

TURVO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE SIX-MONTH PERIODS ENDED  
30 JUNE 2023 AND 2022

Notice to readers:

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

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## **REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**

English Translation of a Report Originally Issued in Chinese

To TURVO INTERNATIONAL CO., LTD.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of TURVO INTERNATIONAL CO., LTD. (the “Company”) and its subsidiaries as at 30 June 2023 and 2022, the related consolidated statements of comprehensive income for the three-month and six-month periods ended 30 June 2023 and 2022, and consolidated statements of changes in equity and cash flows for the six-month periods ended 30 June 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Basis for Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at 30 June 2023 and 2022, and their consolidated financial performance for the three-month and six-month periods ended 30 June 2023 and 2022, and cash flows for the six-month periods ended 30 June 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Chen, Ming Hung

Lo, Wen Chen

Ernst & Young, Taiwan

7 August 2023

## **Notice to Readers**

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TURVO INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
30 June 2023, 31 December 2022 and 30 June 2022  
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As at		
		30 June 2023	31 December 2022	30 June 2022
<b>Current Assets</b>				
Cash and cash equivalents	4, 6(1)	\$1,122,400	\$1,053,051	\$1,428,965
Financial assets at fair value through profit or loss, current	4	-	-	3,383
Financial assets measured at amortized cost, current	4, 6(2), 8	118,359	160,748	244,769
Notes receivable		33	3,186	1,021
Accounts receivable, net	4, 5, 6(3)	724,639	677,816	827,246
Other receivables		10,746	3,494	11,232
Current income tax assets		-	608	-
Inventories, net	4,5, 6(4)	702,131	898,869	792,248
Prepayment		60,836	50,814	41,427
Other current assets		40,956	20,887	18,183
Total current assets		<u>2,780,100</u>	<u>2,869,473</u>	<u>3,368,474</u>
<b>Non-current assets</b>				
Property, plant and equipment	4, 6(5), 8	1,443,998	1,525,264	1,568,660
Right of use assets	4, 6(13)	63,589	89,936	102,618
Intangible assets	4	8,101	8,266	7,212
Deferred tax assets	4, 6(17)	15,862	15,492	15,377
Other non-current assets		531,863	474,450	324,374
Total non-current assets		<u>2,063,413</u>	<u>2,113,408</u>	<u>2,018,241</u>
Total assets		<u>\$4,843,513</u>	<u>\$4,982,881</u>	<u>\$5,386,715</u>

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

TURVO INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
30 June 2023, 31 December 2022 and 30 June 2022  
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As at		
		30 June 2023	31 December 2022	30 June 2022
Current liabilities				
Short-term loans	4, 6(6)	\$ -	\$ -	\$268,451
Contract liabilities, current	4、6(11)	-	941	1,123
Notes payable	4	33,487	98,233	69,460
Accounts payable	4	229,006	240,335	339,248
Other payables	6(7)	607,146	303,447	670,582
Current tax liabilities	4, 6(17)	53,100	194,174	116,520
Current lease liabilities	4, 6(13)	42,549	48,028	54,878
Other current liabilities		33,428	19,582	21,654
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(8)	133,525	128,454	104,159
Total current liabilities		<u>1,132,241</u>	<u>1,033,194</u>	<u>1,646,075</u>
Non-current liabilities				
Long-term loans	4, 6(8)	361,382	397,905	334,310
Deferred tax liabilities	4, 6(17)	46,282	57,970	150,426
Non-current lease liabilities	4, 6(13)	29,646	44,492	60,248
Other non-current liabilities		-	1,311	1,312
Total non-current liabilities		<u>437,310</u>	<u>501,678</u>	<u>546,296</u>
Total liabilities		<u>1,569,551</u>	<u>1,534,872</u>	<u>2,192,371</u>
Equity attributable to the parent company				
Capital	6(10)			
Common stock		602,881	602,881	602,881
Additional paid-in capital		818,217	818,217	818,217
Retained earnings				
Legal reserve		444,771	382,536	382,536
Special reserve		137,354	157,901	157,901
Retained earnings		1,438,800	1,609,531	1,337,721
Total Retained earnings		<u>2,020,925</u>	<u>2,149,968</u>	<u>1,878,158</u>
Other components of equity				
Exchange differences on translation of foreign operations - the parent company		(179,537)	(137,354)	(122,479)
Equity attributable to owners of the parent		<u>3,262,486</u>	<u>3,433,712</u>	<u>3,176,777</u>
Non-controlling interests		11,476	14,297	17,567
Total equity		<u>3,273,962</u>	<u>3,448,009</u>	<u>3,194,344</u>
Total liabilities and equity		<u>\$4,843,513</u>	<u>\$4,982,881</u>	<u>\$5,386,715</u>

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

TURVO INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the three-month and six-month periods ended 30 June 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
		2023	2022	2023	2022
Net Sales	4, 6(11)	\$794,762	\$851,111	\$1,575,113	\$1,750,240
Cost of Sales	6(4), 6(9), 6(14)	(559,169)	(554,505)	(1,121,767)	(1,159,951)
Gross Profit		235,593	296,606	453,346	590,289
Operating Expenses	6(9), 6(14)				
Selling and marketing		(16,628)	(8,699)	(28,932)	(18,240)
Management and administrative		(68,310)	(104,110)	(134,976)	(178,677)
Research and development		(51,689)	(43,625)	(94,485)	(88,000)
Expected credit (losses) gains	6(12)	(2,745)	(1,974)	245	(3,837)
Total Operating Expenses		(139,372)	(158,408)	(258,148)	(288,754)
Operating Income		96,221	138,198	195,198	301,535
Non-operating income and expenses					
Other income	6(15)	10,560	9,206	17,153	14,116
Other gains and loss	6(15)	13,348	77,551	7,429	133,353
Financial costs	4,6(15)	(642)	(1,865)	(1,587)	(4,021)
Total non-operating income and expenses		23,266	84,892	22,995	143,448
Income from continuing operations before income tax		119,487	223,090	218,193	444,983
Income tax income (expense)	4, 6(17)	16,259	(55,561)	11,841	(99,142)
Net income		135,746	167,529	230,034	345,841
Other comprehensive income	6(16)				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(64,033)	(43,826)	(52,898)	44,665
Income tax related to items that may be reclassified subsequently		12,760	8,685	10,546	(8,855)
Total other comprehensive (loss) income, net of tax		(51,273)	(35,141)	(42,352)	35,810
Total comprehensive income		\$84,473	\$132,388	\$187,682	\$381,651
Net income attributable to:					
Stockholders of the parent		\$135,280	\$169,661	\$232,686	\$350,536
Non-controlling interests		466	(2,132)	(2,652)	(4,695)
Comprehensive income attributable to:		\$135,746	\$167,529	\$230,034	\$345,841
Stockholder of the parent		\$84,239	\$134,922	\$190,503	\$385,958
Non-controlling interests		234	(2,534)	(2,821)	(4,307)
Earnings per share	6(18)				
Earnings per share-basic (NTD)		\$2.24	\$2.81	\$3.86	\$5.81
Earnings per share-diluted (NTD)		\$2.24	\$2.81	\$3.85	\$5.79

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

TURVO INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the six-month periods ended 30 June 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total	Non- Controlling Interests	Total Equity
Balance as of 1 January 2022		\$602,881	\$962,908	\$328,260	\$146,683	\$1,233,543	\$(157,901)	\$3,116,374	\$21,874	\$3,138,248
Appropriations of earnings, 2021										-
Legal reserve				54,276		(54,276)		-		-
Special reserve					11,218	(11,218)		-		-
Cash dividends						(180,864)		(180,864)		(180,864)
Cash dividends distributed by additional paid-in capital			(144,691)					(144,691)		(144,691)
Net income for the six-month period ended 30 June 2022						350,536		350,536	(4,695)	345,841
Other comprehensive income, net of tax for the six-month period ended 30 June 2022	6(16)						35,422	35,422	388	35,810
Total comprehensive income (loss)		-	-	-	-	350,536	35,422	385,958	(4,307)	381,651
Balance as of 30 June 2022		\$602,881	\$818,217	\$382,536	\$157,901	\$1,337,721	\$(122,479)	\$3,176,777	\$17,567	\$3,194,344
Balance as of 1 January 2023		\$602,881	\$818,217	\$382,536	\$157,901	\$1,609,531	\$(137,354)	\$3,433,712	\$14,297	\$3,448,009
Appropriations of earnings, 2022										-
Legal reserve				62,235		(62,235)		-		-
Special reserve					(20,547)	20,547		-		-
Cash dividends						(361,729)		(361,729)		(361,729)
Net income for the six-month period ended 30 June 2023						232,686		232,686	(2,652)	230,034
Other comprehensive loss, net of tax for the six-month period ended 30 June 2023	6(16)						(42,183)	(42,183)	(169)	(42,352)
Total comprehensive income (loss)		-	-	-	-	232,686	(42,183)	190,503	(2,821)	187,682
Balance as of 30 June 2023		\$602,881	\$818,217	\$444,771	\$137,354	\$1,438,800	\$(179,537)	\$3,262,486	\$11,476	\$3,273,962

