

When the price of the Group's listed equity securities held for sale increases/decreases by 1%, the Group's equity would increase/decrease by \$1,629 and \$926, respectively, from 1 January to 31 December 2023 and 2022.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts receivable, notes receivable, and lease payments receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk assessment for all customers are based on their financial position, ratings from credit rating agencies, historical experiences, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures (such as requesting for prepayment).

As of 31 December 2023 and 2022, amounts receivable from top ten customers represented 30.82% and 31.17% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank loans. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
As of 31 Dec. 2023					
Short-term loans	\$55,701	\$-	\$-	\$-	\$55,701
Notes and accounts payable	1,582,231	-	-	-	1,582,231
Other payables	819,377	-	-	-	819,377
Long-term loans	9,989	19,568	19,021	86,897	135,475
Lease liabilities	70,966	47,703	64,989	90,674	274,332
As of 31 Dec. 2022					
Short-term loans	\$39,961	\$-	\$-	\$-	\$39,961
Notes and accounts payable	1,400,244	-	-	-	1,400,244
Other payables	725,537	-	-	-	725,537
Lease liabilities	57,946	39,283	66,590	120,587	284,406

(6) Reconciliation of liabilities arising from financing activities

Information on the reconciliation of liabilities from 1 January to 31 December 2023:

	Short-term loans	Lease liabilities	Long-term loans (including current portion)	Total
As of 1 Jan. 2023	\$39,099	\$266,923	\$-	\$306,022
Non-cash changes	-	65,382	-	65,382
Cash flows	15,487	(72,188)	120,000	63,299
As of 31 Dec. 2023	\$54,586	\$260,177	\$120,000	\$434,703

Information on the reconciliation of liabilities from 1 January to 31 December 2022:

	Short-term loans	Lease liabilities	Long-term loans (including current portion)	Total
As of 1 Jan. 2022	\$21,212	\$120,099	\$-	\$141,311
Non-cash changes	-	191,283	-	191,283
Cash flows	16,119	(45,396)	-	(29,277)
Changes in Foreign Exchange Rates	1,768	937	-	2,705
As of 31 Dec. 2022	\$39,099	\$266,923	\$-	\$306,022



Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- D. Fair value of bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for the fair value measurement hierarchy for financial instruments of the Group.

(8) Derivatives

The Group did not hold any derivatives for trading as of 31 December 2023 and 31 December 2022.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(9) Fair value measurement hierarchy

(a) Definition of fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels of the hierarchy by reassessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 Dec. 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value:				
Fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$162,906	\$-	\$15,732	\$178,638

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of 31 Dec. 2022

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$92,625	\$-	\$15,732	\$108,357

Transfer between level 1 and level 2 during the period

During the year of 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period

The assets and liabilities measured by the Group's repetitive fair value are the level 3 of the fair value hierarchy. The adjustment of the opening balance to the ending balance is as follows:

	Assets
	Financial assets measured at fair value through other comprehensive income
	Stock
As of 1 January 2023	\$15,732
Total gains and losses recognized in 2023:	
Recognized in other comprehensive gains and losses (presented in “Unrealized valuation gains and losses on equity instrument measured at fair value through other comprehensive income”)	-
As of 31 December 2023	\$15,732

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Assets
	Financial assets measured at fair value through other comprehensive income
	Stock
As of 1 January 2022	\$15,732
Total gains and losses recognized in 2022:	
Recognized in other comprehensive gains and losses (presented in “Unrealized valuation gains and losses on equity instrument measured at fair value through other comprehensive income”)	-
As of 31 December 2022	\$15,732

Significant unobservable input value information at the level 3 of the fair value hierarchy

The assets of the Group's fair value hierarchy are measured at the fair value. The significant unobservable inputs for fair value measurement are listed in the following table:

As of 31 December 2023:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of the relationship between input value and fair value
Financial assets: Through other comprehensive gains and losses as measured by fair value					
Stock	Cost method	Discount for lack of liquidity	35%	The higher the degree of lack of liquidity, the lower the estimated fair value	When the percentage of lack of liquidity increases (decreases) by 1%, the company's equity would decrease/increase by NT\$157 thousand.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of 31 December 2022:

Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of the relationship between input value and fair value
Financial assets:				
Through other comprehensive gains and losses as measured by fair value				
Stock	Cost method	Discount for lack of liquidity	35%	The higher the degree of lack of liquidity, the lower the estimated fair value
				When the percentage of lack of liquidity increases (decreases) by 1%, the company's equity would decrease/increase by NT\$157 thousand.

