

**TEN REN TEA CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

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

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2023 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

TEN REN TEA CO., LTD.

Chairman: Kuo-Lin Lee

March 13, 2024

Independent Auditors' Report Translated from Chinese

To Ten Ren Tea Co., Ltd.

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory management

As of December 31, 2023, the Group's net inventories amounted to NT\$308,988 thousand, accounting for 13% of total assets, which are significant to the consolidated financial statements. As products are sold through multiple stores and numerous inventory items are distributed across multiple warehouses and stores, we consider the management and control over inventory quantities as a key audit matter.

The audit procedures we performed included but not limited to: understanding the internal control over the management of inventory quantities; reviewing the inventory counting plan, including the control for cut-off for receiving and shipping of goods and the control for the inventory movement during physical inventory count period; selecting major storage locations to perform on-site observation of physical inventory counts to verify the quantities and status of inventories; comparing quantities counted with quantities booked to ensure the accuracy and completeness of inventory quantities.

We also evaluated the adequacy of disclosure of inventories. Please refer to Note 6 of the Group's consolidated financial statements.

Revenue recognition – accuracy and completeness of retail sales revenue

For the year ended December 31, 2023, the Group recognized revenue in the amount of NT\$ 2,110,338 thousand. As products are sold through multiple retail stores, their daily sales records are collected and summarized through the point-of-sale (POS) system, and transaction details are generated simultaneously and transferred to the accounting system to make relevant accounting entries. As retail sales are made directly to customers comprising of voluminous number of transactions, we consider the accuracy and completeness of retail sales revenue as a key audit matter.

The audit procedures we performed included but are not limited to: understanding and testing the effectiveness of general computer control environment related to the POS system; selecting samples to check whether the merchandise master file data in the POS system is properly maintained and approved by authorized personnel; examining scheduling of uploading data and transferring data between systems; selecting samples to check whether detail of daily cash receipt report of each retail stores is consistent with sales revenue ledger to ensure sales revenue generated from retail stores are accurate and complete.

We also evaluated the adequacy of disclosure of revenue. Please refer to Note 6 of the Company's consolidated financial statements.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Group, 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 audit committee, are responsible for overseeing the financial reporting process of the Group.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group. 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 accompanying notes, 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 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

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

Lu, Chian Uen

Liu, Hui Yuan

Ernst & Young, Taiwan

March 13, 2024

Notice to Readers

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TEN REN TEA CO., LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2023 and December 31, 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022	
Contents	Notes	Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4 and 6.(1)	\$172,657	8	\$200,226	9
Financial assets measured at amortized cost – current	4, 6.(2) and 8	17,829	1	9,765	-
Notes receivable, net	4, 6.(5) and 7	4,000	-	5,523	-
Accounts receivable, net	4 and 6.(6)	195,197	8	184,274	8
Accounts receivable–related parties, net	4, 6.(6) and 7	24,622	1	33,058	1
Other receivables		2,175	-	493	-
Inventories	4 and 6.(7)	308,988	13	279,522	12
Prepayments		4,270	-	4,802	-
Other current assets		2,089	-	1,461	-
Total current assets		731,827	31	719,124	30
Non-current assets					
Financial assets at fair value through profit or loss – non-current	4 and 6.(3)	-	-	-	-
Financial assets at fair value through other comprehensive income – non-current	4 and 6.(4)	338,073	14	348,289	15
Investments accounted for using the equity method	4 and 6.(8)	9,558	-	10,123	-
Property, plant and equipment	4, 6.(9) and 8	867,390	37	884,271	38
Right-of-use assets	4 and 6.(17)	317,623	14	309,842	14
Intangible assets	4 and 6.(10)	6,916	-	1,831	-
Deferred tax assets	4 and 6.(21)	5,137	-	3,559	-
Other non-current assets		25,254	1	621	-
Refundable deposits		26,919	1	26,118	1
Net defined benefit assets – non-current	4 and 6.(13)	45,298	2	50,182	2
Total non-current assets		1,642,168	69	1,634,836	70
Total assets		\$2,373,995	100	\$2,353,960	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TEN REN TEA CO., LTD AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2023 and December 31, 2022
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity		December 31, 2023		December 31, 2022	
Contents	Notes	Amount	%	Amount	%
Current liabilities					
Short-term loans	6.(11)	\$125,500	5	\$161,000	7
Contract liabilities – current	4 and 6.(15)	34,200	2	25,763	1
Notes payable	7	75,708	3	76,120	3
Accounts payable	7	57,548	2	45,412	2
Other payables	6.(12)	156,600	7	138,626	6
Current tax liabilities	4 and 6.(21)	24,495	1	8,445	-
Lease liabilities – current	4 and 6.(17)	106,406	5	94,046	4
Other current liabilities		6,449	-	6,010	-
Total current liabilities		586,906	25	555,422	23
Non-current liabilities					
Deferred tax liabilities	4 and 6.(21)	69,850	3	71,607	3
Lease liabilities – non-current	4 and 6.(17)	221,258	9	225,349	10
Guarantee deposits	7	6,370	-	12,033	-
Total non-current liabilities		297,478	12	308,989	13
Total liabilities		884,384	37	864,411	36
Equity attributable to shareholders of the parent					
Capital stock	6.(14)				
Common stock		905,919	38	905,919	38
Capital surplus	6.(14)				
		17,012	1	17,012	1
		1,172	-	1,173	-
		18,184	1	18,185	1
Retained earnings	6.(14)				
Legal reserve		396,666	17	387,910	17
Special reserve		3,547	-	3,547	-
Unappropriated earnings		91,163	4	87,582	4
Retained earnings		491,376	21	479,039	21
Other components of equity					
Exchange differences resulting from translating the financial statements of foreign operations		(2,136)	-	(2,919)	-
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income		74,700	3	87,396	4
		72,564	3	84,477	4
Treasury stock	4 and 6.(14)	(1,974)	-	(1,974)	-
Equity attributable to the parent company		1,486,069	63	1,485,646	64
Non-controlling interests	6.(14)	3,542	-	3,903	-
Total equity		1,489,611	63	1,489,549	64
Total liabilities and equity		\$2,373,995	100	\$2,353,960	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TEN REN TEA CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Contents	Notes	For the years ended December 31			
		2023		2022	
		Amount	%	Amount	%
Operating revenues	4, 6.(15) and 7	\$2,110,338	100	\$1,835,662	100
Operating costs	4, 6.(7), 6.(18) and 7	(888,046)	(42)	(807,693)	(44)
Gross profit		1,222,292	58	1,027,969	56
Operating expenses	6.(10), 6.(13), 6.(17), 6.(18) and 7				
Selling expenses		(929,760)	(44)	(845,606)	(46)
Administrative expenses		(186,337)	(9)	(158,876)	(9)
Research and development expenses		(5,883)	-	(5,612)	-
Expected credit gains	6.(16)	1,608	-	1,843	-
Subtotal		(1,120,372)	(53)	(1,008,251)	(55)
Operating income		101,920	5	19,718	1
Non-operating income and expenses	4, 6.(19) and 7				
Interest income		1,877	-	675	-
Other income		24,304	1	24,214	1
Other gains and losses		(1,817)	-	19,648	1
Finance costs		(6,940)	-	(6,826)	-
Share of profit or loss of associates and joint ventures accounted for using the equity method	4 and 6.(8)	(390)	-	69	-
Subtotal		17,034	1	37,780	2
Income before tax		118,954	6	57,498	3
Income tax expense	4 and 6.(21)	(23,085)	(1)	(5,906)	-
Net Income		95,869	5	51,592	3
Other comprehensive income (loss)	4 and 6.(20)				
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans	4 and 6.(13)	(7,920)	-	45,418	2
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		(12,696)	(1)	13,987	1
Income tax related to items that will not be reclassified subsequently	4, 6.(20) and 6.(21)	1,584	-	(9,083)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		(503)	-	39	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method, which may be reclassified subsequently to profit or loss	4 and 6.(8)	1,136	-	142	-
Total other comprehensive income (loss), net of tax		(18,399)	(1)	50,503	3
Total comprehensive income		\$77,470	4	\$102,095	6
Net income attributable to:					
Shareholders of the parent		\$95,676	5	\$51,229	3
Non-controlling interests	6.(14)	193	-	363	-
		\$95,869	5	\$51,592	3
Comprehensive income attributable to:					
Shareholders of the parent		\$77,427	4	\$101,538	6
Non-controlling interests	6.(14)	43	-	557	-
		\$77,470	4	\$102,095	6
Earnings per share (NTD)					
Earnings per share-basic	6.(22)	\$1.06		\$0.57	
Earnings per share-diluted	6.(22)	\$1.06		\$0.57	

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

TEN REN TEA CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

(Unit : thousands of NTD)

