

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

**World Known MFG (Cayman) Limited
and Subsidiaries**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

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

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Independent Auditors' Report

To the Board of Directors of World Known MFG (Cayman) Limited:

Opinion

We have audited the consolidated financial statements of World Known MFG (Cayman) Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

1. Appropriateness of Revenue Recognition Timing

Please refer to Note 4(m) to the consolidated financial statements for accounting policy of revenue recognition, and Note 6(s) for explanation of revenue recognition.

Description of key audit matter:

Revenue is the key performance indicator for evaluating the performance of the financial and operation of the Group. In addition, revenue is recognized when the control in each individual contract with customers is transferred. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the significant risks and rewards of ownership have been transferred. Therefore, the revenue recognition is one of the key audit matters in our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included assessing and testing the Group's internal controls surrounding revenue recognition; conducting customer trend analysis to assess the existence of any significant exception; on a sample basis, inspecting contracts with customers or customers' orders, and assessing whether the accounting treatment of the related contracts is applied appropriately, and performing test of details on sales to assess the existence, accuracy and appropriateness of revenue recognition, and performing sales cut-off test of a period before and after the financial position date by vouching related document of sales transactions to determine whether revenue have been appropriately recognized.

2. Inventory Valuation

Please refer to Note 4(h) to the consolidated financial statements for accounting policy of inventory; Note 5(b) for accounting estimations and assumptions of valuation of inventory, and Note 6(e) for explanation of valuation of inventory.

Description of key audit matter:

The Group's belongs to precision machining of castings industry. The Group's inventories are measured at the lower of cost and net realizable value. However, the cost of inventory might exceed its net realizable value due to the rapid advancement of technology and the changes in market demand. Therefore, inventory evaluation is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures, included reasonable assessing the Group's allowance amount of inventory according to its characteristic; conducting sampling to examine accuracy of inventory aging; examine whether the Group has conduct accounting policy of inventory valuation; compare and examine past allowance method of inventory with current year, to confirm whether the assumption of allowance of inventory method are in appropriate.

3. Accounts Receivable Valuation

Please refer to Note 4(g) to the consolidated financial statements for accounting policy of assessment of accounts receivable impairment; Note 5(a) to the consolidated financial statements for accounting estimations and assumptions of assessment of accounts receivable, and Note 6(c) to the consolidated financial statements for impairment of accounts receivable.

Description of key audit matter:

The Group's accounts receivable are concentrate within certain customers. Allowance evaluation on accounts receivable contains management's subjective judgment. Therefore, the assessment on accounts receivable is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our audit procedure included reasonable assessing the Group's allowance amount of accounts receivable according to its characteristic; analyze the accounts receivable aging report and the expected credit loss statistics table for the duration of accounts receivable, and understand the possibility of recovering the payment and the situation of receiving payment after the period to evaluate whether the provision for bad debts of accounts receivable is appropriate in this period ; review the accuracy of the provision for bad debts of accounts receivable in the past and compare it with this period in regards of estimated situation and actual cash receipts to evaluate whether the estimation method and assumptions are appropriate and consider whether the disclosure of relevant information is appropriate and reasonable.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2023

Notes to Readers

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

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(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
World Known MFG (Cayman) Limited and Subsidiaries

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2022</u>		<u>December 31, 2021</u>				<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 264,515	16	208,677	15	2100	Short-term borrowings (note 6(j) and 8)	\$ 50,000	3	98,266	7
1141	Current financial assets at amortized cost (note 6(b))	286,519	18	43,440	3	2130	Current contract liabilities(note 6(s))	6,166	-	596	-
1150	Notes receivables, net (note 6(c))	4,886	-	6,246	-	2170	Accounts payable	160,500	10	154,758	12
1170	Accounts receivable, net (note 6(c))	190,372	12	172,738	13	2180	Accounts payable to related parties (note 7)	22,832	1	32,987	3
1180	Accounts receivable due from related parties, net (note 6(c) and 7)	35	-	10	-	2200	Other payable (note 6(k) and (o))	130,828	8	121,646	9
1200	Other receivables (note 6(d))	29,157	2	35,213	3	2220	Other payable to related parties (note 7)	1,537	-	1,638	-
1210	Other receivables from related parties (note 6(d) and 7)	138	-	117	-	2230	Current income tax liabilities	43,836	3	27,067	2
1220	Current tax assets	5	-	-	-	2280	Current lease liabilities (note 6(n) and 7)	7,894	-	6,285	-
1310	Inventories (note 6(e))	299,748	18	306,897	22	2300	Other current liabilities (note 6(l))	13,480	1	5,373	-
1470	Other current assets (note 6(i))	<u>15,787</u>	<u>1</u>	<u>11,475</u>	<u>1</u>	2322	Long-term borrowings, current portion (note 6(m) and 8)	<u>25,893</u>	<u>2</u>	<u>478</u>	<u>-</u>
		<u>1,091,162</u>	<u>67</u>	<u>784,813</u>	<u>57</u>			<u>462,966</u>	<u>28</u>	<u>449,094</u>	<u>33</u>
Non-current assets:						Non-Current liabilities:					
1541	Non-current financial assets at amortized cost (note 6(b))	22,040	1	217,200	16	2540	Long-term borrowings (note 6(m) and 8)	182,023	11	-	-
1600	Property, plant and equipment (note 6(f) and 8)	450,379	28	237,013	17	2580	Non-current lease liabilities (note 6(n) and 7)	<u>35,054</u>	<u>2</u>	<u>39,586</u>	<u>3</u>
1755	Right-of-use assets (note 6(g) and 8)	60,580	4	64,001	5			<u>217,077</u>	<u>13</u>	<u>39,586</u>	<u>3</u>
1780	Intangible assets (note 6(h))	5,491	-	7,579	1		Total liabilities	<u>680,043</u>	<u>41</u>	<u>488,680</u>	<u>36</u>
1840	Deferred income tax assets (note 6(p))	4,339	-	4,439	-		Equity attributable to owners of parent: (note 6(q))				
1900	Other non-current assets (note 6(i))	<u>2,458</u>	<u>-</u>	<u>53,229</u>	<u>4</u>	3100	Capital stock	338,990	21	338,990	25
		545,287	33	583,461	43	3211	Capital surplus	334,365	21	334,365	24
						3300	Retained earnings	298,174	18	235,815	17
						3400	Other equity	<u>(15,425)</u>	<u>(1)</u>	<u>(29,847)</u>	<u>(2)</u>
							Total equity attributable to owners of parent:	<u>956,104</u>	<u>59</u>	<u>879,323</u>	<u>64</u>
						36XX	Non-controlling interests	<u>302</u>	<u>-</u>	<u>271</u>	<u>-</u>
							Total equity attributable to owners of parent	<u>956,406</u>	<u>59</u>	<u>879,594</u>	<u>64</u>
Total assets		<u>\$ 1,636,449</u>	<u>100</u>	<u>1,368,274</u>	<u>100</u>		Total liabilities and equity	<u>\$ 1,636,449</u>	<u>100</u>	<u>1,368,274</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