Valuation process used for Level 3 fair value measurements

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

- (c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of 31 Dec. 2023

	Level 1	Level 2	Level 3	Total
Listing only fair value assets:				
Investment property (Details refer to Note 6(8))	\$-	\$-	\$369,714	\$369,714

As of 31 Dec. 2022

	Level 1	Level 2	Level 3	Total
Listing only fair value assets:				
Investment property (Details refer to Note 6(8))	\$-	\$-	\$369,714	\$369,714

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	31 Dec. 2023			31 Dec. 2022		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
	Unit: thousands					
<u>Financial assets</u>						
<u>Monetary items</u>						
US\$	\$10,373	30.7350	\$318,814	\$11,912	30.7080	\$365,794
CN\$	108,323	4.3338	469,450	122,148	4.4175	539,589
VND\$	43,885,957	0.0013	57,052	44,209,384	0.0013	57,472
<u>Long-term equity investment by equity method</u>						
US\$	\$25,928	30.7350	\$796,884	\$25,286	30.7080	\$776,489
CN\$	16,660	4.3338	72,201	15,885	4.4175	70,170
<u>Financial liabilities</u>						
<u>Monetary items</u>						
US\$	\$260	30.7350	\$7,991	\$335	30.7080	\$10,287
CN\$	55,906	4.3338	242,285	36,859	4.4175	162,825
VND\$	2,600,908	0.0013	3,381	39,548,379	0.0013	51,413

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Due to the wide variety of individual functional currencies of the Group, it is not possible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities in accordance with each significant foreign currency. The foreign exchange rate gains of the Group in the year of 2023 and 2022 were \$3,193 and \$50,649, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

13. OTHER DISCLOSURE

(1) Information of significant transactions:

(a) Loans to others: None.

(b) Provision of endorsement and guarantees to others:

No.	Endorser/ guarantor (company name)	Endorsed/guaranteed party		Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at 31 Dec. 2023 (Note 3)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China
		Company name	Relationship										
0	Taiwan Sakura Corporation	Svago International Corporation	Parent company and subsidiary	\$2,094,985	\$30,000	\$30,000	\$-	\$-	0.50%	\$2,094,985	Y	N	N
0	Taiwan Sakura Corporation	Sakura Home Corporation	Parent company and subsidiary	2,094,985	230,000	95,000	35,000	-	1.59%	2,094,985	Y	N	N
1	Svago International Corporation	Taiwan Sakura Corporation	Parent company and subsidiary	216,066	104,646	104,646	-	-	24.22%	518,558	N	Y	N

Note 1: (1) If Taiwan Sakura Corporation provides guarantee endorsement to a single entity in which it directly or indirectly holds more than 50% of the voting shares, its endorsement guarantee limit shall not exceed 35% of the net value of the Company.

(2) The amount of endorsement of a single entity guaranteed by Svago International Corporation shall not exceed 50% of the net value of its most recent financial statement.

Note 2: (1) The total amount of endorsement guarantees of Taiwan Sakura Corporation was limited to 35% of the net value as of 31 December 2023.

(2) The total amount of the endorsement guarantee of Svago International Corporation was limited to 120% of the net value of its most recent financial report.

Note 3: The amount approved by the Board of Directors should be filled out. However, where the board of directors authorizes the chairman of the Board of Directors to determine the amount in accordance with paragraph 8, Article 12 of the Public Offering Group's Fund Loan and Endorsement Guarantee Processing Guidelines, the amount shall refer to the amount determined by the board.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) The holding of securities at the end of the period (excluding subsidiaries, affiliates and joint ventures):

Holding company	Type of securities	Name of securities	Relationship between issuer of securities and the Company	Account name	End of period				
					Number of shares / unit	Book amount	Shareholding ratio	Fair value	Remark
Taiwan Sakura Corporation	Stock	Sakura Development Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income - non-current	1,932,517	\$93,534	-	\$93,534	
Svago International Corporation	"	Sakura Development Co., Ltd.	-	"	1,433,289	69,372	-	69,372	
Taiwan Sakura Corporation	"	Hanshin Asset Management	-	"	1,300,233	10,532	0.60%	10,532	
Taiwan Sakura Corporation	"	Taichung International Entertainment	-	"	2	3,465	0.06%	3,465	
Taiwan Sakura Corporation	"	Grand Hi-Lai Hotel	-	"	784	-	-	-	
Taiwan Sakura Corporation	"	Yamay International Development Corp.	-	"	130	-	-	-	
Svago International Corporation	"	Taichung International Entertainment	-	"	1	1,735	0.03%	1,735	
				Total		<u>\$178,638</u>		<u>\$178,638</u>	

(d) Acquisition or sale of the same security with the accumulated amount exceeding NT\$300 million or 20% of the Company's paid-in capital or more: None.