Contents	Equity Attributable to the Parent Company								Non-Controlling Interests	Total Equity	
	Common Stock	Capital Surplus	Retained Earnings			Other Components of Equity		Treasury Stock			Total
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Resulting From Translating the Financial Statements of Foreign Operations	Unrealized Gains or Losses on Financial Assets Measured at Fair Value Through Other Comprehensive Income				
Balance as of January 1, 2022	\$905,919	\$28,150	\$380,987	\$3,547	\$69,449	\$(2,906)	\$73,409	\$(1,974)	\$1,456,581	\$3,680	\$1,460,261
Appropriation and distribution of 2021 retained earnings											
Legal reserve	-	-	6,923	-	(6,923)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(62,508)	-	-	-	(62,508)	(334)	(62,842)
Other changes in capital surplus											
Cash dividends distributed through capital surplus	-	(9,965)	-	-	-	-	-	-	(9,965)	-	(9,965)
Net income in 2022	-	-	-	-	51,229	-	-	-	51,229	363	51,592
Other comprehensive income (loss) in 2022	-	-	-	-	36,335	(13)	13,987	-	50,309	194	50,503
Total comprehensive income (loss)	-	-	-	-	87,564	(13)	13,987	-	101,538	557	102,095
Balance as of December 31, 2022	\$905,919	\$18,185	\$387,910	\$3,547	\$87,582	\$(2,919)	\$87,396	\$(1,974)	\$1,485,646	\$3,903	\$1,489,549
Balance as of January 1, 2023	\$905,919	\$18,185	\$387,910	\$3,547	\$87,582	\$(2,919)	\$87,396	\$(1,974)	\$1,485,646	\$3,903	\$1,489,549
Appropriation and distribution of 2022 retained earnings											
Legal reserve	-	-	8,756	-	(8,756)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(77,003)	-	-	-	(77,003)	(404)	(77,407)
Other changes in capital surplus											
Dividends unclaimed by shareholders	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Net income in 2023	-	-	-	-	95,676	-	-	-	95,676	193	95,869
Other comprehensive income (loss) in 2023	-	-	-	-	(6,336)	783	(12,696)	-	(18,249)	(150)	(18,399)
Total comprehensive income (loss)	-	-	-	-	89,340	783	(12,696)	-	77,427	43	77,470
Balance as of December 31, 2023	\$905,919	\$18,184	\$396,666	\$3,547	\$91,163	\$(2,136)	\$74,700	\$(1,974)	\$1,486,069	\$3,542	\$1,489,611

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

TEN REN TEA CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

(Unit : thousands of NTD)

Contents	For the years ended December 31		Contents	For the years ended December 31	
	2023	2022		2023	2022
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Income before income tax	\$118,954	\$57,498	Acquisition of financial assets at fair value through other comprehensive income or loss	(2,480)	(3,053)
Adjustments:			Acquisition of financial assets measured at amortized cost	(16,729)	(26,548)
Adjustments to reconcile profit (loss):			Proceeds from disposal of financial assets measured at amortized cost	8,664	94,523
Depreciation	162,403	157,354	Acquisition of property, plant and equipment	(38,669)	(59,465)
Amortization	1,938	2,083	Proceeds from disposal of property, plant and equipment	625	852
Expected credit gains	(1,608)	(1,843)	Refundable deposits received	(1,858)	(501)
Interest expense	6,940	6,826	Refundable deposits refunded	1,067	866
Interest income	(1,877)	(675)	Acquisition of intangible assets	(6,971)	(225)
Dividend income	(14,313)	(17,663)	Increase in other non-current assets	(25,441)	(769)
Share of profit or loss of associates and joint ventures accounted for using the equity method	390	(69)	Decrease in other non-current assets	536	400
(Gains) losses on disposal of property, plant and equipment	(306)	31	Dividends received	14,313	17,663
Gains from lease modification	(43)	-	Net cash (used in) provided by investing activities	(66,943)	23,743
Changes in operating assets and liabilities:					
Notes receivable	1,523	178	Cash flows from financing activities:		
Accounts receivable	(878)	27,016	Increase in short-term loans	150,500	213,000
Other receivables	(1,753)	993	Decrease in short-term loans	(186,000)	(242,000)
Inventories	(29,466)	(23,810)	Guarantee deposits paid	(5,664)	(48)
Prepayments	532	(1,296)	Cash payments for the principal portion of the lease liabilities	(106,066)	(102,649)
Other current assets	(628)	2,095	Cash dividends	(77,407)	(72,807)
Contract liabilities	8,437	4,746	Unclaimed dividends paid to shareholders	(1)	-
Notes payable	(412)	(7,151)	Net cash used in financing activities	(224,638)	(204,504)
Accounts payable	12,136	11,745			
Other payables	17,974	6,567	Effect of exchange rate changes on cash and cash equivalents	444	(742)
Other current liabilities	439	(2,717)			
Net defined benefit liabilities	(3,036)	(5,150)			
Cash generated from operations	277,346	216,758	Net (decrease) increase in cash and cash equivalents	(27,569)	20,563
Interest received	1,877	675	Cash and cash equivalents, beginning of year	200,226	179,663
Interest paid	(6,869)	(6,826)	Cash and cash equivalents, end of year	\$172,657	\$200,226
Income taxes paid	(8,786)	(8,541)			
Net cash provided by operating activities	263,568	202,066			

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TEN REN TEA CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

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

1. History and organization

Ten Ren Tea Co., Ltd. (“the Company”) was incorporated in December 1975. The main activities of the Company are manufacturing and sale of tea, tea sets and beverages. In March 2000, in order to actively promote the new tea culture, the fusion tea house of “CHA for TEA” was established to develop a diversified tea culture. The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in January 1999 and the address of its registered office and principal place of business is 6F, No.107, Sec. 4, Zhongxiao E. Rd, Taipei City, Taiwan.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors on March 13, 2024.

3. Newly issued or revised standards and interpretations

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

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

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

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

TEN REN TEA CO., LTD. AND SUBSIDIARIES
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

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

b. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

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

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

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

d. Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

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

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

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

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

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

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

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

- b. IFRS 17 “Insurance Contracts”

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

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

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

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c. Lack of Exchangeability – Amendments to IAS 21

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (A), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies information

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Company's voting rights and potential voting rights

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

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

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

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

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- F. recognizes any resulting difference in profit or loss.

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Notes
			December 31, 2023	December 31, 2022	
The Company	TEN REN TRADING SDN.BHD	Selling and buying tea	51.00%	51.00%	None
The Company	TEN REN ENTERPRISE CO., LTD.	Investment holding	100.00%	100.00%	None
The Company	TEN REN TEA (HONG KONG) LIMITED	Investment holding	83.00%	83.00%	None
The Company	TEN REN TEA CO(S). PTE LTD.	-	99.80%	99.80%	Note 1
The Company	TEN REN (JAPAN) CO., LTD.	Selling and buying tea	100.00%	100.00%	None
The Company	TEN REN MACAO LIMITED	Selling and buying tea	100.00%	-%	Note 2
TEN REN ENTERPRISE CO., LTD.	TEN REN TEA (HONG KONG) LIMITED	Investment holding	17.00%	17.00%	None
TEN REN ENTERPRISE CO., LTD.	TEN REN TEA CO(S). PTE LTD.	-	0.20%	0.20%	Note 1
TEN REN ENTERPRISE CO., LTD.	HWA JO PRODUCTS CO., LTD.	Selling and buying tea	100.00%	100.00%	None

Note 1: Currently no business activities and has no book value.

Note 2: In accordance with the Board of Directors' resolution passed on February 14, 2023, the Company established a wholly owned subsidiary in Macau with a capital of NT\$22,010 thousand to manage the backend operations for business development in the region. The establishment of the Macau subsidiary was approved and registered on April 26, 2023.

(4) Foreign currency transactions

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

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

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

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

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

(5) Translation of financial statements in foreign currency

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

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

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(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

- (a) the Group’s business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial assets measured at fair value through profit or loss

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

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

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial asset measured at amortized cost.

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

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

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

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- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

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Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Fair value measurement

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

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

(10) Inventories

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

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

Raw materials and merchandise	— Purchase costs on a weighted-average basis
Finished goods and work in progress	— Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

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

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

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

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

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

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

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(12) Property, plant and equipment

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

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

Items	The Company	Subsidiaries included in consolidation
Buildings	40 ~ 55	-
Machinery and equipment	5 ~ 8	-
Transportation equipment	3 ~ 6	-
Office equipment	5 ~ 10	4 ~ 10
Furniture and fixtures	3 ~ 10	-
Other equipment	4 ~ 10	4 ~ 10

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

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

(13) Leases

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

- A. the right to obtain substantially all of the economic benefits from use of the identified asset;
and
- B. the right to direct the use of the identified asset

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

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

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

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

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

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

	<u>Computer Software</u>
Useful lives	3-5years
Amortization method used	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired

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(15) Impairment of non-financial assets

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

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

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

(16) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(17) Revenue recognition

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

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers (the customer has the control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.), and revenue is recognized based on the consideration stated in the contract.

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The credit period of the Group's sale of goods is from 100 to 120 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, as part of the consideration is collected from customers at the time of contract signing, the Group undertakes the obligation to transfer the goods later on and therefore it is recognized as a contract liability.

For some of Group's sale of goods transactions, when the ownership of goods is transferred to customers, points of the customer loyalty program are given to the Group's customers according to the transaction price. These points will provide customers with discounts when purchasing goods before the end of the following year. The Group allocates the transaction price to the sales of goods and points given based on the relative stand-alone selling price of the goods sold and points given. The transaction price allocated to the goods sold is recognized as revenue when the ownership of goods is transferred to customers and the remaining amount received is recognized as a contract liability.

The Group's retail customers are entitled to future purchase discounts from the points earned. When the customer uses points or the points are overdue at the end of the following year, these points given are recognized as revenue and related contract liabilities are adjusted.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arises.