World Known MFG (Cayman) Limited and Subsidiaries**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (note 6(s) and 7)	\$ 1,022,834	100	1,004,262	100
5000	Operating costs (note6(e), (h), (o) and 7)	<u>764,367</u>	<u>75</u>	<u>757,672</u>	<u>75</u>
5900	Gross profit from operations	<u>258,467</u>	<u>25</u>	<u>246,590</u>	<u>25</u>
6000	Operating expenses (note6(c), (h), (o), (t) and 7):				
6100	Selling expenses	46,829	4	55,362	6
6200	Administrative expenses	80,058	8	72,840	7
6300	Research and development expenses	22,593	2	22,288	2
6450	Impairment reversal gain determined in accordance with IFRS 9	<u>(414)</u>	<u>-</u>	<u>(1,870)</u>	<u>-</u>
		<u>149,066</u>	<u>14</u>	<u>148,620</u>	<u>15</u>
6900	Net operating income	<u>109,401</u>	<u>11</u>	<u>97,970</u>	<u>10</u>
7000	Non-operating income and expenses (note 6(n) and (u)) :				
7100	Interest income	12,167	1	11,425	1
7010	Other income	8,494	-	6,575	-
7020	Other gains and losses	19,092	2	(11,069)	(1)
7050	Finance costs	<u>(4,016)</u>	<u>-</u>	<u>(2,372)</u>	<u>-</u>
		<u>35,737</u>	<u>3</u>	<u>4,559</u>	<u>-</u>
7900	Profit before income tax	145,138	14	102,529	10
7950	Income tax expenses (note 6(p))	<u>31,930</u>	<u>3</u>	<u>21,760</u>	<u>2</u>
	Profit	<u>113,208</u>	<u>11</u>	<u>80,769</u>	<u>8</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8341	Exchange differences on translation of foreign financial statements	90,548	9	(23,870)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>90,548</u>	<u>9</u>	<u>(23,870)</u>	<u>(2)</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(76,095)	(8)	16,681	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(76,095)</u>	<u>(8)</u>	<u>16,681</u>	<u>1</u>
8300	Other comprehensive income (loss) for the period, net of tax	<u>14,453</u>	<u>1</u>	<u>(7,189)</u>	<u>(1)</u>
8500	Total comprehensive income for the period	<u>\$ 127,661</u>	<u>12</u>	<u>73,580</u>	<u>7</u>
	Profit attributable to:				
8610	Owners of parent	\$ 113,208	11	80,769	8
8620	Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 113,208</u>	<u>11</u>	<u>80,769</u>	<u>8</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ 127,630	12	73,588	7
8720	Non-controlling interests	<u>31</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
		<u>\$ 127,661</u>	<u>12</u>	<u>73,580</u>	<u>7</u>
	Earnings per share (NT dollars) (Note 6(r))				
9750	Basic earnings per share	<u>\$ 3.34</u>		<u>2.38</u>	
9850	Diluted earnings per share	<u>\$ 3.33</u>		<u>2.38</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
World Known MFG (Cayman) Limited and Subsidiaries

Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Retained earnings						Other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Capital Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements			
Balance at January 1, 2021	\$ 338,990	334,365	9,282	28,021	185,541	222,844	(22,666)	873,533	279	873,812
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	6,857	-	(6,857)	-	-	-	-	-
Special reserve	-	-	-	(5,355)	5,355	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(67,798)	(67,798)	-	(67,798)	-	(67,798)
	-	-	6,857	(5,355)	(69,300)	(67,798)	-	(67,798)	-	(67,798)
Profit for the year	-	-	-	-	80,769	80,769	-	80,769	-	80,769
Other comprehensive income for the year	-	-	-	-	-	-	(7,181)	(7,181)	(8)	(7,189)
Total comprehensive income for the year	-	-	-	-	80,769	80,769	(7,181)	73,588	(8)	73,580
Balance at December 31, 2021	\$ 338,990	334,365	16,139	22,666	197,010	235,815	(29,847)	879,323	271	879,594
Balance at January 1, 2022	\$ 338,990	334,365	16,139	22,666	197,010	235,815	(29,847)	879,323	271	879,594
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	8,077	-	(8,077)	-	-	-	-	-
Special resrve	-	-	-	7,181	(7,181)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(50,849)	(50,849)	-	(50,849)	-	(50,849)
	-	-	8,077	7,181	(66,107)	(50,849)	-	(50,849)	-	(50,849)
Profit for the year	-	-	-	-	113,208	113,208	-	113,208	-	113,208
Other comprehensive income for the year	-	-	-	-	-	-	14,422	14,422	31	14,453
Total comprehensive income for the year	-	-	-	-	113,208	113,208	14,422	127,630	31	127,661
Balance at December 31, 2022	\$ 338,990	334,365	24,216	29,847	244,111	298,174	(15,425)	956,104	302	956,406

See accompanying notes to consolidated financial statements.

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

World Known MFG (Cayman) Limited and Subsidiaries**Consolidated Statements of Cash Flows****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
Cash flows from (used in) operating activities:		
Profit from continuing operations before tax	\$ 145,138	102,529
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	57,732	62,920
Amortization expense	3,038	3,080
Expected credit losses (Reversal gains)	414	(1,870)
Interest expense	4,016	2,372
Interest income	(12,167)	(11,425)
Gain on disposal of property, plant and equipment	(34)	(304)
Allowance for inventory valuation and obsolescence loss (gain on inventory value recoveries)	5,274	(1,176)
Total adjustments to reconcile profit	58,273	53,597
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	1,360	11,339
Increase in accounts receivable	(18,048)	(36,010)
(Increase) decrease in accounts receivable from related parties	(25)	7
Decrease (increase) in other receivables	6,343	(20,894)
Increase in other receivable from related parties	(21)	(19)
Decrease (increase) in inventories	1,875	(87,029)
Decrease (increase) in prepayments	537	(953)
Increase in other current assets	(4,849)	(417)
Total changes in operating assets	(12,828)	(133,976)
Changes in operating liabilities:		
Increase (decrease) in current contract liabilities	5,570	(1,048)
Increase in accounts payable	5,746	12,562
(Decrease) increase in accounts payable to related parties	(10,155)	10,173
Increase in other payables	11,519	11,662
Decrease in other payables to related parties	(101)	(265)
Increase in other current liabilities	8,107	319
Total changes in operating liabilities	20,686	33,403
Total changes in operating assets and liabilities	7,858	(100,573)
Cash inflow generated from operations	211,269	55,553
Interest received	11,880	11,425
Interest paid	(3,914)	(2,344)
Income taxes paid	(15,066)	(25,864)
Net cash flows from operating activities	204,169	38,770
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(88,160)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	44,080	-
Acquisition of property, plant and equipment	(212,551)	(22,852)
Proceeds from disposal of property, plant and equipment	30	304
Acquisition of intangible assets	(848)	(454)
Decrease in payments for business facilities	-	34,176
Increase in other prepayments	-	(49,904)
Increase in prepayments for equipment	(223)	(460)
Decrease (increase) in refundable deposits	814	(925)
Decrease in non-current assets	196	447
Net cash flows used in investing activities	(256,662)	(39,668)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	314,600	153,677
Decrease in short-term loans borrowings	(365,399)	(143,646)
Proceeds from long-term borrowings	207,916	-
Repayments of long-term borrowings	(478)	(1,913)
Repayments of lease liabilities	(7,833)	(7,759)
Cash dividends paid	(50,849)	(67,798)
Net cash flows from (used in) investing activities	97,957	(67,439)
Effect of exchange rate changes on cash and cash equivalents	10,374	(4,612)
Net decrease in cash and cash equivalents	55,838	(72,949)
Cash and cash equivalents at beginning of period	208,677	281,626
Cash and cash equivalents at end of period	\$ 264,515	208,677