(d) Acquisition of real estate reaching NT\$300 million or 20% of paid-up capital or more:

Company Name	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counterparty	Nature of Relationships	Prior Transaction of Related Counterparty				Price Reference	Purpose and Usage of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Taiwan Sakura Corporation	New construction of factory	10 March 2023	\$540,000	According to the contract	Enrich Tech Co., Ltd.	-	Not applicable				Price comparison and negotiation	For production and operation	None



Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (f) Disposal of real estate reaching NT\$300 million or 20% of paid-up capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of the paid-up capital or more. The details are as follows:

Company Name	Counter-party	Relationship	Transactions				Differences in transaction terms compared to third party transactions		Note and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Taiwan Sakura Corporation	Svago International Corporation	Subsidiary	Sales	\$324,218	4.3%	3 months after monthly-closing	Product standard cost plus 5%	Regular	\$46,065	3.9%	

- (h) Receivables from related party reaching NT\$100 million than 20% of the paid-up capital or more: None.
- (i) Engaged in derivatives trading: None.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(j) Significant inter-company transactions during the reporting periods are as follows:

No (Note 1)	Company	Counterparty	Relationship (Note 2)	Transactions			
				General ledger account	Amount	transaction terms	Percentage of total assets (Note 3)
0	Taiwan Sakura Corporation	Svago International Corporation	1	Sales	\$324,218	Product standard cost-plus 5%	3.92%
0	Taiwan Sakura Corporation	Svago International Corporation	1	Account receivable	\$46,065	Actual remittance method	0.48%
1	Svago International Corporation	Taiwan Sakura Corporation	2	Purchases	\$324,218	Product standard cost-plus 5%	3.92%
1	Svago International Corporation	Taiwan Sakura Corporation	2	Account payable	\$46,065	Actual remittance method	0.48%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

1. The parent company is 0.
2. The subsidiaries are numbered in order starting from '1'.

Note 2: There are three types of relationships between transaction company and counterparty:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The important transaction of this table may be determined by the company according to the principle of materiality.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Information on investees:

(a) Names, locations, main business items, initial investment amount, shareholding at the end of the period, current profit and loss and the recognized investment income and loss: (excluding investees in mainland China)

Investor	Investee	Location	Main business items	Initial investment amount		Shares held as of 31 Dec. 2023			Investee company's current (loss) profit	Investment (loss) income recognized by the Group	Note
				Balance as of 31 Dec. 2023	Balance as of 31 Dec. 2022	Number of shares	Ownership (%)	Book value			
Taiwan Sakura Corporation	PUDA Industrial Co., Ltd.	No. 118, Section 2, Hefei Road, Haifengli, Qingshui District, Taichung City	Manufacturing and processing of strengthened plastic products and trading of sanitary ware, building materials equipment, machinery and car accessories, etc.	\$101,000	\$101,000	12,800,419	43.19%	\$218,900	\$56,464	\$24,387	
Taiwan Sakura Corporation	Sakura Enterprise (B.V.I.) Ltd.	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110.	Investment company	223,903	223,903	17,153,171	100.00%	1,671,745	93,250	93,250	
Taiwan Sakura Corporation	Svago International Corporation	No. 303, Section 4, Yatan Road, Daya District, Taichung City	Gas equipment, parts manufacturing and leasing business	657,882	657,882	11,959,750	100.00%	270,096	72,374	73,234	Note 1