(18) Post-employment benefits

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

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

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

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

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

(19) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

According to the temporary exception in *the International Tax Reform – Pillar Two Model Rules* (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

5. Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

Revenue recognition – Customer loyalty program

The Group utilizes statistical techniques to estimate the fair value of points awarded under the customer loyalty program. The parameters used in the estimation include assumptions for expected redemption rates, product mix available for redemption in the future and customer preferences. When points issued by this program have not expired, this estimate is subject to significant uncertainty; please refer to Note 6. (15) for details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2023	2022
Cash on hand and petty cash	\$10,715	\$4,993
Demand deposits	141,495	173,143
Checking accounts	20,447	20,090
Time deposits	-	2,000
Total	<u>\$172,657</u>	<u>\$200,226</u>

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(2) Financial assets measured at amortized cost – current

	As of December 31,	
	2023	2022
Time deposits	\$16,729	\$8,665
Pledged time deposits	1,100	1,100
Subtotal (total carrying amount)	17,829	9,765
Less: loss allowance	-	-
Total	\$17,829	\$9,765

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6. (16) for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(3) Financial assets at fair value through profit or loss – non-current

	As of December 31,	
	2023	2022
Financial assets mandatorily measured at fair value: ASIA PACIFIC FEDERATION OF INDUSTRY AND COMMERCE CO., LTD.	\$-	\$-

None of the aforementioned assets measured at fair value through profit or loss were pledged.

(4) Financial assets at fair value through other comprehensive income – non-current

	As of December 31,	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income – non-current: Listed company stocks	\$338,073	\$348,289

The Group classifies certain financial assets as financial assets at fair value through other comprehensive income and none of the aforementioned assets were pledged.

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(5) Notes receivable

	As of December 31,	
	2023	2022
Notes receivable (total carrying amount)	\$4,000	\$5,523
Less: loss allowance	-	-
Total	\$4,000	\$5,523

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6. (16) for more details on loss allowance and Note 12 for details on credit risk.

(6) Accounts receivable and accounts receivable-related parties

	As of December 31,	
	2023	2022
Accounts receivable	\$195,242	\$185,035
Less: loss allowance	(45)	(761)
Subtotal	195,197	184,274
Accounts receivable – related parties	24,622	33,950
Less: loss allowance	-	(892)
Subtotal	24,622	33,058
Total	\$219,819	\$217,332

Accounts receivables were not pledged.

The payment term of accounts receivable is generally within 100-120 days. The total carrying amount as of December 31, 2023 and 2022 were NT\$219,864 thousand and NT\$218,985 thousand, respectively. Please refer to Note 6. (16) for more details on loss allowance of accounts receivables for the years ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(7) Inventories

	As of December 31,	
	2023	2022
By-products	\$396	\$362
Raw materials	115,962	100,765
Work in process	70,655	67,907
Finished goods	81,065	73,223
Merchandise	40,910	37,265
Total	\$308,988	\$279,522

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(a) The cost of inventories recognized as expense is as follows:

	For the years ended	
	December 31,	
	2023	2022
Cost of inventories sold	\$886,499	\$806,919
Loss on write-down of inventories	512	213
Loss on inventory scrap	1,039	855
Gains on physical count	(4)	(294)
Operating costs	\$888,046	\$807,693

(b) None of the aforementioned inventories were pledged.

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

Investees	As of December 31,			
	2023		2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
Xiamen Daily Plus Food Beverage Management Co., Ltd.	\$9,558	50%	\$10,123	50%

The Group's investment in Xiamen Daily Plus Food Beverage Management Co., Ltd. is not considered individually material. The aggregate financial information based on the Group's share is as follows:

	For the years ended	
	December 31,	
	2023	2022
(Loss) income from continuing operations	\$(390)	\$69
Other comprehensive income	1,136	142
Total comprehensive income	\$746	\$211

The associates had no contingent liabilities or capital commitments as of December 31, 2023 and 2022.

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(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportatio n equipment	Furniture and fixtures equipment	Other equipment	Total
<u>Cost:</u>								
As of Jan. 1, 2023	\$663,508	\$243,926	\$165,934	\$269,752	\$61,531	\$317,786	\$11,880	\$1,734,317
Additions	-	-	3,341	22,865	3,442	9,193	100	38,941
Disposals	-	-	(96)	(11,150)	(4,831)	(9,446)	(73)	(25,596)
Exchange differences	-	-	(6)	357	(45)	-	(16)	290
As of Dec. 31, 2023	\$663,508	\$243,926	\$169,173	\$281,824	\$60,097	\$317,533	\$11,891	\$1,747,952
As of Jan. 1, 2022	\$663,508	\$243,926	\$164,620	\$264,188	\$61,594	\$299,077	\$12,200	\$1,709,113
Additions	-	-	1,663	28,288	3,440	35,003	328	68,722
Disposals	-	-	(348)	(22,737)	(3,558)	(16,294)	(669)	(43,606)
Exchange differences	-	-	(1)	13	55	-	21	88
As of Dec. 31, 2022	\$663,508	\$243,926	\$165,934	\$269,752	\$61,531	\$317,786	\$11,880	\$1,734,317
<u>Accumulated depreciation and impairment :</u>								
As of Jan. 1, 2023	\$-	\$157,385	\$150,797	\$210,767	\$47,678	\$273,202	\$10,217	\$850,046
Depreciation	-	4,949	8,463	19,783	4,476	17,734	444	55,849
Disposals	-	-	(96)	(11,039)	(4,830)	(9,239)	(73)	(25,277)
Exchange differences	-	-	(3)	3	(45)	-	(11)	(56)
As of Dec. 31, 2023	\$-	\$162,334	\$159,161	\$219,514	\$47,279	\$281,697	\$10,577	\$880,562
As of Jan. 1, 2022	\$-	\$152,113	\$140,117	\$216,232	\$45,875	\$275,713	\$10,378	\$840,428
Depreciation	-	5,272	11,026	17,097	4,694	13,679	496	52,264
Disposals	-	-	(348)	(22,570)	(2,946)	(16,190)	(669)	(42,723)
Exchange differences	-	-	2	8	55	-	12	77
As of Dec. 31, 2022	\$-	\$157,385	\$150,797	\$210,767	\$47,678	\$273,202	\$10,217	\$850,046
<u>Net carrying amount :</u>								
As of Dec. 31, 2023	\$663,508	\$81,592	\$10,012	\$62,310	12,818	\$35,836	\$1,314	\$867,390
As of Dec. 31, 2022	\$663,508	\$86,541	\$15,137	\$58,985	\$13,853	\$44,584	\$1,663	\$884,271

(1) The Group's property, plant and equipment had no capitalization of interest as of December 31, 2023 and 2022.

(2) Please refer to Note 8 for more details on property, plant and equipment pledged as collateral.

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(10) Intangible assets

	Computer software
Cost	
As of January 1, 2023	\$24,046
	6,971
Disposals	-
Exchange differences	56
As of December 31, 2023	\$31,073
As of January 1, 2022	\$23,821
Additions	225
Disposals	-
As of December 31, 2022	\$24,046
Amortization and impairment:	
As of January 1, 2023	\$22,215
Amortization	1,938
Disposals	-
Exchange differences	4
As of December 31, 2023	\$24,157
As of January 1, 2022	\$20,132
Amortization	2,083
Disposals	-
As of December 31, 2022	\$22,215
Net carrying amount :	
As of December 31, 2023	\$6,916
As of December 31, 2022	\$1,831

Amortization expense of intangible assets is as follows:

	For the years ended December 31,	
	2023	2022
Administrative expenses	\$1,938	\$2,083

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(11) Short-term loans

	As of December 31,	
	2023	2022
Secured bank loans	\$125,500	\$161,000
Interest rates (%)	1.481~1.75	0.98~1.481

A. The Group's unused short-term lines of credit amounted to NT\$297,500 thousand and NT\$271,000 thousand as of December 31, 2023 and 2022, respectively.

B. Certain land and buildings are pledged as collateral for secured bank loans. Please refer to Note 8 for more details on collateral.

(12) Other payables

	As of December 31,	
	2023	2022
Expense payable	\$140,924	\$127,764
Dividend payable	24	20
Other payable – others	15,652	10,842
Total	\$156,600	\$138,626

(13) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT\$26,723 thousand and NT\$25,781 thousand, respectively.

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Defined benefits plan

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

The Ministry of Labor oversees establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. Regarding to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$2,384 thousand to its defined benefits plan during the 12 months beginning after December 31, 2023.