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
World Known MFG (Cayman) Limited and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

World Known MFG (Cayman) Limited (the “Company”) was established in the Cayman Islands in November 2015. The main purpose of the establishment was to restructure its group entities for application to list on Taiwan Stock Exchange (“TWSE”) in the Republic of China. The Company became the holding company of Honour Glory International Ltd. (“Honour”) by using acquisition of shares for cash and share swaps with previous shareholders of Honour to restructure the group. The Company’s shares have been listed and traded on the TWSE since March 9, 2020. The Company and its subsidiaries (together referred to as the “Group”) is primarily involved in the manufacturing and selling the energy-saving and carbon-reducing parts of commercial vehicle engine, ADB calipers, rear panels of brake pad, bend pipes and accessories of turbocharger, cases of flywheel, cases of swing arms, exhaust manifolds, braces, core shafts, parts for braking system of wind power generator and processed products of machinery parts for various industries.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2023.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries

Notes to the Consolidated Financial Statements

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(ii) Functional and presentation currency

The Company’s functional currency is United States Dollar(USD). However, to be consistent with the Group, which is listed in the stock market in Taiwan, the operation results and the financial information are translated into and presented in NTD at the reporting date according to IAS21. Consolidated balance sheet is translated into the presentation currency at the exchange rates at the reporting date; Consolidated statement of comprehensive income is translated at the average exchange rate for the current year. Capital transactions and other equity items are translated at the exchange rate at the transaction date, from which the exchange differences are recognized in other comprehensive income. The financial information presented in NTD is expressed in thousands of NTD. The exchange rate for USD to NTD on December 31, 2022 and 2021 are 30.71 and 27.68, respectively. The average exchange rate for USD to NTD for the year 2022 and 2021 is 29.8489 and 27.9983, respectively.

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

As of December 31, 2022 and 2021, the accumulated exchange loss arisen from the conversion from USD, the functional currency, to NTD, the presentation currency, are \$4,992 thousand and \$95,539 thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised of the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases. Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income 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.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Share holding	
			December31, 2022	December31, 2021
The Company	Honour Glory International Ltd. (Honour)	Investing and holding	100%	100%
The Company	World Known Precision Industry Co., Ltd. (WKPT)	Precision Metalworking	100 %	100%
The Company	WKP HITECH USA, INC. (WKP USA)	Merchandise trading	90%	90%
Honour	World Known Precision Industry (Fuzhou) Co., Ltd. (WKPF)	Precision Metalworking	100 %	100 %

(iii) Subsidiaries excluded from the consolidation financial statements: None.

(d) Foreign currency

(i) Foreign currency transaction

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

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

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

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

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

(ii) Foreign operations

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

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

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

(e) **Classification of current and non-current assets and liabilities**

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

- (i) It is expected to be realized, or intended to be sold or consumed, in its normal operating cycle;
- (ii) It is hold primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

- (iv) The asset is cash or a cash equivalent (as defined in IAS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to settle in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) 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.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

1) Financial assets measured at amortized cost

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

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

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

2) Impairment of financial assets

The Group recognizes its loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 120 days (the Group from Taiwan) and 180 days (the Group from China) past due or the debtor is unlikely to fully pay its credit obligations to the Group in full.

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 360 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

3) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instrument

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

4) Derecognition of financial liabilities

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

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

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

5) Offsetting of financial assets and liabilities

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

(h) **Inventories**

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

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

(i) **Property, plant and equipment**

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings and structures	2 ~ 20 years
2) Machinery and equipment	1 ~ 10 years
3) Office equipment	1 ~ 10 years
4) Transportation equipment	1 ~ 10 years
5) Other equipment	1 ~ 20 years

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

(j) Leases

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

(i) As a lessee

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

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

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

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

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

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

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

- there is a change in future lease payments arising from the change in an index or rate;
- there is a change in the Group's estimate of the amount expected to be paid under a residual value guarantee;
- there is a change of its assessment on whether it will exercise an option to purchase the underlying asset;
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an extension or termination option;
- there are any lease modifications.

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

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

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

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

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
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Other intangible assets are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

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

The Group's intangible assets is computer software, which shall be recognized in profit or loss on a straight-line basis over the estimated useful lives 1 to 10 years from the date that they are available for use.

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

(I) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(m) Revenue from contracts with customers

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

(i) Sale of goods

The Group manufactures and sells processed products of machinery parts for various industries. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

(ii) Financing components

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

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Pension funds are recognized according to the labor regulations of the People's Republic of China, these obligations should be recognized as expense in the period they occurred.

(ii) Short-term employee benefits

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

(o) Income taxes

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

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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(p) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(r) Operating segments

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

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic and the Conflict in Ukraine:

(a) The loss allowance of accounts receivable

The Group has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. For relevant assumptions and input values, please refer to note 6(c).

(b) Valuation of inventories

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash and cash on hand	\$ 192	186
Demand deposits	85,263	171,871
Check deposits	23,916	8,940
Time deposits	155,144	27,680
Cash and cash equivalents in the consolidated statement of cash flows	\$ 264,515	208,677

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

(b) Financial assets measured at amortized cost

	December 31, 2022	December 31, 2021
Current		
Certificates of time deposit	\$ 286,519	43,440
Non-current		
Certificates of time deposit	\$ 22,040	217,200

The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost. For credit risk, please refer to note 6(v).

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(c) **Notes and accounts receivable** (including related parties)

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	<u><u>\$ 4,886</u></u>	<u><u>6,246</u></u>
Accounts receivable-measured as amortized cost	193,391	176,132
Accounts receivable from related parties-measured as amortized cost	35	10
Less: Loss allowance	<u>(3,019)</u>	<u>(3,294)</u>
	<u><u>\$ 190,407</u></u>	<u><u>172,848</u></u>

1.The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

2.The loss allowance provision in China was determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 115,930	0.50%	578
1 to 90 days past due	20,784	3.16%	657
91 to 180 days past due	633	67.61%	428
More than 181 days past due	1,247	100%	1,247
	<u><u>\$ 138,594</u></u>		<u><u>2,910</u></u>

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 99,503	1.72%	1,712
1 to 90 days past due	11,650	7.82%	911
91 to 180 days past due	-	-	-
More than 181 days past due	9	100%	9
	<u><u>\$ 111,162</u></u>		<u><u>2,632</u></u>

3.The loss allowance provision in Taiwan was determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 57,382	0.08%	44
1 to 90 days past due	2,336	2.78%	65
91 to 120 days past due	-	-	-
More than 121 days past due	-	-	-
	<u><u>\$ 59,718</u></u>		<u><u>109</u></u>

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	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 64,982	0.26%	166
1 to 90 days past due	6,244	9.55%	596
91 to 120 days past due	-	-	-
More than 121 days past due	-	-	-
	\$ 71,226		762

4. The movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2022	2021
Balance at January 1	\$ 3,394	5,303
Impairment loss reversed	(414)	(1,870)
Effect of movements in exchange rates	39	(39)
Balance at December 31	\$ 3,019	3,394

5. The notes and accounts receivable of the Group had not been pledged as collateral as of December 31, 2022 and 2021.

6. For further credit risk and exchange rate risk information, please refer to note 6(v).

(d) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	\$ 29,157	35,213
Other receivables-Related parties	138	117
	\$ 29,295	35,330

None of the other receivables of the Group has past due as of December 31, 2022 and 2021. There is no impairment recognized in year ended December 31, 2022 and 2021.