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor	Investee	Location	Main business items	Initial investment amount		Shares held as of 31 Dec. 2023			Investee company's current (loss) profit	Investment (loss) income recognized by the Group	Note
				Balance as of 31 Dec. 2023	Balance as of 31 Dec. 2022	Number of shares	Ownership (%)	Book value			
Taiwan Sakura Corporation	SAKURA Home Collection Co., Ltd.	3F., No. 436, Sec. 4, Yatan Rd., Daya Dist., Taichung City	Interior decoration, electrical appliance installation, kitchenware and bathroom equipment installation project	250,000	250,000	25,000,000	100.00%	53,371	(54,296)	(54,296)	
Taiwan Sakura Corporation	SAKURA PAN PACIFIC HOLDINGS (SINGAPORE) PTE.LTD.	80 Robinson Road #02-00 Singapore	Holding company	USD4,000,000	USD4,000,000	4,000,000	100.00%	96,390	(4,480)	(4,480)	
Sakura Enterprise (B.V.I.) Ltd.	SAKURA (CAYMAN) CO., LTD.	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Raod, Grand Cayman, KY1-1205, Cayman Islands.	Investment Group	USD5,850,000	USD5,850,000	5,850,000	45.00%	796,884	135,333	60,900	Note 2
SAKURA PAN PACIFIC HOLDINGS (SINGAPORE) PTE.LTD.	Mekong Trading Corporation	No. 30 TraLuong Street, Ward 2, Tan Binh District, Ho Chi Minh City	Manufacturing and trading gas of equipment and parts	USD2,837,166	USD2,837,166	2,028,000	54.99%	63,498	236	(3,783)	Note 3

NOTE1: Gains and losses on investment include the adjustment of the downstream unrealized gross profit.

NOTE2: The current profit or loss of SAKURA (CAYMAN) CO., LTD. included investment income from Sakura Kitchen (China) Co., Ltd. accounted for using equity method.

NOTE3: The investment income from the investees recognized for the current period included the adjustment of the downstream unrealized gross profit and amortization of premium.

(3) Information of investment in Mainland China:

- (a) The details of the Company's investment in China through the Sakura Enterprise (B.V.I.) Ltd. are as follows:

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investment company name in China	Main business items	Paid-up capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of 1 Jan. 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended 31 Dec. 2023		Accumulated amount of remittance from Taiwan to Mainland China as of 31 Dec. 2023	Net income of investee for the year ended 31 Dec. 2023	Ownership held by the Group (direct or indirect)	Investment income (loss) recognized by the Group for the year ended 31 Dec. 2023	Book value of investments in Mainland China as of 31 December 2023	Accumulated amount of investment income remitted back to Taiwan as of 31 Dec. 2023
					Remitted to Mainland China	Remitted back to Taiwan						
Sakura Bath and Kitchen Products (China) Co., Ltd.	Kitchen appliances	\$1,386,816 (RMB320,000,000)	Investing in a third region to set up a company to reinvest in mainland companies	\$372,255 (USD12,110,786)	\$-	\$-	\$372,255 (USD12,110,786)	\$162,460	44.39% (Note 3)	\$72,116	\$874,602	\$1,237,726 (USD31,811,100) (RMB59,996,315)
Sakura Bath and Kitchen Products (Huanan) Co., Ltd.	Kitchen appliances and real estate leasing industry	430,290 (USD14,000,000)	Investing in a third region to set up a company to reinvest in mainland companies	-	-	-	-	32,054	100.00%	32,054	435,512	-
Kunshan Hongyu Trading Co., Ltd.	Household appliances, electronic products, communication equipment	3,447 (USD112,159)	Investing in a third region to set up a company to reinvest in mainland companies	-	-	-	-	670	100.00%	670	11,004	-
Kunshan Jingye Consulting Co., Ltd.	Corporate investment, management consulting services	2,120 (USD 68,977)	Investing in a third region to set up a company to reinvest in mainland companies	-	-	-	-	406	100.00%	406	6,710	-
Kunshan Yuntian Trading Co., Ltd	Household appliances, electronic products, communication equipment	1,812 (USD 58,961)	Investing in a third region to set up a company to reinvest in mainland companies	-	-	-	-	357	100.00%	357	5,943	-