As of December 31, 2023, and 2022, the Company's defined benefits plan is expected to mature in 2029.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

	For the years ended December 31,	
	2023	2022
Current period service costs	\$1,407	\$1,746
Net interest expense	(670)	(21)
Total	\$737	\$1,725

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

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Defined benefit obligation	\$278,773	\$294,871	\$352,749
Plan assets at fair value	(324,071)	(345,053)	(352,363)
Net defined benefit (assets) liabilities	<u>\$(45,298)</u>	<u>\$(50,182)</u>	<u>\$386</u>

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

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2022	\$352,749	\$(352,363)	\$386
Current period service costs	1,746	-	1,746
Net interest expense (income)	2,202	(2,223)	(21)
Subtotal	3,948	(2,223)	1,725
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	9	-	9
Actuarial gains and losses arising from changes in financial assumptions	(13,419)	-	(13,419)
Experience adjustments	(4,109)	-	(4,109)
Remeasurements of the net defined benefit assets	-	(27,899)	(27,899)
Subtotal	(17,519)	(27,899)	(45,418)
Payments from the plan	(44,307)	44,307	-
Contributions by employer	-	(6,875)	(6,875)
Effect of changes in foreign exchange rates	-	-	-
As of December 31, 2022	294,871	(345,053)	(50,182)
Current period service costs	1,407	-	1,407
Net interest expense (income)	3,555	(4,225)	(670)
Subtotal	4,962	(4,225)	737
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	3	-	3
Experience adjustments	11,048	-	11,048
Remeasurements of the net defined benefit assets	-	(3,131)	(3,131)
Subtotal	11,051	(3,131)	7,920
Payments from the plan	(32,111)	32,111	-
Contributions by employer	-	(3,773)	(3,773)
Effect of changes in foreign exchange rates	-	-	-
As of December 31, 2023	<u>\$278,773</u>	<u>\$(324,071)</u>	<u>\$(45,298)</u>

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The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2023	2022
Discount rate	1.25%	1.25%
Expected rate of salary increases	1.00%	1.00%

Sensitivity analysis for significant assumption is shown below:

	2023		2022	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.5%	\$-	\$9,394	\$-	\$10,471
Discount rate decreases by 0.5%	9,955	-	11,115	-
Future salary rate increases by 0.5%	9,930	-	11,086	-
Future salary rate decreases by 0.5%	-	9,462	-	10,547

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equity

A. Common stock

As of December 31, 2023 and 2022, the Company's authorized capital and issued capital were both NT\$1,680,000 thousand and NT\$905,919 thousand, with a par value of NT\$10, and authorized shares and issued shares were both 168,000 thousand shares and 90,592 thousand shares. Each share is entitled to one voting right and the right to receive dividends.

B. Capital surplus

	As of December 31,	
	2023	2022
Treasury stock transactions	\$17,012	\$17,012
Unclaimed dividends from shareholders	1,172	1,173
Total	\$18,184	\$18,185

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

C. Treasury stock

As of December 31, 2023, and 2022, the treasury stock held by HWA JO PRODUCTS CO., LTD., a sub-subsidiary of the Company, both amounted to NT\$1,974 thousand and the number of treasury stock held were both 43 thousand shares. This sub-subsidiary company was acquired by a subsidiary of the Company in December 2013.

D. Retained earnings and dividend policies

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

According to the Company's Articles of Incorporation, current year's net profits if any, shall be distributed in the following order: offset prior years' operation losses (including adjustments to the retained earnings); set aside 10% of the remaining amount as legal reserve, unless where such legal reserve amounts to the total paid-in capital; then set aside or reverse special reserve in accordance with law and regulations. The remaining net profits, if any, together with the retained earnings at the beginning of year (including adjustments to the retained earnings), are considered accumulated distributable earnings to the shareholders where the Board of Directors will prepare a distribution proposal to be resolved in the shareholders' meeting.

The policy of dividend distribution is based on the earnings of current year, considering factors such as the overall environment, relevant laws and regulations, the Company's long-term development plan, and the premise of a stable financial structure, which adopts the share bonus equilibrium strategy. If any dividends are distributed, at least 50% of the dividends must be paid in the form of cash.

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

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

The FSC on 31 March 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

For the years ended December 31, 2023 and 2022, the Company has not reversed any special reserve provided on the Company’s first-time adoption of the IFRS to retained earnings as results of the use, disposal or reclassification of related assets. As of December 31, 2023 and 2022, the amount of special reserve provided on the Company’s first-time adoption of the IFRS was both NT\$3,547 thousand.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the Board of Directors’ meeting and Shareholders’ meeting on March 13, 2024 and June 13, 2023, respectively, are as follows:

	Appropriation of earnings (in thousand NT dollars)		Cash dividends per share (NT dollars)	
	2023	2022	2023	2022
Legal reserve	\$8,934	\$8,756	\$-	\$-
Cash dividends (Note)	81,532	77,003	0.90	0.85

In addition, the Shareholders’ meeting on June 14, 2022, resolved to distribute cash from additional paid-in capital of NT\$9,965 thousand, at approximately NT\$0.11 per share.

Please refer to Note 6. (18) for details on employees’ compensation and remuneration to directors and supervisors.

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Note: The Board of Directors was authorized by the Articles of Incorporation and passed a special resolution at the Board of Directors' meetings held on March 13, 2024 and March 21, 2023 to distribute the 2023 and 2022 common stock dividends in cash, respectively.

E. Non-controlling interests

	For the years ended	
	December 31,	
	2023	2022
Beginning balance	\$3,903	\$3,680
Income attributable to non-controlling interests	193	363
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(150)	194
Cash dividends distributed by subsidiaries	(404)	(334)
Ending balance	<u>\$3,542</u>	<u>\$3,903</u>

(15) Operating revenues

	For the years ended	
	December 31,	
	2023	2022
Revenue from contracts with customers		
Sale of goods	<u>\$2,110,338</u>	<u>\$1,835,662</u>

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

A. Disaggregation of revenue

For the year ended December 31, 2023

	Tea	Food and Beverage	Others	Total
Sale of goods	<u>\$928,816</u>	<u>\$1,097,755</u>	<u>\$83,767</u>	<u>\$2,110,338</u>
Timing of revenue recognition:				
At a point in time	<u>\$928,816</u>	<u>\$1,097,755</u>	<u>\$83,767</u>	<u>\$2,110,338</u>

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For the year ended December 31, 2022

	Tea	Food and Beverage	Others	Total
Sale of goods	<u>\$850,418</u>	<u>\$912,836</u>	<u>\$72,408</u>	<u>\$1,835,662</u>
Timing of revenue recognition:				
At a point in time	<u>\$850,418</u>	<u>\$912,836</u>	<u>\$72,408</u>	<u>\$1,835,662</u>

B. Contract balances

(a) Contract liabilities – current

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Sale of goods	\$26,158	\$21,921	\$17,850
Customer loyalty program	8,042	3,842	3,167
Total	<u>\$34,200</u>	<u>\$25,763</u>	<u>\$21,017</u>

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

	For the years ended December 31,	
	2023	2022
The opening balance transferred to revenue	\$25,763	\$21,017
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	34,200	25,763

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2023, and 2022, the Group is not required to provide information on unsatisfied performance obligations as the expected duration of the Group's customer loyalty programs is shorter than one year.

D. Assets recognized from costs to fulfil a contract

None.

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(16) Expected credit gains

	For the years ended December 31,	
	2023	2022
Operating expenses-expected credit gains		
Receivables	\$1,608	\$1,843

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

As of December 31, 2023 and 2022, the credit risk for the Group's financial assets measured at amortized cost was assessed low (the same as the assessment result at the beginning of the period). Therefore, the loss allowance is measured at an amount of NT\$0 thousand equal to 12-month expected credit losses (loss rate of 0%).

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

The Group considers the grouping of receivables based on counterparties' credit ratings, geographical region and industry sectors and adopts a provision matrix to measure its loss allowance. Details are as follows:

As of December 31, 2023

Group 1 - Domestic	Not overdue (Note)	Overdue					Total
		Within 30 days	31-60 days	61-90 days	91-100 days	Over 101 days	
Gross carrying amount	\$180,627	\$18	\$249	\$-	\$-	\$45	\$180,939
Loss rate	0%	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	-	(45)	(45)
Subtotal	180,627	18	249	-	-	-	180,894
Group 2 - Others	Not overdue (Note)	Overdue					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	Over 121 days	
Gross carrying amount	\$42,424	\$216	\$196	\$43	\$11	\$35	\$42,925
Loss rate	0%	0%	0%	0%	0%	0%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Subtotal	42,424	216	196	43	11	35	42,925
Carrying amount							\$223,819

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As of December 31, 2022

Group 1 - Domestic	Not overdue (Note)	Overdue					Total
		Within 30 days	31-60 days	61-90 days	91-100 days	Over 101 days	
Gross carrying amount	\$163,076	\$27	\$11	\$-	\$-	\$45	\$163,159
Loss rate	0%	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	-	(45)	(45)
Subtotal	163,076	27	11	-	-	-	163,114
Group 2 - Others	Not overdue (Note)	Overdue					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	Over 121 days	
Gross carrying amount	\$59,221	\$1,561	\$188	\$299	\$35	\$45	\$61,349
Loss rate	3%	6%	6%	0%	0%	8%	
Lifetime expected credit losses	(1,501)	(92)	(12)	-	-	(3)	(1,608)
Subtotal	57,720	1,469	176	299	35	42	59,741
Carrying amount							<u>\$222,855</u>

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

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

	Notes Receivable	Accounts Receivable
Balance as of January 1, 2023	\$-	\$1,653
Reversal for the current period	-	(1,608)
Balance as of December 31, 2023	<u>\$-</u>	<u>\$45</u>
Balance as of January 1, 2022	\$-	\$3,580
Reversal for the current period	-	(1,843)
Write-off	-	(84)
Balance as of December 31, 2022	<u>\$-</u>	<u>\$1,653</u>

(17) Leases

A. Group as a lessee

The Group leases various properties, including real estate such as buildings, transportation equipment and other equipment. The lease terms range from 2 to 10 years.