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

TURVO INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the six-month periods ended 30 June 2023 and 2022  
(Expressed in Thousand New Taiwan Dollars)

	For the six-month periods ended 30 June	
	2023	2022
Cash flows from operating activities:		
Net income before tax	\$218,193	\$444,983
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	158,960	155,711
Amortization	3,472	2,610
Expected credit (gains) losses	(245)	3,837
Net gain of financial assets at fair value through profit or loss	-	(5,901)
Interest cost	1,587	4,021
Interest income	(8,298)	(5,573)
Gain on disposal of property, plant and equipment	(1,439)	(1,355)
(Gains from price recovery) losses on price reduction of inventory	(10,379)	4,981
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	-	755
Decrease (increase) in Financial assets measured at amortized cost, current	42,390	(9,978)
Decrease in notes receivable	726	2,864
Increase in accounts receivable	(59,676)	(255,560)
(Increase) decrease in other receivables	(7,252)	3,217
Decrease (increase) in inventories, net	188,684	(79,486)
Increase in prepayments	(11,529)	(5,048)
Increase in other current assets	(20,069)	(10,070)
(Decrease) increase in contract liabilities	(941)	858
Decrease in notes payable	(52,009)	(17,002)
(Decrease) increase in accounts payable	(6,244)	106,956
(Decrease) increase in other payables	(49,043)	70,493
Increase in other current liabilities	12,650	2,175
Cash generated from operations	399,538	413,488
Income tax paid	(127,662)	(73,067)
Net cash provided by operating activities	271,876	340,421

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

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TURVO INTERNATIONAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the six-month periods ended 30 June 2023 and 2022  
(Expressed in Thousand New Taiwan Dollars)

(Continued)	For the six-month periods ended 30 June	
	2023	2022
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(28,618)	(71,394)
Proceeds from disposal of property, plant and equipment	14,349	3,112
Acquisition of intangible assets	(608)	(1,543)
Increase in other non-current assets	(129,728)	(116,506)
Interest receive	8,247	5,287
Net cash used in investing activities	(136,358)	(181,044)
Cash flows from financing activities:		
Increase in short-term loans	-	306,586
Decrease in short-term loans	-	(471,827)
Increase in long-term loans (including current portion with maturity less than 1 year)	33,573	73,904
Decrease in long-term loans (including current portion with maturity less than 1 year)	(65,025)	(12,834)
Lease principal repayment	(21,594)	(18,563)
Interest paid	(1,542)	(4,035)
Net cash used in financing activities	(54,588)	(126,769)
Effect of exchange rate changes	(11,581)	3,216
Net increase in cash and cash equivalents	69,349	35,824
Cash and cash equivalents at beginning of period	1,053,051	1,393,141
Cash and cash equivalents at end of period	\$1,122,400	\$1,428,965

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

# TURVO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

For the six-month periods ended 30 June 2023 and 2022

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

### 1. HISTORY AND OPERATIONS

Turvo International Co., Ltd. (the Company) was incorporated on 29 December 1987 to manufacture and market air tools, machine elements, hardware parts, wood lathes, and wood planers used on these products. Additionally, the Company also process, manufacture, and market optical elements. Based on the purpose of management operation, the Company conduct a simple merge with the 100% owned reinvestment companies - Yubo investment Co., Ltd. and Yuli investment Co., Ltd., after the resolution of the board of directors' meeting in June 2010, to set 1 August 2010 as the consolidation basis date. The company is a consolidated surviving company.

The Company applied to be listed on the GreTai Securities Market and was authorized for trading over the counter on 14 November 2011. On 28 June 2019, the Company was authorized to be listed on Taiwan Stock Exchange and was officially listed on 17 September 2019. The main registered location and operating base are in NO. 59, Jing 2 Rd., Taichung Harbor Export Processing Zone, Wuci Dist., Taichung City 435, Taiwan.

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the six-month periods ended 30 June 2023 and 2022 were authorized for issue by the Company's board of directors on 7 August 2023.

### 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 endorsed by the 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.

TURVO INTERNATIONAL CO., LTD., 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 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
f	International Tax Reform – Pillar Two Model Rules– Amendments to IAS 12	1 January 2023
g	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

- (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.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(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) 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.

(d) 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.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (e) 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.

#### (f) International Tax Reform – Pillar Two Model Rules– Amendments to IAS 12

The amendments introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and targeted disclosure requirements for affected entities. An entity is not required to disclose the information required for any interim period ending on or before 31 December 2023.

#### (g) 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.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Statement of Compliance

The consolidated financial statements of the Group for the six-month periods ended 30 June 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 *Interim Financial Reporting* as endorsed and became effective by the FSC.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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 Group 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 Group controls an investee if and only if the Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group 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 Group’s voting rights and potential voting rights

The Group re-assesses 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.

TURVO INTERNATIONAL CO., LTD., 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, being the date on which the Company obtains control, and 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. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss; and
- F. recognizes any surplus or deficit in profit or loss.

The consolidated entities are as follows:

Investor	Subsidiary	Main Business	Percentage of ownership (%)		
			30 June 2023	31 December 2022	30 June 2022
the Company	TIPO INTERNATIONAL CO., LTD.(SAMOA) [abbreviation: TIPO]	Investing and trading company	100.00%	100.00%	100.00%
the Company	T&M Joint (Cayman) Holding Co., Ltd. (note) [abbreviation: T&M]	Holding company of reinvesting MSAT	35.71%	35.71%	35.71%

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Investor	Subsidiary	Main Business	Percentage of ownership (%)		
			30 June 2023	31 December 2022	30 June 2022
TIPO	Hong Kong Xin-Feng Enterprise Limited [abbreviation: Hong Kong Xin-Feng]	Holding company of reinvesting Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.	100.00%	100.00%	100.00%
TIPO	Zhejiang Yu-Zuan Precision Component Co., Ltd. [abbreviation: Zhejiang Yu-Zuan]	Manufacturing and marketing the components of computer, medical equipment, optical, automobile, photoelectricity, and precision hardware	100.00%	100.00%	100.00%
Hong Kong Xin-Feng	Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd. [abbreviation: Dong-Guan Xin-Feng]	Manufacturing and marketing the components of computer, medical equipment, optical, automobile, photoelectricity, and precision hardware	100.00%	100.00%	100.00%
T&M	Matec Southeast Asia (Thailand) Co., Ltd. [abbreviation: MSAT]	Manufacturing forging products	99.9991%	99.9991%	99.9991%

Note: the company included T&M in the compilation since 1 January 2018, this is due to the Company being the single largest shareholder of T&M, and the remaining rights of T&M were widely held by many other shareholders. In addition, in the absence of contractual rights, due to the reasons such as the company had acquired a relatively higher voting rights on power of attorney and eligible to appoint T&M's key management personal who have the ability to lead main stakeholder activities. Therefore, the company determine that even if it hold less than 50% of the voting rights, it has control over T&M.



## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in NT\$, 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's entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated 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 at the dates of the initial transactions.

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:

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.

- A. Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- B. 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.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ 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 from 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. The following partial disposals are accounted for as disposals:

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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 joint 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.

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.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(6) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in 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 or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(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 way purchase or sales of financial assets on the trade 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 accounts receivable, financial assets measured at amortized cost and other receivables etc., on balance sheet as at 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.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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.

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.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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:
  - 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.

In addition, 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.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### Financial assets 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 statement of financial position.

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;
- (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 follows:

- (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.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

- (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 accounts receivable 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

##### 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.



## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### 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.

#### Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

*Financial Instruments.*

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

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 upon initial recognition as at 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 at fair value through profit or loss when doing so results in more relevant information, because either:

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

- (A) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (B) a group of financial assets, financial liabilities or both 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 or 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.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in 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) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(10) 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:

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- 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.

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.

(11) Inventories

Inventories are valued at lower of cost and 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 / Merchandise– Purchase cost on a weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs on weighted average method.

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.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(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. 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:

Items	Useful Lives
Buildings and facilities	5~50 years
Machinery and equipment	2~15 years
Transportation equipment	2~10 years
Lease improvements	2~25 years
Other equipment	2~30 years

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 lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (13) Leases

On the date that contracts are established, 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, maximising 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.

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:

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- 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 at 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 amortised 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.



## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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 statements 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.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(14) 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 at 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 measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

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

	<u>Software</u>	<u>Trademarks</u>	<u>Patents</u>	<u>Others</u>
Useful lives	2~10 years	10 years	9~10 years	uncertainty
Amortization method used	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Non-amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (15) 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.

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 so 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.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (16) 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 are precision metal components and revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sale of goods is from 60 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 and there is no significant financing component to the contract.

#### (17) Borrowing cost

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.

#### (18) Post-employment benefits

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.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

For the defined contribution plan, the Company and its domestic subsidiaries 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 (overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations).

#### (19) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### (20) 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 tax and deferred tax.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### 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 at the shareholders' meeting.

#### Deferred tax

Deferred tax is provided on 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 and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- 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:

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

- 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 and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- 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 are offset, 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.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, 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.

##### (1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Judgement of control over subsidiaries without the majority of voting rights.