**Taiwan Sakura Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investment company name in China	Main business items	Paid-up capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of 1 Jan. 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended 31 Dec. 2023		Accumulated amount of remittance from Taiwan to Mainland China as of 31 Dec. 2023	Net income of investee for the year ended 31 Dec. 2023	Ownership held by the Group (direct or indirect)	Investment income (loss) recognized by the Group for the year ended 31 Dec. 2023	Book value of investments in Mainland China as of 31 December 2023	Accumulated amount of investment income remitted back to Taiwan as of 31 Dec. 2023
					Remitted to Mainland China	Remitted back to Taiwan						
Kunshan Haohui Consulting Co., Ltd	Corporate image, corporate marketing, exhibition planning consultation	1,742 (USD 56,681)	Investing in a third region to set up a company to reinvest in mainland companies	-	-	-	-	341	100.00%	341	5,647	-
Kunshan Zhanye Consulting Co., Ltd	Business information consulting service	433 (RMB100,000)	Investing in a third region to set up a company to reinvest in mainland companies	-	-	-	-	28	100.00%	28	732	-

At the end of the period, the accumulated amount of remittance from Taiwan to the Mainland China	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investment
\$372,225 (USD 12,110,786)	\$1,383,154 (USD 45,002,573)(Note 1)	\$3,591,403 (Note 2)

Note 1: The investment amount approved by the MOEA is US\$45,002,573 (excluding the amount of surplus remittance), of which US\$13,800,000 and US\$13,213,043 are the surplus investment of the third regional investment cause (B.V.I.) to reinvest Sakura Kitchen Products (Huanan) Co., Ltd. and Sakura Kitchen Products (China) Co., Ltd. US\$1,995,100 are the surplus of the third regional investment business (i.e. B.V.I.) to invest in Kunshan Hongyi Trading Co., Ltd., Kunshan Jingye Consulting Co., Ltd., Kunshan Yuntian Trading Co., Ltd., Kunshan Haohui Consulting Co., Ltd. and Kunshan Zhanye Consulting Co., Ltd.

Note 2: According to the regulations of the Investment Commission, Ministry of Economic Affairs, the investment limit of the Group to the mainland is 60% of its net value.

Note 3: This is the overall shareholding ratio, including shareholding ratio of 2.78% in B.V.I., the shareholding ratio of 1.11% in Kunshan Honghu Trading Co., Ltd., Kunshan Jingye Consulting Co., Ltd., Kunshan Yuntian Trading Co., Ltd., Kunshan Haohui Consulting Co., Ltd. and Kunshan Zhanye Business Consulting Co., Ltd., and shareholding ratio of 40.50% in SAKURA (CAYMAN) CO., LTD., totaling 44.39%.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) For information on major transactions between the Group and the mainland reinvestment company and its price and payment terms, please refer to Note 7.

(4) Information of major shareholders

As of 31 December 2023

Name \ Shares	Ownership (Shares)	Ownership (%)
Jin Rong Investment Co., Ltd.	14,200,501	6.42%
Yuan Chi Investment, Ltd.	13,311,536	6.02%
Ko Li Te Investment Co., Ltd.	13,268,176	6.00%
Chin Yeh Investment Co., Ltd.	12,306,000	5.56%

14. Department information

For management purposes, the Group classifies operating units according to different strategic institutions and is divided into the following four reporting departments:

1. Gas Appliances Department: This department is primarily responsible for the manufacturing and trading of gas appliances.
2. Kitchenware Department: This department is mainly responsible for the manufacturing and trading of system kitchenwares and parts.
3. Sakura Enterprise (British Virgin Islands) Ltd. (hereinafter referred to as B.V.I.): The department is mainly engaged in financial investment.

The Company has other operating departments that do not meet the quantitative threshold; they mainly engage in property leasing, import business, international business and administrative affairs.

The aforementioned reporting operations department did not aggregate more than one operating department.

The management individually monitors the operational results of its business units to make decisions on resource allocation and performance assessment. The performance of the department is assessed based on pre-tax profit and loss. The accounting policies of the reporting department are the same as the summary of the Group's important accounting policies. However, the income tax on the consolidated financial statements is managed based on Group and is not allocated to the operating department.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The transfer pricing between operational departments is based on regular transactions similar to external third parties.