Other receivables are mainly receivables for molds and costs of insurance and freight. For further credit risk information, please refer to note 6(v).

(e) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 198,661	194,428
Work in progress	63,720	68,086
Raw materials	29,743	37,843
Supplies	7,624	6,540
	\$ 299,748	306,897

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The details of inventory loss (profit) were as follows :

	For the year ended December 31,	
	2022	2021
Inventory valuation and obsolescence loss (Gain on Inventory value recoveries)	\$ 5,274	(1,176)
Gain of inventory shortage	(3)	(46)
Loss on disposal of inventory	110	176
Gain on disposal of leftover bits and pieces	(7,036)	(8,369)
Operating costs recognized	<u>\$ (1,655)</u>	<u>(9,415)</u>

As of December 31, 2022 and 2021, the Group did not provide any inventories as collateral for its loans.

(f) Property, plant and equipment

The cost, and depreciation of the property, plant and equipment of the Group in 2022 and 2021, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Total
Cost or deemed cost:						
Balance on January 1, 2022	\$ -	147,101	481,649	8,594	58,146	695,490
Additions	202,401	292	5,494	95	1,830	210,112
Disposal	-	(1,438)	(13,085)	(61)	(47)	(14,631)
Reclassification	49,904	-	80	-	-	49,984
Effect of movements in exchange rates	-	2,035	5,137	72	528	7,772
Balance on December 31, 2022	<u>\$ 252,305</u>	<u>147,990</u>	<u>479,275</u>	<u>8,700</u>	<u>60,457</u>	<u>948,727</u>
Balance on January 1, 2021	\$ -	147,800	472,890	8,896	56,440	686,026
Additions	-	390	18,780	48	2,519	21,737
Disposal	-	(39)	(8,356)	(311)	(917)	(9,623)
Reclassification	-	-	972	-	375	1,347
Effect of movements in exchange rates	-	(1,050)	(2,637)	(39)	(271)	(3,997)
Balance on December 31, 2021	<u>\$ -</u>	<u>147,101</u>	<u>481,649</u>	<u>8,594</u>	<u>58,146</u>	<u>695,490</u>
Depreciation loss:						
Balance on January 1, 2022	\$ -	71,908	348,164	6,695	31,710	458,477
Depreciation for the year	-	9,251	33,338	608	5,935	49,132
Disposal	-	(1,438)	(13,085)	(61)	(47)	(14,631)
Effect of movements in exchange rates	-	989	4,014	60	307	5,370
Balance on December 31, 2022	<u>\$ -</u>	<u>80,710</u>	<u>372,431</u>	<u>7,302</u>	<u>37,905</u>	<u>498,348</u>
Balance on January 1, 2021	\$ -	62,376	321,243	6,309	26,404	416,332
Depreciation for the year	-	10,021	37,227	728	6,363	54,339
Disposal	-	(39)	(8,356)	(311)	(917)	(9,623)
Effect of movements in exchange rates	-	(450)	(1,950)	(31)	(140)	(2,571)
Balance on December 31, 2021	<u>\$ -</u>	<u>71,908</u>	<u>348,164</u>	<u>6,695</u>	<u>31,710</u>	<u>458,477</u>

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	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Total
Carrying amounts:						
Balance on December 31, 2022	\$ 252,305	67,280	106,844	1,398	22,552	450,379
Balance on January 1, 2021	\$ -	85,424	151,647	2,587	30,036	269,694
Balance on December 31, 2021	\$ -	75,193	133,485	1,899	26,436	237,013

As of December 31, 2022 and 2021, the property, plant and equipment of the Group had been pledged as collateral for borrowings. Please refer to note 8.

(g) Right-of-use assets

The Group leases many assets including land and buildings. Information about leases for which the Group as a lessee was presented below:

	Land	Buildings and construction	Transportation equipment	Total
Cost:				
Balance at January 1, 2022	\$ 20,817	59,385	2,733	82,935
Additions	-	4,220	-	4,220
Effect of movement in exchange rate	307	998	-	1,305
Balance at December 31, 2022	\$ 21,124	64,603	2,733	88,460
Balance at January 1, 2021	\$ 20,975	63,849	-	84,824
Additions	-	-	2,733	2,733
Disposals	-	(4,201)	-	(4,201)
Effect of movement in exchange rate	(158)	(263)	-	(421)
Balance at December 31, 2021	\$ 20,817	59,385	2,733	82,935
Accumulated depreciation losses:				
Balance at January 1, 2022	\$ 1,589	16,798	547	18,934
Depreciation for the year	539	7,514	547	8,600
Effect of movement in exchange rate	22	324	-	346
Balance at December 31, 2022	\$ 2,150	24,636	1,094	27,880
Balance at January 1, 2021	\$ 1,067	13,553	-	14,620
Depreciation for the year	529	7,505	547	8,581
Disposals	-	(4,201)	-	(4,201)
Effect of movement in exchange rate	(7)	(59)	-	(66)
Balance at December 31, 2021	\$ 1,589	16,798	547	18,934
Carrying amount:				
Balance at December 31, 2022	\$ 18,974	39,967	1,639	60,580
Balance at January 1, 2021	\$ 19,908	50,296	-	70,204
Balance at December 31, 2021	\$ 19,228	42,587	2,186	64,001

As of December 31, 2022 and 2021, the right-of-use assets of the Group had been pledged as collateral for borrowings, please refer to note 8. The Group leased factories and offices from related parties, please refer to Note 7.