The Company does not have majority of the voting rights in certain invested companies. However, after taking into consideration factors such as absolute ratio of the Company's holding, relative ratio of the other shareholdings, dispersion degree of shareholdings, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these invested companies. Please refer to Note 4 for further details.

##### (2) 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.

###### A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.



## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### B. 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 countries 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 carry-forward 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.

#### C. Accounts receivables – estimation of impairment loss

The Group estimates the impairment loss of accounts receivables 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 expects to receive (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.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### D. Inventories evaluation

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.

#### E. Lease liability and right-of-use asset measurement

The Group adopt the regulation of Amendments to IFRS 16 that required to measure lease liability and estimate right-of use-asset, including determining the leasing period and the implied interest rate of leases.

The Group determined the lease period as non-cancellable period, with both followings:

- (a) the period that covered by the option to extend the lease, if the Group can reasonably assure to exercise the right-of-use; and
- (b) the period that covered by the option to cease the lease, if the Group can reasonably assure to exercise the right-of-use.

Lease liability is estimated based on the present value of the lease implied rate; the Group adopted the incremental borrowing rate as the discount rate due to the lease implied rate is not readily available.

Please refer to Note 3 and Note 6 for the further information about the assumption of lease liability measurement.

## 6. CONTENTS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	As at		
	30 June 2023	31 December 2022	30 June 2022
Cash on hand	\$685	\$1,541	\$770
Bank deposits	1,121,715	1,051,510	1,428,195
Total	<u>\$1,122,400</u>	<u>\$1,053,051</u>	<u>\$1,428,965</u>

Cash and cash equivalents were not pledged.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(2) Financial assets measured at amortized cost, current

	As at		
	30 June 2023	31 December 2022	30 June 2022
Restricted bank deposits	\$118,359	\$160,748	\$244,769

Restricted bank deposits as at 30 June 2023, 31 December 2022 and 30 June 2022 is refer to the fund that the Company will deposit into the special bank account based on the operation of foreign funds management and taxation regulations. According to the regulations, the fund is limited to the approved plan and cannot be used for other purposes.

Please refer to Note 8 for more details on restricted bank deposits under pledge.

(3) Financial assets measured at amortized cost, current

	As at		
	30 June 2023	31 December 2022	30 June 2022
Accounts receivable	\$732,979	\$683,712	\$835,942
Lease payments receivables	-	3,354	4,169
Less: unearned finance income	-	(596)	(504)
Less: loss allowance	(8,340)	(8,654)	(12,361)
Total	\$724,639	\$677,816	\$827,246

A. Account receivables are generally on 60~90 days. The total carrying amount as at 30 June 2023, 31 December 2022 and 30 June 2022 were \$732,979, \$686,470 and \$839,607, respectively. Please refer to Note 6 (12) for more details on loss allowance of account receivables for the six-month periods ended 30 June 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

B. Please refer to Note 6(13) for further information of accounts receivable of finance leasing on machinery and equipment signed by the Group.

C. No accounts receivables were pledged.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Inventories

A. Details as follows:

	As at		
	30 June 2023	31 December 2022	30 June 2022
Merchandise inventories	\$1,364	\$1,198	\$710
Raw materials	219,753	303,945	303,990
Work in progress	162,779	186,542	224,653
Finished goods	318,235	407,184	262,895
Total	\$702,131	\$898,869	\$792,248

B. The Group cost of inventories recognized in cost of goods sold amounted to \$559,169, \$554,505, \$1,121,767 and \$1,159,951 for the three-month and six-month periods ended 30 June 2023 and 2022, including the (gain) loss from market value decline, obsolete and slow-moving of inventories \$(2,542), \$7,006, \$(10,379) and \$4,981.

C. Gain from price recovery of inventories was due to the sale of obsolete products and the net realized value recovery for the three-month periods ended 30 June 2023 and 2022.

D. No inventories were pledged.

(5) Property, plant and equipment

	As at		
	30 June 2023	31 December 2022	30 June 2022
Owner occupied property, plant and equipment	\$1,443,998	\$1,525,264	\$1,568,660

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Owner occupied property, plant and equipment

	Land	Buildings and Facilities	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 January 2023	\$11,107	\$274,561	\$2,387,582	\$14,862	\$118,797	\$381,543	\$21,841	\$3,210,293
Additions	-	-	43,820	-	-	1,428	2,746	47,994
Disposals	-	-	(22,842)	-	-	(3,639)	-	(26,481)
Transfers	-	-	24,103	85	3,723	2,184	1,872	31,967
Exchange differences	(75)	(839)	(41,839)	(195)	(2,484)	(7,166)	(95)	(52,693)
As at 30 June 2023	<u>\$11,032</u>	<u>\$273,722</u>	<u>\$2,390,824</u>	<u>\$14,752</u>	<u>\$120,036</u>	<u>\$374,350</u>	<u>\$26,364</u>	<u>\$3,211,080</u>
Depreciation and impairment:								
As at 1 January 2023	\$-	\$98,520	\$1,254,222	\$10,589	\$69,281	\$252,417	\$-	\$1,685,029
Depreciation	-	5,547	101,408	528	6,726	16,936	-	131,145
Disposals	-	-	(10,042)	-	-	(3,529)	-	(13,571)
Exchange differences	-	(280)	(27,710)	(160)	(1,512)	(5,859)	-	(35,521)
As at 30 June 2023	<u>\$-</u>	<u>\$103,787</u>	<u>\$1,317,878</u>	<u>\$10,957</u>	<u>\$74,495</u>	<u>\$259,965</u>	<u>\$-</u>	<u>\$1,767,082</u>

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Buildings and Facilities	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 January 2022	\$10,758	\$270,677	\$2,248,727	\$16,855	\$114,649	\$360,543	\$22,044	\$3,044,253
Additions	-	-	53,184	-	-	4,334	7,544	65,062
Disposals	-	(20)	(17,655)	(1,140)	-	(2,656)	-	(21,471)
Transfers	-	-	34,717	-	1,599	6,710	(13,575)	29,451
Exchange differences	71	799	34,681	220	2,090	5,828	267	43,956
As at 30 June 2022	<u>\$10,829</u>	<u>\$271,456</u>	<u>\$2,353,654</u>	<u>\$15,935</u>	<u>\$118,338</u>	<u>\$374,759</u>	<u>\$16,280</u>	<u>\$3,161,251</u>
Depreciation and impairment:								
As at 1 January 2022	\$-	\$86,469	\$1,087,309	\$11,545	\$52,887	\$223,730	\$-	\$1,461,940
Depreciation	-	5,493	99,214	552	7,641	17,019	-	129,919
Disposals	-	(20)	(15,919)	(1,140)	-	(2,635)	-	(19,714)
Exchange differences	-	183	15,844	171	1,023	3,225	-	20,446
As at 30 June 2022	<u>\$-</u>	<u>\$92,125</u>	<u>\$1,186,448</u>	<u>\$11,128</u>	<u>\$61,551</u>	<u>\$241,339</u>	<u>\$-</u>	<u>\$1,592,591</u>
Net carrying amount as at:								
30 June 2023	<u>\$11,032</u>	<u>\$169,935</u>	<u>\$1,072,946</u>	<u>\$3,795</u>	<u>\$45,541</u>	<u>\$114,385</u>	<u>\$26,364</u>	<u>\$1,443,998</u>
31 December 2022	<u>\$11,107</u>	<u>\$176,041</u>	<u>\$1,133,360</u>	<u>\$4,273</u>	<u>\$49,516</u>	<u>\$129,126</u>	<u>\$21,841</u>	<u>\$1,525,264</u>
30 June 2022	<u>\$10,829</u>	<u>\$179,331</u>	<u>\$1,167,206</u>	<u>\$4,807</u>	<u>\$56,787</u>	<u>\$133,420</u>	<u>\$16,280</u>	<u>\$1,568,660</u>

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. Operating lease of properties, plants, and equipment:

No properties, plants, and equipment were leased.

B. Components of building that have different useful lives are mainly company accommodation, main buildings, fire engineering of water and electricity, air conditioning engineering, etc., which are depreciated over 50 years, 35 years, 10 years, and 8 years, respectively.

C. Please refer to Note 8 for property, plant and equipment pledged as collateral.

D. The capitalization amount of the borrowing costs of the Group for the six-month periods ended 30 June 2023 and 2022, and its interest rates are as follows:

Items	For the six-month periods ended 30 June 2023	For the six-month periods ended 30 June 2022
Construction in progress	\$1,281	\$-
Borrowing cost capitalization interest rate interval	1.595%	-%

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(6) Short-term loans

	Interest Rates (%)	As at		
		30 June 2023	31 December 2022	30 June 2022
Unsecured bank loans	0.530~0.934%	\$-	\$-	\$268,451

The Group's unused short-term lines of credits amounted to \$1,656,427, \$1,440,842 and \$1,236,548 as at 30 June 2023, 31 December 2022 and 30 June 2022, respectively.

Please refer to Note 8 for further details on secured loans.