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

(a) Amounts recognized in the balance sheet

i. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2023	2022
Buildings	\$317,081	\$308,507
Transportation equipment	78	543
Other equipment	464	792
Total	<u>\$317,623</u>	<u>\$309,842</u>

For the years ended December 31, 2023 and 2022, the Group's additions to right-of-use assets amounted to NT\$115,870 thousand and NT\$129,748 thousand, respectively.

ii. Lease liabilities

	As of December 31,	
	2023	2022
Lease liabilities	<u>\$327,664</u>	<u>\$319,395</u>
Current	\$106,406	\$94,046
Non-current	\$221,258	\$225,349

Please refer to Note 6. (19) D for the Group's interest on lease liabilities recognized for the years ended December 31, 2023 and 2022 and refer to Note 12. (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2023	2022
Buildings	\$105,780	\$104,517
Transportation equipment	466	475
Other equipment	308	98
Total	<u>\$106,554</u>	<u>\$105,090</u>

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(c) Income and costs relating to leasing activities

	For the years ended	
	December 31,	
	2023	2022
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$110,686	\$89,660
Expenses relating to short-term leases	10,757	7,233

(d) Cash outflow relating to leasing activities

For the years ended December 31, 2023 and 2022, the Group's total cash outflows for leases amounted to NT\$231,827 thousand and NT\$204,236 thousand, respectively.

(e) Other information relating to leasing activities

i. Variable lease payments

Some of the Group's property rental agreements contracts include variable payment terms that are linked to certain percentages of sales generated from the leased stores, which is common within the industry of the Group. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities. The Group expects that, for every sales increase by 1%, the rent payments will increase by NT\$1,107 thousand.

ii. Extension and termination options

Some of the Group's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

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- (18) Employee benefits, depreciation and amortization expenses are summarized by function as follows:

By Nature \ By Function	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$111,440	\$536,597	\$648,037	\$97,079	\$476,830	\$573,909
Labor and health insurance	12,507	52,963	65,470	10,960	50,941	61,901
Pension	5,755	21,705	27,460	5,166	22,340	27,506
Directors' remuneration	-	4,645	4,645	-	2,910	2,910
Other employee benefits expense	6,748	25,786	32,534	5,055	21,508	26,563
Depreciation	25,622	136,781	162,403	28,620	128,734	157,354
Amortization	-	1,938	1,938	-	2,083	2,083

The Company's Articles of Incorporation states that if there is a profit in the current year, the Company should set aside employees' compensation at 2% of the profit and no more than 2% as remuneration to directors and supervisors. When the Company suffers an accumulated deficit, the profit should be retained to recover the deficit. The aforementioned employees' compensation can be paid out either in the form of shares or in cash and shall be resolved in the Board of Directors' meeting, with two-thirds of the Board of Directors' members present and over half of the present members' approval, which shall be reported to the Shareholders' meeting. Information of the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit for the year ended December 31, 2023, the Company estimated the amounts of the employees' compensation and remuneration to directors at 2.93% and 1.95% of profit of the current year and recognized NT\$3,642 thousand and NT\$2,428 thousand, respectively, as employee benefits expenses. The Board of Directors' meeting held on March 13, 2024 resolved to distribute NT\$3,727 thousand and NT\$2,236 thousand in cash as employees' compensation and remuneration to directors of 2023, respectively. The differences between the estimated amount and the actual amount determined by the Board of Directors were NT\$85 thousand and NT\$(192) thousand, respectively, which were recognized in profit or loss of the subsequent year.

A resolution was passed at the Board of Directors meeting held on March 21, 2023 to distribute NT\$1,773 thousand and NT\$1,182 thousand in cash as employees' compensation and remuneration to directors of 2022, respectively, whereas the estimated amount accrued in the financial statements for the year ended December 31, 2022 as expense were NT\$1,734 thousand and NT\$1,176 thousand, respectively. The differences between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended 31 December 2022 were NT\$39 thousand and NT\$6 thousand, respectively, which were mainly due to changes in estimates and were recognized in profit or loss of the subsequent year in 2023.

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(19) Non-operating income and expenses

A. Interest income

	For the years ended	
	December 31,	
	2023	2022
Financial assets measured at amortized cost	\$1,877	\$675

B. Other income

	For the years ended	
	December 31,	
	2023	2022
Rental income	\$3,818	\$2,576
Dividend income	14,313	17,663
Other income – others	6,173	3,975
Total	\$24,304	\$24,214

C. Other gains and losses

	For the years ended	
	December 31,	
	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$306	\$(31)
Gains on lease modification	43	-
Foreign exchange (losses) gains	(1,875)	19,858
Others	(291)	(179)
Total	\$(1,817)	\$19,648

D. Finance costs

	For the years ended	
	December 31,	
	2023	2022
Interest on borrowings from bank	\$2,622	\$2,132
Interest on lease liabilities	4,318	4,694
Total	\$6,940	\$6,826

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(20) Components of other comprehensive income

For the year ended December 31, 2023:

	For the year ended December 31, 2023				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (loss), net of tax
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans	\$(7,920)	\$-	\$(7,920)	\$1,584	\$(6,336)
Unrealized losses from equity instruments investments measured at fair value through other comprehensive income	(12,696)	-	(12,696)	-	(12,696)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations	(503)	-	(503)	-	(503)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,136	-	1,136	-	1,136
Total other comprehensive (loss) income	\$(19,983)	\$-	\$(19,983)	\$1,584	\$(18,399)

For the year ended December 31, 2022:

	For the year ended December 31, 2022				
	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (loss), net of tax
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans	\$45,418	\$-	\$45,418	\$(9,083)	\$36,335
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	13,987	-	13,987	-	13,987
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations	39	-	39	-	39
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	142	-	142	-	142
Total other comprehensive income (loss)	\$59,586	\$-	\$59,586	\$(9,083)	\$50,503

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(21) Income tax

A. The major components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2023	2022
Current income tax expense		
Current income tax charge	\$25,051	\$8,964
Adjustments in respect of current income tax of prior periods	(215)	(4,709)
Deferred tax expense (income)		
Deferred tax (income) expense related to origination and reversal of temporary differences	(1,751)	1,651
Total income tax expense	<u>\$23,085</u>	<u>\$5,906</u>

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2023	2022
Deferred tax (income) expense:		
Remeasurements of defined benefits plan	<u>\$(1,584)</u>	<u>\$9,083</u>

B. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2023	2022
Accounting income before tax from continuing operations	<u>\$118,954</u>	<u>\$57,498</u>
Tax at the domestic rates applicable to profits in the country concerned	\$24,369	\$12,290
Tax effect of revenues exempt from taxation	(462)	(645)
Tax effect of deferred tax assets/liabilities	(607)	(1,030)
Adjustments in respect of current income tax of prior periods	(215)	(4,709)
Total income tax expense recognized in profit or loss	<u>\$23,085</u>	<u>\$5,906</u>

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C. Deferred tax assets and liabilities related to the following:

	For the year ended December 31, 2023			
	Beginning balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31
Temporary differences				
Unrealized exchange (gains) losses	\$(479)	\$799	\$-	\$320
Loss on write-down of inventories	507	(102)	-	405
Provision (reversal) of bad debt expense	(123)	-	-	(123)
Income from investments accounted for using the equity method	(748)	(306)	-	(1,054)
Losses from investments accounted for using the equity method	1,795	433	-	2,228
Unused vacation leave	487	88	-	575
Customer loyalty program	770	839	-	1,609
Reserve for land value increment tax	(57,010)	-	-	(57,010)
Net defined benefit liabilities – non- current	(13,247)	-	1,584	(11,663)
Deferred tax income	-	\$1,751	\$1,584	-
Net deferred tax assets (liabilities)	<u>\$(68,048)</u>			<u>\$(64,713)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$3,559</u>			<u>\$5,137</u>
Deferred tax liabilities	<u>\$(71,607)</u>			<u>\$(69,850)</u>
	For the year ended December 31, 2022			
	Beginning balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31
Temporary differences				
Unrealized exchange losses (gains)	\$1,879	\$(2,358)	\$-	\$(479)
Loss on write-down of inventories	464	43	-	507
Provision (reversal) of bad debt expense	224	(347)	-	(123)
Income from investments accounted for using the equity method	(961)	213	-	(748)
Losses from investments accounted for using the equity method	1,444	351	-	1,795
Unused vacation leave	175	312	-	487
Customer loyalty program	635	135	-	770
Reserve for land value increment tax	(57,010)	-	-	(57,010)
Net defined benefit liabilities – non- current	(4,164)	-	(9,083)	(13,247)
Deferred tax expense	-	\$(1,651)	\$(9,083)	-
Net deferred tax assets (liabilities)	<u>\$(57,314)</u>			<u>\$(68,048)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$4,821</u>			<u>\$3,559</u>
Deferred tax liabilities	<u>(62,135)</u>			<u>\$(71,607)</u>

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D. Unrecognized deferred tax assets

As of December 31, 2023, and 2022, deferred tax assets that have not yet been recognized amounted to NT\$10,760 thousand and NT\$11,367 thousand, respectively.