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(h) Intangible assets

The costs and amortization of the intangible assets of Group in 2022 and 2021 were as follows:

	Computer Software	Goodwill	Total
Costs:			
Balance at January 1, 2022	\$ 19,291	194	19,485
Additions	848	-	848
Effect of movement in exchange rates	323	21	344
Balance at December 31, 2022	<u><u>\$ 20,462</u></u>	<u><u>215</u></u>	<u><u>20,677</u></u>
Balance at January 1, 2021	\$ 18,970	200	19,170
Additions	454	-	454
Effect of movement in exchange rates	(133)	(6)	(139)
Balance at December 31, 2021	<u><u>\$ 19,291</u></u>	<u><u>194</u></u>	<u><u>19,485</u></u>
Amortization Loss:			
Balance at January 1, 2022	\$ 11,906	-	11,906
Amortization for the year	3,038	-	3,038
Effect of movement in exchange rates	242	-	242
Balance at December 31, 2022	<u><u>\$ 15,186</u></u>	<u><u>-</u></u>	<u><u>15,186</u></u>
Balance at January 1, 2021	\$ 8,905	-	8,905
Amortization for the year	3,080	-	3,080
Effect of movement in exchange rates	(79)	-	(79)
Balance at December 31, 2021	<u><u>\$ 11,906</u></u>	<u><u>-</u></u>	<u><u>11,906</u></u>
Carrying value:			
Balance at December 31, 2022	<u><u>\$ 5,276</u></u>	<u><u>215</u></u>	<u><u>5,491</u></u>
Balance at January 1, 2021	<u><u>\$ 10,065</u></u>	<u><u>200</u></u>	<u><u>10,265</u></u>
Balance at December 31, 2021	<u><u>\$ 7,385</u></u>	<u><u>194</u></u>	<u><u>7,579</u></u>

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(i) Amortization expense

The following amortizations of intangible assets in 2022 and 2021 are included in the statement of comprehensive income:

	2022	2021
Operating cost	\$ 921	848
Operating expense	2,117	2,232
	\$ 3,038	3,080

(ii) Collateral

As of December 31, 2022 and 2021, the Group has no collateral in respect of intangible assets.

(i) **Other current assets and other non-current assets**

The other current assets and other non-current assets of the Group were as follows:

	December 31, 2022	December 31, 2021
Other current assets:		
Prepaid expense	\$ 2,574	3,355
Overpaid sales tax	5,915	5,512
Prepaid borrowings	961	812
Other current assets - other	6,337	1,796
	\$ 15,787	11,475
	December 31, 2022	December 31, 2021
Other non-current assets:		
Prepaid for equipment	\$ 611	468
Prepaid for land	-	49,904
Refundable deposits	1,294	2,108
Other non-current assets-other	553	749
	\$ 2,458	53,229

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(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ <u>50,000</u>	<u>98,266</u>
Unused credit Lines	\$ <u>114,080</u>	<u>98,440</u>
Range of interest rates	<u>1.98%~2.225%</u>	<u>1.307%~1.6%</u>

Assets of the Group had not been pledged as collateral for borrowings.

(k) Other payables

	December 31, 2022	December 31, 2021
Payables on salaries	\$ 48,133	33,403
Payables on insurance and pension	26,273	25,492
Payables for plant and equipment	875	3,314
Others	<u>55,547</u>	<u>59,437</u>
	\$ <u>130,828</u>	<u>121,646</u>

(l) Other current liabilities

The other current liability were summarized as follows:

	December 31, 2022	December 31, 2021
Temporary receipts	6,904	4,309
Others	<u>6,576</u>	<u>1,064</u>
	\$ <u>13,480</u>	<u>5,373</u>

(m) Long-term borrowings

The details were as follows:

	December 31, 2022		
	Rate	Maturity Day	Amount
Secured bank loans	0.58%~1.65%	2028.8.16 ~2029.7.21	\$ 207,916
Less: Current portion			<u>(25,893)</u>
			\$ <u>182,023</u>
Unused long-term credit lines			\$ <u>190,164</u>

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	December 31, 2021		
	Rate	Maturity Day	Amount
Secured bank loans	1.645%	2022.3.24	\$ 478
Less: Current portion			(478)
			<u>\$ -</u>
Unused long-term credit lines			<u>\$ -</u>

Assets of the Group had been pledged as collateral for borrowings, please refer to note 8.

(n) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	<u>\$ 7,894</u>	<u>6,285</u>
Non-current	<u>\$ 35,054</u>	<u>39,586</u>

For the maturity analysis, please refer to note 6(v). For the Group leased factory and buildings from related party, please refer to note 7.

The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest on lease liabilities	<u>\$ 855</u>	<u>929</u>
Expenses relating to short-term leases	<u>\$ 823</u>	<u>643</u>

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Total cash outflow for leases	<u>\$ 9,511</u>	<u>9,331</u>

(i) Real estate leases

Respectively in January 2022 and March and May 2019, the Group leases land and buildings for its factory and office space. The leases of factory and office space typically run for 3 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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(ii) Other leases

The Group leases lease with lease terms of one year, these leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) **Employee benefits**

According to law of the People's Republic of China, WKPF contributed pension insurance \$3,345 thousand and \$3,374 thousand for 2022 and 2021, respectively. Provision on insurance pension payable is recognized on other payable and the balance is \$15,595 thousand and \$15,156 thousand on December 31, 2022 and 2021, respectively.

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

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to \$2,226 thousand and \$2,264 thousand for the years ended December 31, 2022 and 2021, respectively.

(p) **Income taxes**

(i) WKPT local profit-seeking income tax rate is 20%. WKPF is a foreign investment in People's Republic of China, tax is calculated based on "Enterprise Income Tax Law of the People's Republic of China". On December 1, 2020, WKPF acquired high-tech enterprise authenticated certificate, which is applicable to the preferential enterprise tax rate of 15% (originated 25% tax rate), started from the day of acquisition for three years.

(ii) Income tax expense

The components of income tax in the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense:		
Current period	\$ 37,710	28,557
Changes in deferred tax expense in prior periods	<u>(5,880)</u>	<u>(3,382)</u>
	<u>31,830</u>	<u>25,175</u>
Deferred tax expense :		
Origination and reversal of temporary differences	<u>100</u>	<u>(3,415)</u>
	<u>\$ 31,930</u>	<u>21,760</u>

No income tax is recognized in equity and other comprehensive income in 2022 and 2021.

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Reconciliation of income tax and profit before tax 2022 and 2021 is as follows:

	2022	2021
Profit before income tax	<u><u>\$ 145,138</u></u>	<u><u>102,529</u></u>
Income tax using the Company's tax rate	25,396	17,609
Others income tax adjustments	3,776	154
Changes in income tax in prior periods	(5,880)	(3,382)
Changes in deferred tax in prior periods	(65)	42
Income tax for repatriation of overseas earnings	8,642	7,311
Changes in unrecognized temporary differences	<u>61</u>	<u>26</u>
	<u><u>\$ 31,930</u></u>	<u><u>21,760</u></u>

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

	December 31, 2022	December 31, 2021
Provision of insurance and pension for WKPF	<u><u>\$ 3,941</u></u>	<u><u>3,824</u></u>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets:

	Exceed of allowance of bad debt expense	Allowance of inventory valuation loss	The carryforward of unused tax losses	Others	Total
Balance at January 1, 2022	\$ 75	434	3,608	322	4,439
Recognized profit or loss	-	183	(344)	61	(100)
Balance at December 31, 2022	<u><u>\$ 75</u></u>	<u><u>617</u></u>	<u><u>3,264</u></u>	<u><u>383</u></u>	<u><u>4,339</u></u>
Balance at January 1, 2021	\$ -	583	194	247	1,024
Recognized profit or loss	75	(149)	3,414	75	3,415
Balance at December 31, 2021	<u><u>\$ 75</u></u>	<u><u>434</u></u>	<u><u>3,608</u></u>	<u><u>322</u></u>	<u><u>4,439</u></u>

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(iv) Assessment of tax

The Company does not need to pay tax or declare income tax due to local law in the country registered.