(7) Other payables

	As at		
	30 June 2023	31 December 2022	30 June 2022
Dividend payable	\$361,729	\$-	\$325,555
Wages and salaries payable	82,191	112,226	83,836
Employee compensation payable	45,197	27,592	54,593
Accrued manufacturing overhead	23,467	37,610	55,990
Employee, director, and supervisor compensation payables	17,003	12,727	18,670
Income tax payable	16,339	26,042	28,339
Payable on machinery and equipment	7,185	18,335	18,396
Accrued utilities	6,116	-	5,950
Others	47,919	68,915	79,253
Total	\$607,146	\$303,447	\$670,582

(8) Long-term loans

Details of long-term loans as at 30 June 2023, 31 December 2022 and 30 June 2022 are as follows:



TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

A. As at 30 June 2023

Creditor	Content	30 June 2023	Repayment period and methods	Security
Bank of Taiwan	Unsecured loan	\$50,000	Period is 5 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the fourth year the principal is divided into 24 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	None
Bank of Taiwan	Secured loan	163,439	Period is 7 years, and the loan is allocated in installments and cannot be recycled; the principal is divided into 84 installments in 1 month from the date of initial allocation, and interest is charged monthly, and the principal is repaid on the 15th of each month.	Machinery and equipment
Bank of Taiwan	Secured loan	279,117	Period is 10 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the principal in the fourth year is divided into 84 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	Buildings and facilities

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Creditor	Content	30 June 2023	Repayment period and methods	Security
Bank of Taiwan	Secured loan	2,351	Period is 10 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the principal in the fourth year is divided into 84 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	Buildings and facilities
Subtotal		494,907		
Less: current portion (with maturity less than 1 year)		(133,525)		
Total		\$361,382		
Interest rates		1.595%		

Please refer to Note 8 for more details on unsecured bank loans.

B. As at 31 December 2022

Creditor	Content	31 December 2022	Repayment period and methods	Security
Bank of Taiwan	Unsecured loan	\$75,000	Period is 5 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the fourth year the principal is divided into 24 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	None

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Creditor	Content	31 December 2022	Repayment period and methods	Security
Bank of Taiwan	Secured loan	181,941	Period is 7 years, and the loan is allocated in installments and cannot be recycled; the principal is divided into 84 installments in 1 month from the date of initial allocation, and interest is charged monthly, and the principal is repaid on the 15th of each month.	Machinery and equipment
Bank of Taiwan	Secured loan	269,418	Period is 10 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the principal in the fourth year is divided into 84 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	Buildings and facilities
Subtotal		526,359		
Less: current portion (with maturity less than 1 year)		(128,454)		
Total		\$397,905		
Interest rates		1.470%		

Please refer to Note 8 for more details on unsecured bank loans.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

C. As at 30 June 2022

Creditor	Content	30 June 2022	Repayment period and methods	Security
Bank of Taiwan	Unsecured loan	\$100,000	Period is 5 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the fourth year the principal is divided into 24 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	None
Bank of Taiwan	Secured loan	139,038	Period is 7 years, and the loan is allocated in installments and cannot be recycled; the principal is divided into 84 installments in 1 month from the date of initial allocation, and interest is charged monthly, and the principal is repaid on the 15th of each month.	Machinery and equipment
Bank of Taiwan	Secured loan	199,431	Period is 10 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the principal in the fourth year is divided into 84 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	Buildings and facilities
Subtotal		438,469		
Less: current portion (with maturity less than 1 year)		(104,159)		
Total		\$334,310		
Interest rates		1.220%		

Please refer to Note 8 for more details on unsecured bank loans.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(9) Post-employment benefits-Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. According to the Act, the rate of contributions of the Company and its domestic subsidiaries shall be no lower than 6% of each individual employees' monthly salaries. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute to the social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Expenses under the defined benefits plan for the three-month periods and six-month periods ended 30 June 2023 and 2022 were \$2,768, \$2,425, \$5,720 and \$4,793 respectively.

(10) Equities

A. Common stock

The Company's authorized and issued capital was NT\$800,000 as at 1 January 2022, divided into 60,288,089 shares with par value of NT\$10 each. The paid-in capital amounted to NT\$602,881 with 60,288,089 shares issued.

As at 30 June 2023, there was no change in the authorized and issued share capital of the Company.

B. Capital surplus

	As at		
	30 June 2023	31 December 2022	30 June 2022
Premium from common stock issuance	\$788,696	\$788,696	\$788,696
Treasury Stock transaction	180	180	180
Changes in the net value of related companies and joint venture equity using the equity method	2,213	2,213	2,213
Employee stock option	26,848	26,848	26,848
Other	280	280	280
<b>Total</b>	<b>\$818,217</b>	<b>\$818,217</b>	<b>\$818,217</b>

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

According to the Company Act, the capital reserve shall not be used except when offsetting 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.

#### C. Retained earnings and dividend policy

- (A) The company's Articles of Association deducted accumulated losses based on profits and losses of the current year (i.e., deducted distributed employees of before tax benefit and the benefit before director's compensation), allocate 3.5%~7% as employee compensation if still have balance, with no more than 1.7% as director's compensation. The distribution of employee's and director's compensation must be approved by more than two-third of the board of directors attended and agreed by more than half of them, and report to the shareholders meeting. The party who received the distribution of stocks and cash should meet a certain condition of control or being subordinate employees.

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.

- (B) According to the amendment to the Company Act on 20 May 2015, the company is required to distribute employee compensation based on the profitability of the current year. The company held the shareholders meeting to revise the Company's Articles of Incorporation as at 23 June 2020, to revise the Company's Articles of Incorporation. In accordance with the revised articles, if there is a surplus in the current year, if any, shall be distributed in the following order: payment of all taxes and dues; offset prior years' operation losses; set aside 10% of the remaining amount. However, When the accumulated legal reserve reaches the capital stock, there is no longer a requirement to set aside or reverse special reserve in accordance with relevant rules and regulations. Additionally, special reserve allocation should be made according to laws and regulations. If there is any surplus remaining, it is considered as undistributed earnings for the year. The remaining balance, combined with the accumulated undistributed earnings from previous years, is considered as distributable earnings for the shareholders. If distribution is done through the issuance of new shares, it requires approval at a shareholders' meeting after a proposal is made.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

The company's dividend policy will be based on the forecasted investment expense in the future and fund demand, to allocate 20% of balance from distributable surplus in the current year as dividend distribution, in the form of stock dividend and cash dividend to allocate to shareholders; of which the ratio of cash dividend not lower than 30% of the total dividends of shareholders. However, category and ratio of the distribution surplus should adjust through the shareholders meeting based on the actual gain and fund condition at that year, after the distribution decision made by the shareholders meeting.

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

On 31 March 2021, the FSC issued Order Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

The Company has not adopted the special reserve requirement for the first time, so this letter order has no impact on the Company.

- (C) Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the shareholders' meeting on 27 June 2023 and 30 June 2022, respectively, are as follows:

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Appropriation of earnings		Dividend per share (NT\$)	
	2022	2021	2022	2021
Legal Reserve	\$62,235	\$54,276		
Special reserve	(20,547)	11,218		
Common stock - cash dividends	361,729	180,864	\$6.0	\$3.0

On May 5, 2022, the Board of Directors resolved to distribute cash in the amount of \$144,691 (NT\$2.40 per share) from capital surplus.

(D) For information about the earnings distribution plan, please visit the Market Observation Post System of the Taiwan Stock Exchange.

(E) Please refer to Note 6(14) for information on the basis of estimating and recognizing employee compensation and directors' compensation.

D. Non-controlling interests

	For the six-month periods ended 30 June	
	2023	2022
Balance as at 1 January	\$14,297	\$21,874
Net loss for the period attributable to noncontrolling interests	(2,652)	(4,695)
Other comprehensive income or loss attributable to non-controlling interests		
Exchange differences on translation of financial statements of foreign operating companies	(169)	388
Balance as at 30 June	\$11,476	\$17,567

(11) Net sales

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Revenue from contracts with customers				
Sale of goods	\$794,762	\$851,111	\$1,575,113	\$1,750,240

Analysis of revenue from contracts with customers during the six-month periods ended 30 June 2023 and 2022 is as follows:



TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

A. Disaggregation of revenue

For the three-month periods ended 30 June 2023

	<u>Taiwan</u>	<u>China</u>	<u>Other</u>	<u>Total</u>
Sale of goods	<u>\$362,739</u>	<u>\$431,983</u>	<u>\$40</u>	<u>\$794,762</u>

For the three-month periods ended 30 June 2022

	<u>Taiwan</u>	<u>China</u>	<u>Other</u>	<u>Total</u>
Sale of goods	<u>\$483,949</u>	<u>\$366,846</u>	<u>\$316</u>	<u>\$851,111</u>

For the six-month periods ended 30 June 2023

	<u>Taiwan</u>	<u>China</u>	<u>Other</u>	<u>Total</u>
Sale of goods	<u>\$767,375</u>	<u>\$807,112</u>	<u>\$626</u>	<u>\$1,575,113</u>

For the six-month periods ended 30 June 2022

	<u>Taiwan</u>	<u>China</u>	<u>Other</u>	<u>Total</u>
Sale of goods	<u>\$936,079</u>	<u>\$813,489</u>	<u>\$672</u>	<u>\$1,750,240</u>

The Group recognizes revenues when control of the products is transferred to the customers, therefore the performance obligation is satisfied at a point in time.