E. The assessment of income tax returns

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

	The assessment of income tax	
	returns	Notes
The Company	Assessed and approved up to 2021	No difference
Subsidiary – Ten Ren Enterprise Co., Ltd.	Assessed and approved up to 2021	No difference
Sub-subsidiary – Hwa Jo Products Co., Ltd.	Assessed and approved up to 2021	No difference

(22) Earnings per share

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

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

	For the years ended	
	December 31,	
A. Basic earnings per share	2023	2022
Net income attributable to ordinary equity holders of the Company (in thousand NT\$)	\$95,676	\$51,229
Weighted-average number of ordinary shares for basic earnings per share (in thousands)	90,549	90,549
Basic earnings per share (NT\$)	\$1.06	\$0.57

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	For the years ended	
	December 31,	
B. Diluted earnings per share	2023	2022
Net income attributable to ordinary equity holders of the Company (in thousand NT\$)	\$95,676	\$51,229
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$95,676	\$51,229
Weighted-average number of ordinary shares for basic earnings per share (in thousands)	90,549	90,549
Effect of dilution		
Employees' compensation – stock (in thousands) (thousand shares)	113	59
Weighted-average number of ordinary shares after dilution (in thousands)	90,662	90,608
Diluted earnings per share (NT\$)	\$1.06	\$0.57

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

7. Related party transactions

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

Related parties and relationship

Name of related parties	Relationship with the Group
TEN FU INVESTMENT CO., LTD.	Director of the Company
LEE, CHIEN-TE	Director of the Company
TEN REN TEA CULTURE FOUNDATION	Substantive related party
ZHANGSHOU TIANFU TEA INDUSTRY CO., LTD.	Substantive related party
LU YU TEA ART CO., LTD.	Substantive related party
XIAMEN DAILY PLUS FOOD BEVERAGE MANAGERMENTS CO., LTD.	Associate

Significant transactions with the related parties

(1) Sales

	For the years ended	
	December 31,	
	2023	2022
Other related parties	\$43,230	\$58,431
Associates	13,283	14,474
Total	\$56,513	\$72,905

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The sales price to domestic related parties is based on the transfer price between the factory and branches while the sale price to foreign related parties is based on the Company's North America region selling price. For domestic related parties, the collection period is 100 days from the date of shipment while for foreign related parties, the collection period is 120 days from the date of shipment. For third-party customers, the collection period 100-120 days from the date of shipment.

(2) Purchase

	For the years ended	
	December 31,	
	2023	2022
Other related parties	\$3,377	\$3,130

The purchase price and payment terms to related parties are comparable to those of third-party suppliers, whose payment term is 2 months.

(3) Notes receivable – related parties

	As of December 31,	
	2023	2022
Other related parties	\$8	\$49
Less: loss allowance	-	-
Net	\$8	\$49

(4) Accounts receivable – related parties

	As of December 31,	
	2023	2022
Other related parties		
ZHANGSHOU TIANFU TEA INDUSTRY CO., LTD.	\$19,303	\$28,642
LU YU TEA ART CO., LTD.	102	20
TEN REN TEA CULTURE FOUNDATION	2	4
Associate		
XIAMEN DAILY PLUS FOOD BEVERAGE		
MANAGEMENTS CO., LTD.	5,215	5,284
Less: loss allowance	-	(892)
Net	\$24,622	\$33,058

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(5) Notes payable – related parties

	As of December 31,	
	2023	2023
Other related parties	\$229	\$954

(6) Accounts payable – related parties

	As of December 31,	
	2023	2022
Other related parties	\$464	\$319

(7) Guarantee deposits

	As of December 31,	
	2023	2022
Other related parties	\$20	\$20

(8) Lease - related parties

(i) The Group as a lessor

Rental income

	For the years ended December 31,	
	2023	2022
Key management personnel of the Company	\$180	\$165
Other related parties		
LU YU TEA ART CO., LTD.	1,380	1,380
TEN REN TEA CULTURE FOUNDATION	60	60
Total	\$1,620	\$1,605

(ii) The Group as a lessee

a. Rental expense

	For the years ended December 31,	
	2023	2022
Key management personnel of the Company	\$1,822	\$1,822

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(9) Charitable contributions

	For the years ended December 31,	
	2023	2022
Other related parties		
TEN REN TEA CULTURE FOUNDATION	\$1,350	\$1,500

(10) Key management personnel compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$11,006	\$10,661
Post-employment benefits	250	266
Total	\$11,256	\$10,927

8. Assets pledged as collateral

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

	Carrying amounts as of December 31,		
Items	2023	2022	Purpose of pledge
Financial assets measured at amortized cost	\$1,100	\$1,100	Performance guarantees
Property, plant, and equipment – land and buildings	628,640	632,142	Short-term loans and long-term loans
Total	\$629,740	\$633,242	

9. Significant contingencies and unrecognized contractual commitments

As of December 31, 2023, and 2022, the Group's notes payable due to leases amounted to NT\$58,091 thousand and NT\$58,187 thousand, respectively.

10. Losses due to major disasters

None.

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11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2023	2022
Financial assets at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	\$-	\$-
Financial assets at fair value through other comprehensive income	338,073	348,289
Financial assets measured at amortized cost (Note)	432,684	454,464
Total	<u>\$770,757</u>	<u>\$802,753</u>

Financial liabilities

	As of December 31,	
	2023	2022
Financial liabilities at fair value through profit or loss		
Short-term loans	\$125,500	\$161,000
Payables	289,856	260,158
Lease liabilities	327,664	319,395
Guarantee deposits	6,370	12,033
Total	<u>\$749,390</u>	<u>\$752,586</u>

Note: Including cash and cash equivalent (excluding cash on hands), financial assets measured at amortized cost, notes receivable, account receivable, other receivables, and guarantee deposits.

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not consider the interdependencies between risk variables.

Foreign currency risk

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

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

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and HKD.

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The information of the sensitivity analysis is as follows:

- (a) When NTD appreciates/depreciates against USD by 1%, the profit for the years ended December 31, 2023 and 2022 decreases/increases by NT\$625 thousand and NT\$1,025 thousand, respectively.
- (b) When NTD appreciates/depreciates against HKD by 1%, the profit for the years ended December 31, 2023 and 2022 decreases/increases by NT\$322 thousand and NT\$345 thousand, respectively, and equity as of December 31, 2023 and 2022 decreases/increases by NT\$3,380 thousand and NT\$3,482 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting date, a change of 25 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to decrease/increase by NT\$315 thousand and NT\$406 thousand, respectively.

Equity price risk

The fair value of the Group's equity securities listed in foreign countries is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's equity securities listed in foreign countries that are classified under financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, an increase/decrease of 1% in the stock price of listed companies classified as equity instruments investments measured at fair value through other comprehensive income could increase/decrease the Group's equity by NT\$3,380 thousand and NT\$3,482 thousand, respectively for the years ended December 31, 2023 and 2022.

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(4) Credit risk management

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

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

As of December 31, 2023, and 2022, accounts receivables from top ten customers represent 49% and 51% of the total accounts receivables of the Group, respectively. The credit concentration risk of other contract assets and accounts receivables is insignificant.

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

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk, and then further determines the method of measuring the loss allowance and the loss rates.

The Group writes off financial assets when it assesses that the financial assets cannot be reasonably expected to recover (such as significant financial difficulties of the issuer or debtor, or bankruptcy).

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(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1		More than 5		Total
	year	2-3 years	4-5 years	years	
As of December 31, 2023					
Bank loans	\$126,062	\$-	\$-	\$-	\$126,062
Payables	289,856	-	-	-	289,856
Lease liabilities (Note)	112,007	152,135	48,829	25,528	338,499
As of December 31, 2022					
Bank loans	\$162,043	\$-	\$-	\$-	\$162,043
Payables	260,158	-	-	-	260,158
Lease liabilities (Note)	98,614	134,192	67,620	29,650	330,076

Note: Including cash flows resulted from short-term leases contract.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term loans	Lease liabilities
As of January 1, 2023	\$161,000	\$319,395
Cash flows	(35,500)	(110,384)
Non-cash changes	-	118,653
As of December 31, 2023	\$125,500	\$327,664

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Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term loans	Lease liabilities
As of January 1, 2022	\$190,000	\$293,142
Cash flows	(29,000)	(107,343)
Non-cash changes	-	133,596
As of December 31, 2022	<u>\$161,000</u>	<u>\$319,395</u>

(7) Fair value of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

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

- (i) The carrying amount of cash and cash equivalents, receivables, and payables approximate their fair value due to their short maturities.
- (ii) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities.) at the reporting date.
- (iii) Fair value of bank loans is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair values of financial instruments measured at amortized cost

The carrying amount of financial assets measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12. (8) for fair value measurement hierarchy for financial instruments of the Group.

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(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

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

B. Fair value measurement hierarchy information

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

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$338,073	\$-	\$-	\$338,073
	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$348,289	\$-	\$-	\$348,289

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Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 for the Group's assets and liabilities measured at fair value on a recurring basis.

(9) Significant assets and liabilities denominated in foreign currencies

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

	Unit: thousands		
	As of December 31, 2023		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial Assets</u>			
Monetary items:			
USD	\$2,038	30.65	\$62,464
JPY	46,758	0.22	10,077
HKD	8,268	3.90	32,238
MOP	3,853	3.80	14,656
MYR	885	6.68	5,915
CAD	189	23.04	4,355
Non-monetary items:			
HKD	86,708	3.90	338,072
As of December 31, 2022			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial Assets</u>			
Monetary items:			
USD	\$3,341	30.67	\$102,458
JPY	45,108	0.23	10,418
HKD	8,828	3.91	34,497
MYR	828	6.95	5,766
CAD	272	22.55	6,134
Non-monetary items:			
HKD	89,121	3.91	348,289

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

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Since there were various functional currencies used within the entities of the Group, the Group was unable to disclose foreign exchange gains (losses) towards each foreign currency with significant impact. The realized and unrealized foreign exchange (losses) gains were NT\$(1,875) thousand and NT\$19,858 thousand for the years ended December 31, 2023 and 2022, respectively.