WKPF's tax returns for the years through 2021 were assessed by the local tax administration; WKPT's tax returns for the years through 2019 were assessed by the Taipei National Tax Administration.

(q) **Capital and other equity**

As of December 31, 2022 and 2021, the Company's authorized ordinary shares each amounted to \$600,000 thousand with a par value of \$10 per share and a total of 60,000 thousand shares. All shares are ordinary shares. As of that date, 33,899 thousand shares were issued. All issued shares were paid up upon issuance.

(i) Capital Surplus

The balance of capital surplus was as following:

	December 31, 2022	December 31, 2021
Additional paid in capital	\$ 237,942	237,942
Difference arising from subsidiary's share price and its carrying value	96,423	96,423
	\$ 334,365	334,365

(ii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits (including deficits and undistributed retained earnings for prior years, if any), pay income taxes, 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve, in accordance with applicable laws and regulations, shall also be set aside. Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. The cash dividends shall not be more than 10% of total dividends.

The Company is now in growing phase, dividend distribution should consider capital expenditure, plan for future expansion, financial plan or other plan for the need of sustainable growth. Dividend and can be paid in cash or(and) stock to stockholders.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash.

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2) Special reserve

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

3) Earnings distribution

Earnings distribution for 2021 and 2020 was decided by the resolution adopted, at the general meeting of shareholders held on 9 June 2022 and 5 August 2021 respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to common shareholders:				
Cash	\$ 1.5	<u>50,849</u>	2.0	<u>67,798</u>

On 24 March, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	2022	
	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to common shareholders:		
Cash	\$ 2.5	<u>84,748</u>

(iv) Other equity interests (net-of-taxes)

	<u>Exchange differences on translation of foreign financial statements</u>
Balance at January 1, 2022	\$ (29,847)
Exchange differences on foreign operations	<u>14,422</u>
Balance at December 31, 2022	<u><u>\$ (15,425)</u></u>
Balance at January 1, 2021	\$ (22,666)
Exchange differences on foreign operations	<u>(7,181)</u>
Balance at December 31, 2021	<u><u>\$ (29,847)</u></u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(r) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share for years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Basic earnings per share		
Profit of the Company for the year	\$ <u>113,208</u>	<u>80,769</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>33,899</u>	<u>33,899</u>
	\$ <u>3.34</u>	<u>2.38</u>
Diluted earnings per share		
Profit of the Company for the year	\$ <u>113,208</u>	<u>80,769</u>
Weighted-average number of outstanding ordinary shares (in thousands)	33,899	33,899
Effect of employee share bonus	<u>120</u>	<u>61</u>
Weighted-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	<u>34,019</u>	<u>33,960</u>
	\$ <u>3.33</u>	<u>2.38</u>

(s) **Revenue from contracts with customers**

(i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
<u>Primary geographical markets</u>		
America	\$ 388,862	402,049
Asia	464,580	405,989
Other countries	<u>169,392</u>	<u>196,224</u>
	\$ <u>1,022,834</u>	<u>1,004,262</u>
<u>Major products</u>	<u>2022</u>	<u>2021</u>
Automotive parts	\$ 755,101	760,712
Green energy parts	26,868	42,286
Others	<u>240,865</u>	<u>201,264</u>
	\$ <u>1,022,834</u>	<u>1,004,262</u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liability	<u>\$ 6,166</u>	<u>596</u>	<u>1,644</u>

The amount of revenue recognized for the year ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$232 thousand and \$415 thousand respectively.

(t) **Employee compensation and directors' remuneration**

In accordance with the articles of incorporation, the Company should contribute 1% to 8% of the profit as employee compensation and less than 5% as directors' and supervisors' remuneration when there is profit for the year. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by of the Board of Directors with over two-third attendance and over half of the agreements. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit before the distribution of the compensation and remuneration. The distribution plan proposed by the Board of Directors should be submitted to the stockholders' meeting for approval. Except from regulations for listing companies, directors' and supervisors' remuneration should not grant by issuing stocks. "Profit" as mentioned above, is income before income tax and distribution of directors' and supervisors' remuneration.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$3,889 thousand and \$1,832 thousand and directors' remuneration amounting to \$3,889 thousand and \$2,750 thousand respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022 and 2021.

(u) **Non-operating income and expenses**

(i) Interest income

The details of interests income for the years 2022 and 2021 were as follows:

	2022	2021
Interests income — bank deposits	<u>\$ 12,167</u>	<u>11,425</u>

(ii) Other income

The details of other income for the years 2022 and 2021 were as follows:

	2022	2021
Subsidy income	\$ 6,316	2,311
Other income — other	<u>2,178</u>	<u>4,264</u>
	<u>\$ 8,494</u>	<u>6,575</u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses for the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Foreign exchange gains (losses)	\$ 19,058	(11,112)
Gains (losses) on disposals of property, plant and equipment	34	304
Others	-	(261)
	<u>\$ 19,092</u>	<u>(11,069)</u>

(iv) Finance costs

The details of finance costs for the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest expense — bank loan	\$ 3,161	1,443
Interest expense — lease liabilities	855	929
	<u>\$ 4,016</u>	<u>2,372</u>

(v) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The Group are concentrated in medical instruments market. To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. It also periodically assesses the recoverability of the trade receivable and recognizes an allowance for impairment. The impairment loss is within management's expectation. As of December 31, 2022 and 2021, 55% and 51%, respectively, of accounts receivable were derived from several major customers. Thus, the credit risk is significantly centralized.

3) Receivables securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(c). Other financial assets at amortized cost includes other receivables, refundable deposits and other financial assets.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, without the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 year</u>	<u>2-5 year</u>	<u>Over 5 year</u>
December 31, 2022						
Non-derivative financial liabilities						
Secured bank loans	\$ 207,916	225,345	28,727	4,050	11,997	180,571
Unsecured bank loans	50,000	50,036	50,036	-	-	-
Accounts and notes payable (including related parties)	183,332	183,332	183,332	-	-	-
Other payables (including related parties)	132,365	132,365	132,365	-	-	-
Lease liabilities	42,948	45,295	8,610	8,610	20,373	7,702
	<u><u>\$ 616,561</u></u>	<u><u>636,373</u></u>	<u><u>403,070</u></u>	<u><u>12,660</u></u>	<u><u>32,370</u></u>	<u><u>188,273</u></u>
December 31, 2021						
Non-derivative financial liabilities						
Secured bank loans	\$ 478	478	478	-	-	-
Unsecured bank loans	98,266	98,849	98,849	-	-	-
Accounts and notes payable (including related parties)	187,745	187,745	187,745	-	-	-
Other payables (including related parties)	123,284	123,284	123,284	-	-	-
Lease liabilities	45,871	48,972	7,085	7,085	20,685	14,117
	<u><u>\$ 455,644</u></u>	<u><u>459,328</u></u>	<u><u>417,441</u></u>	<u><u>7,085</u></u>	<u><u>20,685</u></u>	<u><u>14,117</u></u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>	<u>Foreign currency</u>	<u>Exchange Rates</u>	<u>Foreign currency</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 7,046	30.71	216,383	4,498	27.68	124,508
JPY	117,382	0.2324	27,280	117,612	0.2405	28,286
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	421	30.71	12,929	520	27.68	14,405

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 0.5% of the TWD against the USD and JPY as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by \$1,154 thousand and \$692 thousand respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$19,058 thousand and \$(11,112) thousand respectively.