B. Contract balances

Contract liabilities – current

	<u>As at</u>			
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>	<u>2021</u>
Sales of goods	<u>\$-</u>	<u>\$941</u>	<u>\$1,123</u>	<u>\$265</u>

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The significant changes in the Group's balances of contract liabilities for the six-month periods ended 30 June 2023 and 2022 are as follows:

	<u>For the six-month periods ended 30 June</u>	
	<u>2023</u>	<u>2022</u>
The opening balance		
transferred to revenue	\$(941)	\$(165)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	-	1,023
Changes during the period	<u>\$(941)</u>	<u>\$858</u>

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Assets recognized from costs to fulfil a contract

None.

(12) Expected credit losses (gains)

	<u>For the three-month periods ended 30 June</u>		<u>For the six-month periods ended 30 June</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating expenses –				
Expected credit losses (gains)				
Accounts receivable	<u>\$2,745</u>	<u>\$1,974</u>	<u>\$(245)</u>	<u>\$3,837</u>

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

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The Group measures the loss allowance of its accounts receivable (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 30 June 2023, 31 December 2022 and 30 June 2022 is as follows:

30 June 2023

	Not yet due	Overdue					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$681,431	\$40,260	\$2,981	\$-	\$-	\$8,340	\$733,012
Loss ratio	-%	-%	-%	-%	-%	50-100%	
Lifetime expected credit losses	-	-	-	-	-	(8,340)	(8,340)
Carrying amount	\$681,431	\$40,260	\$2,981	\$-	\$-	\$-	\$724,672

31 December 2022

	Not yet due	Overdue					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$633,650	\$45,070	\$2,029	\$253	\$-	\$8,654	\$689,656
Loss ratio	-%	-%	-%	-%	-%	50-100%	
Lifetime expected credit losses	-	-	-	-	-	(8,654)	(8,654)
Carrying amount	\$633,650	\$45,070	\$2,029	\$253	\$-	\$-	\$681,002

30 June 2022

	Not yet due	Overdue					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$760,028	\$50,165	\$8,685	\$6,628	\$2,761	\$12,361	\$840,628
Loss ratio	-%	-%	-%	-%	-%	100%	
Lifetime expected credit losses	-	-	-	-	-	(12,361)	(12,361)
Carrying amount	\$760,028	\$50,165	\$8,685	\$6,628	\$2,761	\$-	\$828,267

Note: The Group's note receivables are not overdue.

The movement in the provision for impairment of accounts receivable during the six-month periods ended 30 June 2023 and 2022 is as follows:

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Accounts receivable
Beginning balance at 1 January 2023	\$8,654
Reversal for the current period	(245)
Exchange differences	(69)
Ending balance at 30 June 2023	<u>\$8,340</u>
	Accounts receivable
Beginning balance at 1 January 2022	\$8,423
Addition for the current period	3,837
Exchange differences	101
Ending balance at 30 June 2022	<u>\$12,361</u>

(13) Leases

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings, transportation equipment and office equipment. The lease terms range from 1 to 8 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

	As at		
	30 June 2023	31 December 2022	30 June 2022
Land	\$5,734	\$7,185	\$8,637
Land Improvements	317	360	49
Buildings	48,883	71,835	86,572
Transportation equipment	8,529	10,408	7,347
Office equipment	126	148	13
Total	<u>\$63,589</u>	<u>\$89,936</u>	<u>\$102,618</u>

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

b. Lease liabilities

	As at		
	30 June 2023	31 December 2022	30 June 2022
Lease liabilities			
Current	\$42,549	\$48,028	\$54,878
Non-current	29,646	44,492	60,248
Total	<u>\$72,195</u>	<u>\$92,520</u>	<u>\$115,126</u>

Please refer to Note 6(15)(c) for the interest on lease liabilities recognized during the six-month periods ended 30 June 2023 and 2022, and refer to Note 12(5) liquidity risk management for the maturity analysis for lease liabilities as at 30 June 2023 and 2022.

(B) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Land	\$725	\$725	\$1,451	\$1,451
Land Improvements	22	5	43	10
Buildings	11,709	11,445	23,558	22,787
Transportation equipment	1,382	873	2,743	1,518
Office equipment	10	13	20	26
Total	<u>\$13,848</u>	<u>\$13,061</u>	<u>\$27,815</u>	<u>\$25,792</u>

(C) Income and costs relating to leasing activities

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
The expenses relating to short-term leases	<u>\$86</u>	<u>\$163</u>	<u>\$314</u>	<u>\$334</u>

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(D) Cash outflow relating to lessee and leasing activities

During the six-month periods ended 30 June 2023 and 2022, the Group's total cash outflows for leases amounted to \$21,594 and \$18,563, respectively.

B. Group as a lessor

The Group enters into lease contracts for machinery and equipment contracts that are classified as finance leases due to the transfer of substantially all the risks and rewards of ownership of the subsidiary's subject assets. °

The Group has entered finance lease contracts and the undiscounted lease payments and total amounts to be received as at 30 June 2023, 31 December 2022 and 30 June 2022 are as follows:

	As at		
	30 June 2023 (Note)	31 December 2022	30 June 2022
< 1 year	\$-	\$ 3,101	\$4,169
1 ~ 2 years	-	5,902	5,142
2 ~ 3 years	-	5,902	5,142
3 ~ 4 years	-	5,902	5,142
4 ~ 5 years	-	4,745	5,142
> 5 years	-	3,030	3,239
Undiscounted lease payments	-	28,582	27,976
Less: Unearned finance income from finance leases	-	(1,721)	(1,609)
Net investment in leases (finance lease receivables)	\$-	\$26,861	\$26,367
Current	\$-	\$2,758	\$3,665
Non-Current	\$-	\$24,103	\$22,702

Note: The current finance lease contract was terminated early on 31 January, 2023.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(14) Summary statement of employee benefits, depreciation and amortization expenses by function for the six-month periods ended 30 June 2023 and 2022:

Nature \ Function	For the three-month periods ended 30 June					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$111,971	\$65,943	\$177,914	\$132,263	\$71,033	\$203,296
Labor and health insurance	11,529	4,951	16,480	10,834	6,087	16,921
Pension	1,163	1,605	2,768	1,002	1,423	2,425
Other employee benefits expense	3,618	4,164	7,782	4,163	4,189	8,352
Depreciation	65,116	13,675	78,791	65,798	12,733	78,531
Amortization	144	1,596	1,740	134	1,049	1,183

Nature \ Function	For the six-month periods ended 30 June					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$210,372	\$125,850	\$336,222	\$260,671	\$141,505	\$402,176
Labor and health insurance	23,489	10,750	34,239	19,832	10,951	30,783
Pension	2,513	3,207	5,720	1,929	2,864	4,793
Other employee benefits expense	7,398	8,433	15,831	10,541	8,865	19,406
Depreciation	131,450	27,510	158,960	130,039	25,672	155,711
Amortization	288	3,184	3,472	268	2,342	2,610

The number of employees in the Group were 1,588 and 1,709 as at 30 June 2023 and 2022, respectively.

According to the Articles of Incorporation, 3.5%~7% of profit of the current year is distributable as employees' compensation and no higher than 1.7% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Based on the profit of the six-month periods ended 30 June 2023 and 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors in 2022 to be 3.5% to 7% and no higher than 1.7% recognized as employee and director benefits expenses. The estimate basis is distribute based on the current year's profit, the previous mentioned amount is accounted under salary expense. If the resolution of shareholders meeting distribute employee compensation by stocks, then use the closing price on previous day as the calculation basis of distributing the number of shares, the profit and loss is recognized in the next year if a difference exist between the estimation number and the actual distribution amount by the resolution of shareholders meeting.

The details of employees' compensation and remuneration to directors and supervisors for the six-month periods ended 30 June 2023 and 2022 are as follows:

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Employees' compensation	\$10,451	\$15,569	\$17,605	\$31,456
Remuneration to directors and supervisors	2,538	3,781	4,276	7,640

A resolution was passed at a board of directors meeting held on 9 March 2023 to distribute \$27,592 and \$12,727 in cash as the employees' compensation and remuneration to directors and supervisors of 2022, respectively. No material differences existed between the estimated amount and the amount determined at the board meeting for the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2022.