(10) Capital management

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

13. Other disclosure

(1) Information at significant transactions:

- A. Financing provided to others for the year ended December 31, 2023: None.
- B. Endorsement/guarantee provided to others for the year ended December 31, 2023: None.
- C. Securities held as of December 31, 2023: refer to Attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock for the year ended December 31, 2023: None.
- E. Acquisition of real estate up to the amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2023: None.
- F. Disposal of real estate up to the amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2023: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2023: None.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2023: None.
- I. Engaging in derivative transactions for the year ended December 31, 2023: None.
- J. Other: Intercompany relationships and significant intercompany transactions for the year ended December 31, 2023: refer to Attachment 3.

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(2) Information on investees

- A. Of the investee company directly or indirectly has significant influence or control over, their investee companies' information: refer to Attachment 2.
- B. For those who directly or indirectly pose significant influence or control over the investee company, please disclose the following:
- a. Financing provided to others for the year ended December 31, 2023: None.
 - b. Endorsement/guarantee provided to others for the year ended December 31, 2023: None.
 - c. Securities held as of December 31, 2023: refer to Attachment 1.
 - d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock for the year ended December 31, 2023: None.
 - e. Acquisition of real estate up to the amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2023: None.
 - f. Disposal of real estate up to the amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2023: None.
 - g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of the capital stock for the year ended December 31, 2023: None.
 - h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2023: None.
 - i. Engaging in derivative transactions for the year ended December 31, 2023: None.

(3) Information on investment in mainland China

- A. The investee company name, main business, paid-in capital, type of the investment, capital inflow and outflow, ownership, investment gains and losses, ending balance of investment, repatriation of investment income and the mainland investment limit scenario: refer to Attachment 4.
- B. Transactions with the investee companies directly or indirectly through a third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses were as below:
- a. Purchase amount and percentage and the ending balance of related payables and percentage: None.

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- b. Sales amount and percentage and the ending balance of related receivables and percentage for the year ended December 31, 2023:

	Sales		Accounts receivable	
	Amount	% of the company's net sales	Amount	% as of the account's ending balance
Goods sold to XIAMEN DAILY PLUS BEVERAGE MANAGEMENT CO., LTD.	\$13,283	0.63%	\$5,215	2.37%

- c. Gains and loss on the transaction of property: None.
d. Ending balance and purpose of endorsement guarantees or collateral: None.
e. Ending balance, maximum limit, interest rates range and current interest amount of financing: None.
f. Other investments that have significant impact on current profit or financial condition, such as the services provided or received: None.

(4) Major shareholder information

Please refer to Attachment 5.

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

- A. Tea segment: responsible for tea production and sales.
B. Food and beverage segment: responsible for providing catering services.

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

Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies information consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

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Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

A. Reportable segment information for the years ended December 31, 2023 and 2022 was as follows:

	For the year ended December 31, 2023					Total
	Tea	Food and Beverage	Reportable segment subtotal	Others	Adjustments and write-off ²	
Operating revenues						
Operating revenues from external customers	\$928,816	\$1,097,755	\$2,026,571	\$83,767	\$-	\$2,110,338
Operating revenues from sales among intersegments	27,503	-	27,503	-	(27,503)	-
Interest income	1,877	-	1,877	-	-	1,877
Revenue subtotal	<u>\$958,196</u>	<u>\$1,097,755</u>	<u>\$2,055,951</u>	<u>\$83,767</u>	<u>\$(27,503)</u>	<u>\$2,112,215</u>
Interest expense	<u>\$6,940</u>	<u>\$-</u>	<u>\$6,940</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,940</u>
Depreciation and amortization	<u>\$72,331</u>	<u>\$85,487</u>	<u>\$157,818</u>	<u>\$6,523</u>	<u>\$-</u>	<u>\$164,341</u>
Share of profit or loss of associates and joint ventures accounted for using the equity method	<u>\$-</u>	<u>\$-</u>	<u>\$(390)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(390)</u>
Segment net income (loss), before tax	<u>\$(3,167)</u>	<u>\$142,841</u>	<u>\$139,674</u>	<u>\$(20,720)</u>	<u>\$-</u>	<u>\$118,954</u>
Assets						
Long-term equity investment accounted for using the equity method	<u>\$-</u>	<u>\$-</u>	<u>\$9,558</u>	<u>\$-</u>	<u>\$-</u>	<u>\$9,558</u>
Segment assets	<u>\$1,044,859</u>	<u>\$1,234,903</u>	<u>\$2,279,762</u>	<u>\$94,233</u>	<u>\$-</u>	<u>\$2,373,995</u>
Segment liabilities	<u>\$389,241</u>	<u>\$460,039</u>	<u>\$849,280</u>	<u>\$35,104</u>	<u>\$-</u>	<u>\$884,384</u>

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	For the year ended December 31, 2022					
	Tea	Food and Beverage	Reportable segment subtotal	Other segments ¹	Adjustments and write-off ²	Total
Operating revenues						
Operating revenues from external customers	\$850,418	\$912,836	\$1,763,254	\$72,408	\$-	\$1,835,662
Operating revenues from sales among intersegments	21,397	-	21,397	-	(21,397)	-
Interest income	675	-	675	-	-	675
Revenue subtotal	<u>\$872,490</u>	<u>\$912,836</u>	<u>\$1,785,326</u>	<u>\$72,408</u>	<u>\$(21,397)</u>	<u>\$1,836,337</u>
Interest expense	<u>\$6,826</u>	<u>\$-</u>	<u>\$6,826</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,826</u>
Depreciation and amortization	<u>\$73,863</u>	<u>\$79,285</u>	<u>\$153,148</u>	<u>\$6,289</u>	<u>\$-</u>	<u>\$159,437</u>
Share of profit or loss of associates and joint ventures accounted for using the equity method	<u>\$-</u>	<u>\$-</u>	<u>\$69</u>	<u>\$-</u>	<u>\$-</u>	<u>\$69</u>
Segment net income (loss), before tax	<u>\$(11,903)</u>	<u>\$91,026</u>	<u>\$79,123</u>	<u>\$(21,625)</u>	<u>\$-</u>	<u>\$57,498</u>
Assets						
Long-term equity investment accounted for using the equity method	<u>\$-</u>	<u>\$-</u>	<u>\$10,123</u>	<u>\$-</u>	<u>\$-</u>	<u>\$10,123</u>
Segment assets	<u>\$1,090,533</u>	<u>\$1,170,575</u>	<u>\$2,261,108</u>	<u>\$92,852</u>	<u>\$-</u>	<u>\$2,353,960</u>
Segment liabilities	<u>\$400,461</u>	<u>\$429,853</u>	<u>\$830,314</u>	<u>\$34,097</u>	<u>\$-</u>	<u>\$864,411</u>

¹ Revenue from tea snacks and tea sets that are operating segments that do not meet the quantitative threshold for reportable segments.

² Inter-segment revenues are eliminated on consolidation and recorded under the “adjustment and elimination” column.

TEN REN TEA CO., LTD. AND SUBSIDIARIES
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Reconciliation of reportable segment revenues, profit and loss, assets, liabilities, and other significant items was as below:

(1) Interest income

	For the years ended December 31,	
	2023	2022
Total revenues for reportable segments	\$2,054,074	\$1,784,651
Other revenues	83,767	72,408
Elimination of inter-segment revenues	(27,503)	(21,397)
Total	\$2,110,338	\$1,835,662

(2) Profit or loss

	For the years ended December 31,	
	2023	2022
Total profit (loss)for reportable segments	\$139,674	\$79,123
Other income (loss)	(20,720)	(21,625)
Elimination of inter-segment profit	-	-
Income from continuing operations before tax	\$118,954	\$57,498

(3) Assets

	As of December 31,	
	2023	2022
Total assets for reportable segments	\$2,279,762	\$2,261,108
Other assets	94,233	92,852
Total	\$2,373,995	\$2,353,960

(4) Liabilities

	As of December 31,	
	2023	2022
Total liabilities for reportable segments	\$849,280	\$830,314
Other liabilities	35,104	34,097
Total	\$884,384	\$864,411

TEN REN TEA CO., LTD. AND SUBSIDIARIES
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Other significant items

For the year ended December 31, 2023

	Reportable segment total	Reconciliation	Total
Interest income	\$1,877	\$-	\$1,877
Interest expense	6,940	-	6,940
Depreciation and amortization	157,818	6,523	164,341

For the year ended December 31, 2022

	Reportable segment total	Reconciliation	Total
Interest income	\$675	\$-	\$675
Interest expense	6,826	-	6,826
Depreciation and amortization	153,148	6,289	159,437

C. Geographical information

Revenues from external customers:

	For the years ended December 31,	
	2023	2022
Taiwan	\$1,812,617	\$1,500,541
USA	55,342	51,464
China (including Hong Kong)	199,614	206,009
Others	42,765	77,648
Total	<u>\$2,110,338</u>	<u>\$1,835,662</u>

Revenue is classified based on the country of customers.

Non-current assets

	As of December 31,	
	2023	2022
Taiwan	\$1,193,838	\$1,222,049
Other	50,264	634
Total	<u>\$1,244,102</u>	<u>\$1,222,683</u>

D. Significant customer information

The Company has no customers who account for more than 10% of the operating revenue.