(iv) Interest rate analysis

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

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

If the interest rate increases/decreases by 0.5%, with all other variable factors remaining constant, the Group's net income would have decreased/increased by \$1,290 thousand and \$494 thousand for the years ended December 31, 2022 and 2021, respectively. This is mainly due to the Group's borrowings in variable rates.

(v) Fair value of financial instruments

1) Categories and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required:

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World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2022					
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 264,515	-	-	-	-
Notes and accounts receivable and other receivables (including related parties)	224,588	-	-	-	-
Certificate of time deposit	308,559	-	-	-	-
Refundable deposits	1,294	-	-	-	-
Total	<u>\$ 798,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 50,000	-	-	-	-
Notes and accounts payable (including related parties)	315,697	-	-	-	-
Long-term borrowings (including current portion)	207,916	-	-	-	-
Lease liabilities-current and non-current	42,948	-	-	-	-
Total	<u>\$ 616,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

December 31, 2021					
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 208,677	-	-	-	-
Notes and accounts receivable and other receivables (including related parties)	214,324	-	-	-	-
Certificate of time deposit	260,640	-	-	-	-
Refundable deposits	2,108	-	-	-	-
Total	<u>\$ 685,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 98,266	-	-	-	-
Notes and accounts payable (including related parties)	311,029	-	-	-	-
Long-term borrowings (including current portion)	478	-	-	-	-
Lease liabilities-current and non-current	45,871	-	-	-	-
Total	<u>\$ 455,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

2) Valuation techniques of financial instruments not measured at fair value

The Group estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

If there is quoted price generated by transactions for financial liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Transfer between Level 1 and Level 2

There were no transfers from one level to another level in 2022 and 2021.

(w) Financial risk management

(i) Overview

The Group is exposed to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

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

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk.

The Group established a credit evaluation policy. In addition to the publicly available financial information to analyze the new customers and give them credit ratings, the Group also assess the financial status and actual collection situation of the current customers to monitor credit risk and the counterparty's credit ratings continuously. The credit limits for each counterparty are approved and reviewed annually by the Group.

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

2) Investments

The exposure to credit risk for bank deposits and fixed income investments is measured and monitored by the Group's finance department. The Group only deals with banks, corporate organizations and financial institutions with good credit rating. The Group does not expect any of the counterparties mentioned above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

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

Loans and borrowings from the bank is an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group's unused credit lines were amounted to \$114,080 thousand and \$98,440 thousand respectively.

(v) Market risk

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

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily USD、CNY and NTD. The currencies used in these transactions are the USD, CNY, NTD, JPY, and EUR.

Loan interest is denominated in the currency of the loan. In general, the currency of the borrowing is the same as the currency of the cash flow generated by each operating location of the Group, which is mainly NTD, CNY, and USD. In this case, economic hedging is without need to sign derivatives, so hedging accounting is not adopted.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group adopts a policy of ensuring its exposure to changes in interest rates on borrowings is on a combination of fixed-rate and float-rate basis. This is achieved by using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates. The Group evaluates its hedge activity in a fix period, in order to keep the interest rate preference unchanged and ensure the most cost efficient hedge strategy is used.

(x) **Capital management**

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

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

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

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

As of December 31, 2022, the Group's capital management strategy is consistent with the prior year as of December 31, 2021. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, is as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 680,043	488,680
Less: Cash and cash equivalents	<u>264,515</u>	<u>208,677</u>
Net debt	415,528	280,003
Total equity	<u>956,406</u>	<u>879,594</u>
Adjusted equity	<u>\$ 1,371,934</u>	<u>1,159,597</u>
Debt-to-equity ratio	<u>30.29%</u>	<u>24.15%</u>

(y) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, the acquisition of right-of-use assets through lease, please refer to note 6(g).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2022		Non-cash changes		December 31, 2022
		Cash flows	Acquisition	Foreign exchange movement	
Long-term borrowings	\$ 478	207,438	-	-	207,916
Short-term borrowings	98,266	(50,799)	-	2,533	50,000
Lease liability	<u>45,871</u>	<u>(7,833)</u>	<u>4,220</u>	<u>690</u>	<u>42,948</u>
Total liabilities from financing activities	<u>\$ 144,615</u>	<u>148,806</u>	<u>4,220</u>	<u>3,223</u>	<u>300,864</u>

	January 1, 2021		Non-cash changes		December 31, 2021
		Cash flows	Acquisition	Foreign exchange movement	
Long-term borrowings	\$ 2,391	(1,913)	-	-	478
Short-term borrowings	89,272	10,031	-	(1,037)	98,266
Lease liability	<u>51,106</u>	<u>(7,759)</u>	<u>2,733</u>	<u>(209)</u>	<u>45,871</u>
Total liabilities from financing activities	<u>\$ 142,769</u>	<u>359</u>	<u>2,733</u>	<u>(1,246)</u>	<u>144,615</u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
World Known MFG Co., Ltd. (WKP Taiwan)	Same president with the Company
Ancient Enterprise Corp. (Ancient)	Same president with the Company

(b) Significant related-party transactions

(i) Sales

The amounts of significant sales by the Group to its related parties were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties - WKP Taiwan	\$ <u>50</u>	<u>19</u>

The sales price of the Group to its related parties is not materially different from those to other sales. The collection terms for sales to related parties were month-end 30 to 120 days, which were not materially different from those of the third parties.

(ii) Purchases

The amounts of significant purchases and payables by the Group from its related parties were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties - WKP Taiwan	\$ <u>75,838</u>	<u>98,361</u>

The purchases price of the Group to its related parties is not materially different from those to other purchases. The payment terms for purchases to related parties were month-end 30 to 90 days, which were not materially different from those given by other vendors.

(iii) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Accounts receivable	Other related parties-WKP Taiwan	\$ <u>35</u>	<u>10</u>
Other receivables	Other related parties-WKP Taiwan	\$ <u>138</u>	<u>117</u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(iv) Payables to related parties

The payable to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Accounts payable	Other related parties-WKP Taiwan	\$ <u>22,832</u>	<u>32,987</u>
Other payables	Other related parties-WKP Taiwan	\$ 1,411	1,512
	Other related parties-Ancient	126	126
		<u>\$ 1,537</u>	<u>1,638</u>

(v) Leases

In March and May 2019, the Group leased factory and office from other related party-WKP Taiwan, respectively. Ten-year and nine-year ten-month lease contract was signed respectively, in which the rental fee is determined based on nearby rental rates. For the year ended December 31, 2022 and 2021, the Group recognized the amount of \$769 thousand and \$875 thousand as interest expense. As of December 31, 2022 and 2021, the balance of lease liabilities amounted to \$38,448 thousand and \$43,667 thousand.

The Group leased factory from other related party-Ancient in January 2022 and January 2019, respectively. Three-year contract was signed respectively, in which the rental fee is determined based on nearby rental rates. For the year ended December 31, 2022 and 2021, the Group recognized the amount of \$55 thousand and \$14 thousand as interest expense. As of December 31, 2022 and 2021, the balance of lease liability amounted to \$2,834 thousand and \$0.