- (1) The information on the profit and loss and assets of the departments should be reported as follows:

For the year ended 31 December 2023

	Gas Appliances Department	Kitchenware Department	B.V.I.	Other Departments	Adjustment and elimination	Total
Income						
Revenue from external customers	\$4,980,871	\$2,393,957	\$-	\$897,587	\$-	\$8,272,415
Inter-department income	328,135	-	-	-	(328,135)	-
Interest income	3,281	-	10,436	11,586	(767)	24,536
Total income	<u>\$5,312,287</u>	<u>\$2,393,957</u>	<u>\$10,436</u>	<u>\$909,173</u>	<u>\$(328,902)</u>	<u>\$8,296,951</u>
Interest expense	\$2,916	\$1,461	\$26	\$2,956	\$(773)	\$6,586
Depreciation and amortization	77,816	54,702	3,314	62,661	(212)	198,281
Investment (loss) gain	-	99,273	-	133,039	(140,706)	91,606
Department profit and loss	<u>\$1,261,273</u>	<u>\$368,051</u>	<u>\$93,540</u>	<u>\$(208,264)</u>	<u>\$(149,264)</u>	<u>\$1,365,336</u>
Long-term equity investment by equity method	\$-	\$1,317,206	\$-	\$2,327,930	\$(2,557,151)	\$1,087,985
Capital expenditure	34,084	29,182	-	189,046	-	252,312
Departmental assets	<u>\$2,459,705</u>	<u>\$2,114,888</u>	<u>\$1,681,187</u>	<u>\$6,120,987</u>	<u>\$(2,842,422)</u>	<u>\$9,534,345</u>
Department debt	<u>\$1,590,854</u>	<u>\$822,917</u>	<u>\$9,442</u>	<u>\$1,196,530</u>	<u>\$(123,236)</u>	<u>\$3,496,507</u>



Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended 31 December 2022

	Gas Appliances Department	Kitchenware Department	B.V.I.	Other Departments	Adjustment and elimination	Total
Income						
Revenue from external customers	\$4,973,652	\$2,138,570	\$-	\$1,100,640	\$-	\$8,212,862
Inter-department income	377,352	-	-	-	(377,352)	-
Interest income	2,278	-	4,217	7,580	-	14,075
Total income	<u>\$5,353,282</u>	<u>\$2,138,570</u>	<u>\$4,217</u>	<u>\$1,108,220</u>	<u>\$(377,352)</u>	<u>\$8,226,937</u>
Interest expense	\$2,505	\$864	\$11	\$1,913	\$(399)	\$4,894
Depreciation and amortization	59,575	45,142	1,386	59,918	7,116	173,137
Investment (loss) gain	-	-	96,351	120,871	(148,692)	68,530
Department profit and loss	<u>\$1,184,638</u>	<u>\$257,263</u>	<u>\$104,730</u>	<u>\$(115,770)</u>	<u>\$(157,028)</u>	<u>\$1,273,833</u>
Long-term equity investment by equity method	\$-	\$-	\$1,270,405	\$2,284,788	\$(2,513,219)	\$1,041,974
Capital expenditure	28,612	9,853	-	60,492	-	98,957
Departmental assets	<u>\$2,277,787</u>	<u>\$1,965,327</u>	<u>\$1,641,495</u>	<u>\$5,567,591</u>	<u>\$(2,761,353)</u>	<u>\$8,690,847</u>
Department debt	<u>\$1,440,044</u>	<u>\$718,302</u>	<u>\$7,481</u>	<u>\$904,893</u>	<u>\$(102,354)</u>	<u>\$2,968,366</u>

- (2) The reporting of each departments' revenue, profit and loss, assets, liabilities and other major items should be adjusted

In 2023 and 2022, the Group did not have any adjustments regarding each department's revenue, profit and loss, assets, liabilities, and other major items.

- (3) Regional financial information

- (a) Revenue from external customers:

Country	2023	2022
Taiwan	\$7,760,597	\$7,459,733
China (including HK)	319,715	535,973
Vietnam	137,422	137,639
Other regions	54,681	79,517
Total	<u>\$8,272,415</u>	<u>\$8,212,862</u>

Revenue is categorized based on the country in which the customer is located.

Taiwan Sakura Corporation and Subsidiaries  
Notes to Consolidated Financial Statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Non-current assets:

Country	31 Dec. 2023	31 Dec. 2022
Taiwan	\$3,053,280	\$2,786,729
China (including HK)	1,110,486	1,106,240
Vietnam	6,664	9,285
Other regions	\$4,170,430	\$3,902,254

(4) Important customer information

The customers of the Group in 2023 and 2022 in which the sales of goods accounted for more than 10% of the income on the income statement were:

Customer	2023		2022		Department completed the sales
	Sales amount	Percentage	Sales amount	Percentage	
Company A	\$1,427,564	17.26	\$1,504,715	18.32	Gas Appliances Department
Company B	768,013	9.28	751,329	9.15	Gas Appliances Department