(15) Non-operating income and expenses

A. Other income

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Interest income				
Current financial assets at fair value through profit or loss	\$-	\$330	\$-	\$1,911
Amortized cost of a financial asset	3,562	2,321	8,297	3,662
Grant revenue	894	4,563	1,037	4,870
Rent revenue	53	-	131	-
Others	6,051	1,992	7,688	3,673
Total	<u>\$10,560</u>	<u>\$9,206</u>	<u>\$17,153</u>	<u>\$14,116</u>



TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. Other gains and losses

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Foreign exchange gains, net	\$13,357	\$87,134	\$6,068	\$126,099
Net (losses) gains on financial assets at fair value through profit or loss	-	(9,701)	-	5,901
Gains on disposal of property, plant and equipment	-	120	1,439	1,355
Others	(9)	(2)	(78)	(2)
Total	<u>\$13,348</u>	<u>\$77,551</u>	<u>\$7,429</u>	<u>\$133,353</u>

C. Finance costs

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Interest on loans from bank	\$42	\$(640)	\$(95)	\$(1,439)
Interest on lease liabilities	(684)	(1,225)	(1,492)	(2,582)
Total	<u>\$(642)</u>	<u>\$(1,865)</u>	<u>\$(1,587)</u>	<u>\$(4,021)</u>

(16) Components of other comprehensive income

For the three-month period ended 30 June 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods: Exchange differences resulting from translating the financial statements of a foreign operation	<u>\$(64,033)</u>	<u>\$-</u>	<u>\$(64,033)</u>	<u>\$12,760</u>	<u>\$(51,273)</u>

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the three-month period ended 30 June 2022:

	Arising during the period	Reclassificatio n adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods: Exchange differences resulting from translating the financial statements of a foreign operation	\$(43,826)	\$-	\$(43,826)	\$8,685	\$(35,141)

For the six-month period ended 30 June 2023:

	Arising during the period	Reclassificatio n adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods: Exchange differences resulting from translating the financial statements of a foreign operation	\$(52,898)	\$-	\$(52,898)	\$10,546	\$(42,352)

For the six-month period ended 30 June 2022:

	Arising during the period	Reclassificatio n adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods: Exchange differences resulting from translating the financial statements of a foreign operation	\$44,665	\$-	\$44,665	\$(8,855)	\$35,810

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(17) Income tax

(1) The major components of income tax expense are as follows:

A. Income tax (income) expense recognized in profit or loss

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Current income tax (income) expense:				
Current income tax payable	\$(16,381)	\$54,658	\$(10,246)	\$86,625
Deferred income tax (income) expense:				
Deferred income tax (income) expense related to origination and reversal of temporary differences	122	903	(1,595)	12,517
The income tax (income) expense	<u>\$(16,259)</u>	<u>\$55,561</u>	<u>\$(11,841)</u>	<u>\$99,142</u>

B. Income tax relating to components of other comprehensive income

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Deferred income tax (income) expense:				
Exchange differences on translation of foreign operations	\$(12,760)	\$(8,685)	\$(10,546)	\$8,855
Income tax relating to components of other comprehensive income	<u>\$(12,760)</u>	<u>\$(8,685)</u>	<u>\$(10,546)</u>	<u>\$8,855</u>

C. The assessment of income tax returns

TURVO INTERNATIONAL CO., LTD

Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.

Zhejiang Yu-Zuan Precision Component Co., Ltd.

The assessment of income tax returns

Assessed and approved up to 2021

Declared to 2022

Declared to 2022

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(18) 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 (after adjusting for interest on the convertible preference shares) 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.

A. Basic earnings per share

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	\$135,280	\$169,661	\$232,686	\$350,536
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	60,288	60,288	60,288	60,288
Basic earnings per share (NTD)	\$2.24	\$2.81	\$3.86	\$5.81

B. Diluted earnings per share

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	\$135,280	\$169,661	\$232,686	\$350,536
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	60,288	60,288	60,288	60,288
Effect of dilution:				
Employees' compensation – stock (in thousands)	95	126	160	255
Weighted average number of ordinary shares outstanding after dilution (in thousands)	60,383	60,414	60,448	60,543
Diluted earnings per share (NTD)	\$2.24	\$2.81	\$3.85	\$5.79

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

7. RELATED PARTY TRANSACTIONS

(1) Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Zeng Hsing Industrial CO., Ltd.(Zeng Hsing Industrial)	Parent company of the Group
GOODWAY Machine CORP. (GOODWAY)	The Chairman of the Group is the board of director of the Company
AWEA Electromechanical Co.,Ltd.(AWEA)	Related party of the Group
ALLRICH CNC, LTD (ALLRICH)	Related party of the Group
Hongli Investment Co., Ltd.(Hongli Investment)	Related party of the Group
Hongju Investment Co., Ltd.(Hongju Investment)	Related party of the Group
Taiwan Central Science Park Industry-Academia-Training Association	The Chairman of the Association is the board of director of the Company

(2) Significant transactions with related parties

A. Key management personnel compensation

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
Short-term employee benefits	\$23,477	\$13,863	\$35,960	\$26,623
Post-employment Benefits	602	293	910	583
Total	<u>\$24,079</u>	<u>\$14,156</u>	<u>\$36,870</u>	<u>\$27,206</u>

The key management of the Group comprises the chairman, directors, independent directors, and general manager.

B. Acquisition of property, plant, and equipment

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2023	2022	2023	2022
GOODWAY	<u>\$-</u>	<u>\$-</u>	<u>\$2,400</u>	<u>\$-</u>

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Payable on machinery and equipment

	As at		
	30 June	31 December	30 June
	2023	2022	2022
GOODWAY	\$-	\$-	\$700

D. Notes payable

	As at		
	30 June	31 December	30 June
	2023	2022	2022
GOODWAY	\$24	\$4,968	\$10

No significant difference between purchase and sales and payment requirement of property, plant, and equipment and regular trading.

8. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as security:

Item	As at			Secured liabilities
	30 June	31 December	30 June	
2023	2022	2022		
Financial assets measured at amortized cost, current	\$1,024	\$1,024	\$1,024	Performance guarantee mechanism
Property, Plant and Equipment- building	115,834	118,587	121,339	Bank loan
Property, Plant and Equipment- equipment	216,121	229,682	172,518	Bank loan
Property, Plant and Equipment- other	9,464	10,158	10,851	Bank loan

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Group issued guaranty notes as security for borrowings in the sum of \$2,553,599, \$2,313,099 and \$1,911,447 as at 30 June 2023, 31 December 2022 and 30 June 2022.

(2) The important contracts of construction in progress

A. As at 30 June 2023

Contracting parties	Subject matter	Project	Total contract amount	Contract amount paid as at 30 June 2023
LIMING CONSTRUCTION CO., LTD.	Operating construction	Plant	\$586,552	\$436,855
DAH YEA ELECTRICAL ENGINEERING CO., LTD.	Electrical construction	Plant	171,429	37,294
LOYU INTERIOR DESIGN CO., LTD.	Design construction	Plant	76,190	22,857
Total			<u>\$834,171</u>	<u>\$497,006</u>

The above construction payment is based on construction progress.

B. As at 31 December 2022

Contracting parties	Subject matter	Project	Total contract amount	Contract amount paid as at 31 December 2022
LIMING CONSTRUCTION CO., LTD.	Operating construction	Plant	\$586,552	\$386,998
DAH YEA ELECTRICAL ENGINEERING CO., LTD.	Electrical construction	Plant	171,429	14,904
Total			<u>\$757,981</u>	<u>\$401,902</u>

The above construction payment is based on construction progress.

C. As at 30 June 2022

Contracting parties	Subject matter	Project	Total contract amount	Contract amount paid as at 31 December 2022
LIMING CONSTRUCTION CO., LTD.	Operating construction	Plant	\$586,552	\$237,554
DAH YEA ELECTRICAL ENGINEERING CO., LTD.	Electrical construction	Plant	171,429	-
Total			<u>\$757,981</u>	<u>\$237,554</u>

The above construction payment is based on construction progress.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As at		
	30 June	31 December	30 June
	2023	2022	2022
Financial assets at fair value through profit or loss:			
Designated at fair value through profit or loss	\$-	\$-	\$3,383
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	1,121,715	1,051,510	1,428,195
Financial assets measured at amortized cost	118,359	160,748	244,769
Notes receivable	33	3,186	1,021
Accounts receivable	724,639	677,816	827,246
Other receivables	10,746	3,494	11,232

Financial liabilities

	As at		
	30 June	31 December	30 June
	2023	2022	2022
Financial liabilities at amortized cost:			
Short-term loans	\$-	\$-	\$268,451
Notes and accounts payables	262,493	338,568	408,708
Other payables	607,146	303,447	670,582
Lease liability	72,195	92,520	115,126
Long-term loans (Long-term loans due within one year)	494,907	526,359	438,469



## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (2) Financial risk management objectives and policies

The Group's 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 policy and risk appetite.

The Group has established appropriate policies, procedures, and internal controls for financial risk management. Before entering into significant financial activities, 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 market risk of the Group is the risk that the financial instruments will be subject to fluctuations in fair value or cash flows due to changes in market prices. Market risks mainly include exchange rate 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 independently from other risk variable, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

##### A. 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 is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

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. 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.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the six-month periods ended 30 June 2023 and 2022 is decreased/increased by \$(2,790) and \$(13,045), respectively; and no impact on the equity.

When NTD strengthens/weakens against RMB by 1%, the profit for the six-month periods ended 30 June 2023 and 2022 is decreased/increased by \$(7,795) and \$(4,231), respectively; and no impact on the equity.