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	2022	2021
Short-term employee benefits	\$ 17,073	19,695
Post-employment benefits	293	295
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>\$ 17,366</u>	<u>19,990</u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	Long-term borrowings	\$ 252,305	-
Right-of-use assets - land	Long-term and short-term borrowings	5,115	5,191
Property, plant and equipment	long-term borrowings	18,093	41,587
		<u>\$ 275,513</u>	<u>46,778</u>

(9) Commitments and contingencies:

In February 4th 2021, WKPT purchases an industrial land from Chaiyi County Government for \$249,518 thousand and 1% for the Park administration fund for \$2,495 thousand, aggregate of \$252,013 thousand, in order to build a new plant in MaChouHou Industrial park. As of December 31, 2022 and 2021, and \$0 and \$202,109 thousand has not been paid, respectively.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
By item						
Employee benefits						
Salary	83,273	62,617	145,890	87,703	55,450	143,153
Labor and health insurance	5,568	2,033	7,601	5,681	1,836	7,517
Pension	3,834	1,737	5,571	3,899	1,739	5,638
Others	1,547	1,300	2,847	1,981	1,813	3,794
Depreciation	49,164	8,568	57,732	52,529	10,391	62,920
Amortization	921	2,117	3,038	848	2,232	3,080

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WORLD KNOWN MFG (CAYMAN) LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions, required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2022 (excluding those investments in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired, or disposed, with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
WKPT	Land	2021.02.04	252,305	As of December 31, 2022, Full payment has been paid	Chiayi County Government	None	N/A	N/A	N/A	-	Public Bidding	Extend the buildings	None

- (vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
WKPT	WKP Taiwan	Other related party	Purchases	75,838	16 %	90days	Note	90days	(22,832)	12%	

Note : Price is calculated according to agreements between both parties.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship (Note2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	WKPT	WKPF	3	Purchases	5,147	Price is calculated according to agreements between both parties	0.50%
1	WKPT	WKPF	3	Accounts payable	6,640	Normal payment period	0.41%

Note1 : The number filled in as follows:

- 1) 0 represents the company.
- 2) Subsidiaries are sorted in a numerical order starting from 1.

Note2 : Transactions labeled as follows:

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

(Continued)

WORLD KNOWN MFG (CAYMAN) LIMITED AND SUBSIDIARIES
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(b) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China):

(In thousands of shares /
In thousands of New Taiwan Dollars or Foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee (Note 3)	Share of profits/losses of investee (Note 3)	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value (Note 2)			
The Company	Honour	Samoa	Investment	USD 11,521 (NTD363,510)	USD 11,521 (NTD363,510)	6,521	100 %	USD 25,185 (NTD773,443)	USD 4,865 (NTD145,229)	USD 4,865 (NTD145,229)	Note 1
The Company	WKPT	Taiwan	Manufacture of precision casting processing	160,000	160,000	16,000	100 %	163,861	574	574	Note 1
The Company	WKP USA	USA	General trading business	USD 90 (NTD2,678)	USD 90 (NTD2,678)	90	90 %	USD 89 (NTD2,722)	-	-	Note 1

Note1 : Has been write off when preparing consolidated financial statements.

Note2 : Exchange rate for USD to NTD is 30.71 on December 31, 2022.

Note3 : Exchange rate for USD to NTD is 29.8489 in year 2022 on average.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, their main businesses and products, and other information:

(In Thousands of New Taiwan Dollars or foreign currencies)

Name of investee	Main businesses and products	Total amount of capital surplus (Note 3)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022 (Note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022 (Note 3)	Percentage of ownership	Net income (losses) of the investee (Note 3)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow					
WKPF	Manufacture of precision casting processing	USD 8,500 (NTD252,620)	Note 1	-	-	-	USD 4,866 (NTD145,239)	100.00%	USD 4,866 (NTD145,239)	USD 25,182 (NTD773,335)	-

Note1 : Investments are made through setting up a company in the third country then invest to Mainland China.

Note2 : Exchange rate of USD to TWD is 30.71 on December 31, 2022.

Note3 : Exchange rate of USD to TWD is 29.8489 in year 2022 on average.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Note 1	Note 1	Note 1

Note 1: The Company is an offshore company, which is not applicable of the limits in "Regulations Governing the Examination of investment or Technical Cooperation in Mainland China".

(iii) Significant transactions:

The significant inter-company transactions in year 2022 and 2021 with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the "Information on significant transactions" and "Business relationships and significant intercompany transactions".

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
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(d) Major shareholders

Shareholder's name	Shareholding	Shares	Precentage
Germander Group Limited		4,230,000	12.47 %
Lavender Hill Limited		2,730,000	8.05 %
Lu, Huang-Fu		2,402,000	7.08 %
AmtrustInvestment Consulting Corp		2,000,000	5.89 %
E. SUN Commercial Bank, LTD. in custody for GREATER MATRIX Limited		1,813,000	5.34 %

- (i) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.
- (ii) If share are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information

(a) General information

The Group is primarily involved in the manufacturing and selling the energy-saving and carbon-reducing parts of commercial vehicle engine, ADB calipers, rear panels of brake pad, bend pipes and accessories of turbocharger, cases of flywheel, cases of swing arms, exhaust manifolds, braces, core shafts, parts for braking system of wind power generator and processed products of machinery parts for various industries. Reportable segment contains only precision casting processing department, offering products and manage related technologies and marketing strategies.

(b) Information about reportable segments and their measurement and reconciliations.

The Group uses internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit after taxation. Gain or loss of reportable segments include depreciation and amortization, tax expense (profit), non-recurring profit or loss and other significant non-cash items. The reportable amount is similar to that in the report used by chief operating decision maker. The operating segment accounting policies are similar to those described in note4. The Group's information of segment is similar to financial report, please refer to balance sheet and statements of comprehensive income.

(Continued)

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(c) Production information

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

<u>Product</u>	<u>2022</u>	<u>2021</u>
Automotive parts	\$ 755,101	760,712
Green energy parts	26,868	42,286
Others	<u>240,865</u>	<u>201,264</u>
	<u><u>\$ 1,022,834</u></u>	<u><u>1,004,262</u></u>

(d) Geographical information

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

Revenue from the external customers:

<u>Region</u>	<u>2022</u>	<u>2021</u>
America	\$ 388,862	402,049
Asia	464,580	405,989
Other countries	<u>169,392</u>	<u>196,224</u>
	<u><u>\$ 1,022,834</u></u>	<u><u>1,004,262</u></u>

Non-current assets:

<u>Region</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
China	\$ 156,343	181,457
Other countries	<u>362,565</u>	<u>180,365</u>
	<u><u>\$ 518,908</u></u>	<u><u>361,822</u></u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, excluding financial instruments and deferred tax assets.

(e) Major customers' information

<u>Customer</u>	<u>2022 Amount</u>	<u>2021 Amount</u>
From Precision Casting processing department— Customer A	\$ 348,333	322,028
From Precision Casting processing department— Customer B	<u>17,393</u>	<u>36,683</u>
Total	<u><u>\$ 365,726</u></u>	<u><u>358,711</u></u>