B. 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 Group's bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as at the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the six-month periods ended 30 June 2023 and 2022 to increase/decrease by \$495 and \$707, respectively.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (4) Credit risk management

Credit risk is the risk that 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, trade and note receivables and lease receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures, and control relating to credit risk management. Credit limits are established for all counterparties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition, and the Group's internal rating criteria, etc. Certain counterparties' credit risk will also be decreased by taking credit enhancement procedures, such as requesting for prepayment.

As at 30 June 2023, 31 December 2022 and 30 June 2022, trade receivables from top ten customers represented 75% , 76% and 71% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivable 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, bank borrowings, convertible bonds and finance lease. 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 at the end of the reporting period.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
As at 30 June 2023					
Short-term borrowings	\$-	\$-	\$-	\$-	\$-
Notes and accounts payable	262,493	-	-	-	262,493
Leases liabilities (Note)	44,253	27,551	2,711	-	74,515
Long-term loans (within 1 year maturity)	136,151	170,573	147,564	48,288	502,576
As at 31 December 2022					
Short-term borrowings	\$-	\$-	\$-	\$-	\$-
Notes and accounts payable	338,568	-	-	-	338,568
Leases liabilities (Note)	59,043	41,831	3,880	-	104,754
Long-term loans (within 1 year maturity)	128,921	182,512	154,106	62,222	527,761
As at 30 June 2022					
Short-term borrowings	\$269,315	\$-	\$-	\$-	\$269,315
Notes and accounts payable	408,708	-	-	-	408,708
Leases liabilities (Note)	58,515	61,660	555	-	120,730
Long-term loans (within 1 year maturity)	104,549	158,810	108,566	67,737	439,662

Note : (I) Including the cash flow of short-term leasing and the assets with low value bid.

(II)The following table provides further information about the expiry of lease liability:

	<u>Maturity</u>			<u>Total</u>
	<u>&lt; 1 year</u>	<u>1 ~ 5 years</u>	<u>6 ~ 10 years</u>	
Lease liability	<u>\$44,253</u>	<u>\$30,262</u>	<u>\$-</u>	<u>\$74,515</u>

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six-month period ended 30 June 2023:

	Short-term borrowings	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As at 1 January 2023	\$-	\$526,359	\$92,520	\$618,879
Cash flows	-	(31,452)	(21,594)	(53,046)
Non-cash flows	-	-	2,428	2,428
Foreign exchange differences	-	-	(1,159)	(1,159)
As at 30 June 2023	\$-	\$494,907	\$72,195	\$567,102

Reconciliation of liabilities for the six-month period ended 30 June 2022:

	Short-term borrowings	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As at 1 January 2022	\$433,692	\$377,399	\$128,783	\$939,874
Cash flows	(165,241)	61,070	(18,563)	(122,734)
Non-cash flows	-	-	2,751	2,751
Foreign exchange differences	-	-	2,155	2,155
As at 30 June 2022	\$268,451	\$438,469	\$115,126	\$822,046

(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.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(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 debt instruments without market quotations, bank loans, bonds payable, 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.)

(E) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

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

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 30 June 2023, 31 December 2022 and 30 June 2022 is as follows:

##### Forward currency contracts

The Group entered a foreign exchange swap and a cross currency swap to manage its exposure to financial risk, but these contracts are not designated as hedging instruments.

The table below lists the information related to these contracts:

<u>Date</u>	<u>Contact</u>	<u>Contract amount</u>	<u>Maturity</u>
As at 30 June 2023	None		
As at 31 December 2022	None		
As at 30 June 2022	Foreign Exchange Swap	USD3,000(in thousands)	from 31 March 2022 to 29 July 2022

#### (9) Fair value measurement hierarchy

##### A. Fair value measurement hierarchy

All asset 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 in the hierarchy by re-assessing categorization at the end of each reporting period.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 or recurring basis.

(10) Significant assets and liabilities denominated in foreign currencies

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

	As at 30 June 2023			As at 31 December 2022			As at 30 June 2022		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<b>Financial assets</b>									
Monetary items:									
USD	\$8,990	31.1350	\$279,904	\$13,807	30.7080	\$423,985	\$43,913	29.7260	\$1,305,358
CNY	217,716	4.3089	938,116	138,057	4.4092	608,721	149,738	4.4292	663,220
EUR	3,354	33.8033	113,376	4,151	32.7086	135,773	3,770	31.0518	117,065
<b>Financial liabilities</b>									
Monetary items:									
CNY	\$36,808	4.3089	\$158,602	\$42,266	4.4092	\$186,359	\$54,222	4.4292	\$240,160
EUR	1,820	33.8033	61,522	1,797	32.7086	58,777	2,984	31.0518	92,659

Due to the large number of functional currencies used in the Group, it's unable to disclose foreign exchange gains and losses on the basis of each monetary item which has significant impact. The Group recognized \$6,068 and \$126,099 for foreign exchange gains for the six-month periods ended 30 June 2023 and 2022, 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 adjusts 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.



TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

13. OTHER DISCLOSURE

A. Information on significant transactions

(A) Financing provided to others for the six-month period ended 30 June 2023: All transactions below were between consolidated entities and have been eliminated in consolidation.

No.	Lender	Borrower	Financial statement account	Related Parties	Maximum balance for the period	Ending Balance (By resolution of the Board of Directors)	Amount Actually Drawn	Interest Rate (%)	Nature of loan (Note 3)	Transaction amount	Reasons for short-term financing	Allowance for doubtful account	Collateral		Financing limits for a single borrowing company (Note 1)	Limits on total loans granted (Note 2)
													Item	Value		
0	Turvo International Co.,Ltd.	TIPO INTERNATIONAL CO.,LTD	Other receivables - related parties	Yes	\$124,540	\$62,270	\$7,099	NA	2	\$-	Operating purposes	\$-	-	\$-	\$326,248	\$1,304,994
0	Turvo International Co.,Ltd.	T&M JOINT (CAYMAN) HOLDING CO., LTD.	Other receivables - related parties	Yes	\$3,985	\$2,179	\$1,853	NA	2	\$-	Operating purposes	\$-	-	\$-	\$326,248	\$1,304,994
0	Turvo International Co.,Ltd.	MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	Other receivables - related parties	Yes	\$105,168	\$52,584	\$49,955	3%	2	\$-	Operating purposes	\$-	-	\$-	\$326,248	\$1,304,994

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

No.	Lender	Borrower	Financial statement account	Related Parties	Maximum balance for the period	Ending Balance (By resolution of the Board of Directors)	Amount Actually Drawn	Interest Rate (%)	Nature of loan (Note 3)	Transaction amount	Reasons for short-term financing	Allowance for doubtful account	Collateral		Financing limits for a single borrowing company (Note 1)	Limits on total loans granted (Note 2)
													Item	Value		
0	Turvo International Co.,Ltd.	MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	Other receivables - related parties	Yes	\$8,242	\$4,162	\$4,162	4%	2	\$-	Purchase of equipment and materials	\$-	-	\$-	\$326,248	\$1,304,994
1	Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.	Zhejiang Yu-Zuan Precision Component Co., Ltd.	Other receivables - related parties	Yes	\$43,089	\$-	\$-	0%	2	\$-	Operating purposes	\$-	-	\$-	\$1,116,804 (Note 4)	\$1,116,804 (Note 4)

Note 1: Financing to single borrowing company was limited to 10% of net equity of the lender's latest financial statement.

Note 2: Financing to single borrowing company was limited to 40% of net equity of the lender's latest financial statement.

Note 3: The filling way of the nature of loan is as follows:

(1) For business transactions: 1.

(2) Required for short-term financing: 2.

Note 4: The company direct or indirect hold 100% of voting shares and engage in loan financing between foreign companies, or the company direct or indirect hold 100% of voting shares and engage in loan financing with the company, the financing amount is not limited to 40% of the net equity of the lender but limit to 100% of the net equity of the borrower.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(B) Endorsement/guarantee provided to others: None.

(C) Securities held as at 30 June 2023 (excluding subsidiaries, associates and joint venture): None.

(D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(E) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(F) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(G) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20% of the capital stock: refer to Note 13 (1) (J).

(H) Receivables from related parties with amount exceeding the lower of NT\$100 million or 20% of the capital stock: None

(I) Financial instruments and derivative transaction: refer to Note 12 (8).

(J) Inter-company relationships and significant intercompany transactions:

No (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Transactions			
				Financial Statement Items	Amount	Transaction terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	TURVO INTERNATIONAL Co., LTD	Dong-Guan Xin- Feng Hardware Machinery Plastic Industry Co., Ltd.	(1)	Purchase	\$279,221 (USD 9,162,503)	Regular trade	17.73%
0	TURVO INTERNATIONAL Co., LTD	Dong-Guan Xin- Feng Hardware Machinery Plastic Industry Co., Ltd.	(1)	Other payables	\$178,313 (USD 5,727,080)	Regular trade	3.68%

**TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

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

No (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Transactions			
				Financial Statement Items	Amount	Transaction terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	TURVO INTERNATIONAL Co., LTD	Zhejiang Yu-Zuan Precision Component Co., Ltd.	(1)	Purchase	\$57,002 (USD 3,140 RMB 12,898,397)	Regular trade	3.62%
0	TURVO INTERNATIONAL Co., LTD	Matec Southeast Asia (Thailand)	(1)	Other receivables	\$54,632 (USD 135,245 THB 57,531,960)	Regular trade	1.13%
1	Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.	TURVO INTERNATIONAL Co., LTD	(2)	Sales	\$279,221 (USD 9,162,503)	Regular trade	17.73%
1	Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.	TURVO INTERNATIONAL Co., LTD	(2)	Other receivables	\$178,313 (USD 5,727,080)	Regular trade	3.68%
2	Zhejiang Yu-Zuan Precision Component Co., Ltd.	TURVO INTERNATIONAL Co., LTD	(2)	Sales	\$57,002 (USD 3,140 RMB 12,898,397)	Regular trade	3.62%
3	Matec Southeast Asia (Thailand)	TURVO INTERNATIONAL Co., LTD	(2)	Other payables	\$54,632 USD 135,245 (THB 57,531,960)	Regular trade	1.13%

Note 1: The Company and its subsidiaries are coded as follows:

- (1) The Company is coded "0".
- (2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: (1) Represents the transactions from the parent company to a subsidiary.

(2) Represents the transactions from a subsidiary to the parent company.

(3) Represents the transactions between subsidiaries.

Note 3: The ratio of transaction amount to the consolidated income or assets is recognized as follows: for assets or liability, the ratio is accounted as the ending balance to consolidated total assets; however, for income or loss accounts, the ratio is based on mid-term accumulated amount to consolidated income.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. Information on investees:

(A) Names, locations, main businesses and products, original investment amount, investment as at 30 June 2023, net income (loss) of investee company and investment income (loss) recognized as at 30 June 2023: (excluding investees in Mainland China):

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 30 June 2023			Net Income (Losses) of the Investee (Note 1)	Equity in Earnings (Losses) (Note2)	Notes
				30 June 2023	31 December 2022	Shares	Percentage of Ownership	Carrying Value			
TURVO INTERNATIONAL CO., LTD	TIPO INTERNATIONAL CO., LTD.	Samoa	Purchase and sale	\$946,313 (USD31,133,211)	\$946,313 (USD31,133,211)	31,133,211	100%	\$2,308,499	\$192,514	\$192,197	Subsidiary
TURVO INTERNATIONAL CO., LTD	T&M Joint (Cayman) Holding Co., LTD.	Cayman Island	Financial investment	\$61,760 (USD2,045,753)	\$61,760 (USD2,045,753)	4,912,749	35.71%	\$6,374	\$(4,124)	\$(1,732)	Subsidiary
TIPO INTERNATIONAL CO., LTD.	Hong Kong Xin-feng Co., Ltd	Hong Kong	Financial investment	\$216,811 (USD7,133,211 HKD220,000)	\$216,811 (USD7,133,211 HKD220,000)	-	100%	\$1,115,885	\$166,300	Cope with subsidiary	Second-tier subsidiary
T&M Joint (Cayman) Holding Co., LTD	Matec Southeast Asia (Thailand) Co., Ltd.	Thailand	Manufacturing	\$204,635 (USD6,606,203)	\$204,635 (USD6,606,203)	216,276	99.99%	\$19,742	\$(4,537)	Cope with subsidiary	Second-tier subsidiary

Note1: The investment gains and losses recognized this period incurred by investees included the gains and losses on reinvestment.

Note2: The investment gains and losses recognized this period included the investment gains and losses from upstream transactions.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

C. Information on investments in mainland China

(A) Information on investments in mainland China from the Company through TIPO INTERNATIONAL CO., LTD :

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at 1 January 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 30 June 2023	Percentage of Ownership	Equity in Earnings (Losses) (Note 3)	Carrying Value as at 30 June 2023	Accumulated Inward Remittance of Earnings as at 30 June 2023
					Outflow	Inflow					
Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.	Manufacturing and trading	HKD 58,385,000 (Note 1)	Indirect investments through TIPO International Co., Ltd.	\$230,289 (USD7,120,536)	\$-	\$-	\$230,289 (USD 7,120,536)	100%	\$166,210	\$1,112,097	\$717,836
Zhejiang Yu-Zuan Precision Component Co., Ltd.	Manufacturing and trading	USD 23,000,000	Indirect investments through TIPO International Co., Ltd.	\$686,956 (USD23,000,000)	\$-	\$-	\$686,956 (USD 23,000,000)	100%	\$11,252	\$1,166,804	\$-

Accumulated Investment in Mainland China as at 30 June 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$917,245 (USD30,120,536)	\$917,245 (USD30,120,536)	(Note 2) \$1,957,492

Note 1: Part of the voting right acquired through the equity transfer.

Note 2: Investment amounts in mainland China authorized by the Investment Commission, MOEA are capped at 60% of the net value of the investment company.

Note 3: The recognized profit and loss base on the financial statement reviewed by independent accountants.

(B) As at 30 June 2023, for information on significant transactions and prices, payments, etc. between the parent company and subsidiaries, please refer to Note 13(1) (J). The unrealized profit amount generated due to the previous significant transaction items accounted for \$214.

## TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### D. Information on major shareholders:

30 June 2023

Name	Shares	Number of shares hold	Shareholding ratio
Zeng Hsing Industrial CO., Ltd.		14,352,000	23.80%
GOODWAY Machine CORP.		6,036,216	10.01%

Note: The main shareholders information in the table is calculated by the Taiwan Depository & Clearing Corporation (TDCC) based on the total number of registered common shares held by shareholders as at the last business day at the end of each quarter, that the ownership reaches or exceeds five percent. However, the share capital stated in the Company's financial report and the number of dematerialized shares actually delivered and registered by the Company may differ because the calculation bases were different.

#### 14. SEGMENT INFORMATION

A. For management purposes, the Group is organized into business units based on operating strategies and has two reportable segments as follows:

- (A) Taiwan segment: In charge of producing, manufacturing, and trading precision metal processing including automobile, industrial application, and household application, etc.
- (B) China segment: In charge of producing, manufacturing, and trading precision metal processing, including computer, medical equipment, optical, precision metal hardware, etc.
- (C) Other segment: In charge of transposing during departments.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

Transfer prices between operating segment are based on the executed function and affordable risks as the basis of consideration.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. The information on profit or loss of the reportable segment:

(A) For the three-month period ended 30 June 2023:

	Taiwan	China	Other	Adjustments and eliminations	Consolidated
External customer	\$362,739	\$431,983	\$40	\$-	\$794,762
Inter-segment	436	179,474	8,676	(188,586)	-
Total revenue	\$363,175	\$611,457	\$8,716	\$(188,586)	\$794,762
Segment profit (loss)	\$136,315	\$95,134	\$790	\$(112,752)	\$119,487

(B) For the three-month period ended 30 June 2022:

	Taiwan	China	Other	Adjustments and eliminations	Consolidated
External customer	\$483,949	\$366,846	\$316	\$-	\$851,111
Inter-segment	2,365	167,390	3,722	(173,477)	-
Total revenue	\$486,314	\$534,236	\$4,038	\$(173,477)	\$851,111
Segment profit (loss)	\$203,064	\$106,036	\$156,465	\$(242,475)	\$223,090

(C) For the six-month period ended 30 June 2023:

	Taiwan	China	Other	Adjustments and eliminations	Consolidated
External customer	\$767,375	\$807,112	\$626	\$-	\$1,575,113
Inter-segment	1,062	338,534	13,766	(353,362)	-
Total revenue	\$768,437	\$1,145,646	\$14,392	\$(353,362)	\$1,575,113
Segment profit (loss)	\$229,626	\$168,364	\$(4,056)	\$(175,741)	\$218,193

(D) For the six-month period ended 30 June 2022:

	Taiwan	China	Other	Adjustments and eliminations	Consolidated
External customer	\$936,079	\$813,489	\$672	\$-	\$1,750,240
Inter-segment	4,477	350,604	4,397	(359,478)	-
Total revenue	\$940,556	\$1,164,093	\$5,069	\$(359,478)	\$1,750,240
Segment profit (loss)	\$410,281	\$191,036	\$273,343	\$(429,677)	\$444,983



TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. The information on assets and liabilities of the reportable segment:

(A) Segment assets:

	Taiwan	China	Other	Adjustments and eliminations	Consolidated
30 June 2023	\$4,660,650	\$2,648,802	\$3,585,891	\$(6,051,830)	\$4,843,513
31 December 2022	\$4,668,201	\$2,579,908	\$3,322,063	\$(5,587,291)	\$4,982,881
30 June 2022	\$4,976,116	\$3,038,401	\$3,919,479	\$(6,547,281)	\$5,386,715

(B) Segment liabilities:

	Taiwan	China	Other	Adjustments and eliminations	Consolidated
30 June 2023	\$1,398,164	\$369,900	\$103,876	\$(302,389)	\$1,569,551
31 December 2022	\$1,234,489	\$425,835	\$111,885	\$(237,337)	\$1,534,872
30 June 2022	\$1,799,340	\$588,556	\$115,883	\$(311,408)	\$2,192,371