TEN REN TEA CO., LTD. AND SUBSIDIARIES

ATTACHMENT 1 (Marketable securities held as of December 31, 2023) (Excluding subsidiaries, associates and joint ventures)

(Unit : thousands of NTD)

Securities held by	Name of marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	Financial statement account	December 31, 2023				Remark (Note 4)
				Number of shares	Carrying amount (Note 3)	Percentage of ownership (%)	Fair value/ Net assets value	
TEN REN TEA CO., LTD	TENFU (CAYMAN) HOLDING COMPANY LIMITED		Financial assets at fair value through other comprehensive income – non-current	3,530,000	\$68,817	0.32%	\$68,817	
	B&S INTERNATIONAL HOLDINGS LTD.		Financial assets at fair value through other comprehensive income – non-current	12,876,000	16,316	3.22%	16,316	
	ASIA PACIFIC FEDERATION OF INDUSTRY AND COMMERCE CO., LTD.		Financial assets at fair value through profit or loss – non-current	14,592	-	0.02%	-	
TEN REN ENTERPRISE CO., LTD	TENFU (CAYMAN) HOLDING COMPANY LIMITED		Financial assets at fair value through other comprehensive income – non-current	510,000	9,942	0.05%	9,942	
TEN REN TEA (HONG KONG) LIMITED	TENFU (CAYMAN) HOLDING COMPANY LIMITED		Financial assets at fair value through other comprehensive income – non-current	12,464,580	242,998	1.14%	242,998	
HWA JO PRODUCTS CO., LTD	TEN REN TEA CO., LTD	Ultimate parent company	Financial assets at fair value through other comprehensive income – non-current	43,000	1,499	0.05%	1,499	Note 5

Note 1: The term "marketable securities" in this table refers to stocks, bonds, beneficiary certificates and marketable securities derived from the above items that fall within the scope of IFRS 9 "Financial Instruments".

Note 2: Marketable securities issuer is not a related party. This column is omitted.

Note 3: If it is measured by fair value, please fill in the carrying amount after fair value adjustment and deducting the carrying balance of accumulated impairment loss; if it is not measured by fair value, please fill in the acquisition cost or amortized cost in and deducting the carrying balance of accumulated impairment loss.

Note 4: For listed securities with restricted users due to the provision of guarantee, pledged loans or other agreements should indicate the amount of guarantees or pledges and the circumstance of restricted use.

Note 5: Eliminated upon consolidating financial statements.

TEN REN TEA CO., LTD. AND SUBSIDIARIES

ATTACHMENT 2: Names, locations and related information of investee companies as of December 2023 (Not including investment in Mainland China)

(Unit : thousands of NTD)

Investor company	Investee company (Note 1, 2)	Location	Main businesses and products	Initial investment		Investment as of December 31, 2022			Net income (loss) of investee company (Note 2(2))	Investment income (loss) recognized (Note 2(3))	Remark
				Ending balance	Beginning balance	Number of shares	Percentage of ownership(%)	Carrying Amount			
TEN REN TEA CO., LTD	TEN REN ENTERPRISE CO., LTD	6F, No.107, Sec 4, Zhongxiao E. Rd, Taipei, Taiwan	Investment holding	\$63,379	\$63,379	5,800,000	100.00%	\$79,440	\$1,644	\$1,644	Note 3
	TEN REN TRADING SDN. BHD	Malaysia	Tea sales	5,128	5,128	510,000	51.00%	3,686	394	201	Note 3
	TEN REN TEA CO.(S) PTE LTD.	Singapore	Tea sales	-	-	998	99.80%	-	-	-	Note 3
	TEN REN TEA (HONG KONG) LIMITED	Hong Kong	Investment holding	143,943	143,943	36,870,085	83.00%	222,272	8,432	6,999	Note 3
	TEN REN (JAPAN) CO., LTD.	Japan	Tea sales	13,372	13,372	25	100.00%	1,896	(1,687)	(1,687)	Note 3
	TEN REN MACAO LIMITED	Macao	Tea sales	22,010	-	1	100.00%	21,142	(1,571)	(1,571)	Note 3
TEN REN ENTERPRISE CO., LTD.	HWA JO PRODUCTS CO., LTD	3F, No.62, Hengyang Rd, Zhongzhen District, Taipei, Taiwan	Tea sales	14,650	14,650	1,400,000	100.00%	22,929	632	632	Note 3
	TEN REN TEA (HONG KONG) LIMITED	Hong Kong	Investment holding	29,315	29,315	7,551,704	17.00%	45,359	8,432	1,433	Note 3
	TEN REN TEA CO.(S) PTE LTD.	Singapore	Tea sales	-	-	2	0.20%	-	-	-	Note 3

Note 1: If a public listed company has set up foreign investment holding companies and deem consolidated financial statements as the main financial statements in accordance with local laws and regulation, the disclosure of information on foreign invested companies may only be disclosed to the relevant information of the holding company.

Note 2: For those that do not apply in Note 1, please fill in according to the following provisions

- (1) "Investee", "Location", "Main businesses and products", "Initial investment" and "Investment at end of period" columns should be filled in according to the reinvestment circumstances of this (public offering) company and each directly or indirectly controlled investee company; and then indicate the relationship between each investee company and this (public offering) company (if it is a subsidiary or a sub-subsidiary) in the remarks column.
- (2) In "Net income (loss) of investee company" column, the amount of profit and loss for the current period should be filled in for each investee company.
- (3) In "Investment income (loss) recognized" column, only the amount of profit and loss of each subsidiary recognized by the (public offering) company for direct reinvestment and each investee company evaluated by the equity method must be filled in. The rest can be omitted. When filling in the "recognition of profit or loss amount for the current period of each subsidiary of direct reinvestment, it should be confirmed that the current profit or loss amount has included the investment profit or loss of its reinvestment, which should be recognized according to regulations.

Note 3: Eliminated upon consolidating financial statements.

TEN REN TEA CO., LTD. AND SUBSIDIARIES

ATTACHMENT 3: Significant intercompany transactions between consolidated entities)

(Unit : thousands of NTD)

No. (Note 1)	Related party	Counterparty	Relationship with the Company (Note 2)	Account	Amount	Transactions	
						Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	TEN REN TEA CO., LTD	TEN REN TRADING SDN. BHD	1	Sales	\$5,012	Calculated using the transfer price between factory and branches	0.24%
0	TEN REN TEA CO., LTD	HWA JO PRODUCTS CO., LTD	1	Sales	4,863	Calculated using the transfer price between factory and branches	0.23%
0	TEN REN TEA CO., LTD	TEN REN (JAPAN) CO., LTD.	1	Sales	6	Calculated using the transfer price between factory and branches	-%
0	TEN REN TEA CO., LTD	TEN REN MACAO LIMITED	1	Sales	3,759	Calculated using the transfer price between factory and branches	0.18%
1	HWA JO PRODUCTS CO., LTD	TEN REN TEA CO., LTD	2	Sales	13,862	No major difference from third party suppliers	0.66%
0	TEN REN TEA CO., LTD	TEN REN ENTERPRISE CO., LTD	1	Rental income	57	Collect office rent revenue	-%
0	TEN REN TEA CO., LTD	HWA JO PRODUCTS CO., LTD	1	Rental income	36	Collect office rent revenue	-%
1	HWA JO PRODUCTS CO., LTD	TEN REN TEA CO., LTD	2	Rental income	840	Collect warehouse rent revenue	0.04%
0	TEN REN TEA CO., LTD	HWA JO PRODUCTS CO., LTD	1	Other revenues	400		0.02%
0	TEN REN TEA CO., LTD	TEN REN ENTERPRISE CO., LTD	1	Other revenues	229	Collect management remuneration and fees	0.01%
1	HWA JO PRODUCTS CO., LTD	TEN REN TEA CO., LTD	2	Other revenues	914		0.04%
0	TEN REN TEA CO., LTD	TEN REN (JAPAN) CO., LTD.	1	Accounts receivable	4		-%
0	TEN REN TEA CO., LTD	TEN REN MACAO LIMITED	1	Accounts receivable	2,732		0.12%
1	HWA JO PRODUCTS CO., LTD	TEN REN TEA CO., LTD	2	Accounts receivable	2,213		0.09%
0	TEN REN TEA CO., LTD	HWA JO PRODUCTS CO., LTD	1	Accounts Receivable	420		0.02%
0	TEN REN TEA CO., LTD	TEN REN ENTERPRISE CO., LTD	1	Accounts Receivable	240		0.01%
1	HWA JO PRODUCTS CO., LTD	TEN REN TEA CO., LTD	2	Accounts Receivable	2,095		0.09%
0	TEN REN TEA CO., LTD	TEN REN TRADING SDN. BHD	1		11		-%
0	TEN REN TEA CO., LTD	TEN REN TEA (HONG KONG) LIMITED	1		83		-%
2	TEN REN MACAO LIMITED	TEN REN TEA CO., LTD	2	Temporary receipts	558		0.02%
1	HWA JO PRODUCTS CO., LTD	TEN REN TEA CO., LTD	2	Other receivables	914		0.04%
3	TEN REN TRADING SDN. BHD	TEN REN TEA CO., LTD	2	Refundable deposits	131		0.01%

Note 1: TEN REN TEA CO., LTD. and its subsidiaries are coded as follows:

- TEN REN TEA CO., LTD is coded "0".
- The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

If the parents has already disclosed, the subsidiary does not need to be disclosed repeatedly; for transactions between subsidiaries, if one of its subsidiaries has disclosed, the other subsidiary does not need to be disclosed repeatedly.

- Parent company to subsidiaries.
- Subsidiaries to parent company.
- Subsidiaries to subsidiaries.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end. For profit or loss items, cumulative balances are used as basis.

Note 4: The important transactions in this table may be determined by the Company according to the principle of materiality.

TEN REN TEA CO., LTD. AND SUBSIDIARIES

ATTACHMENT 4: Investment in Mainland China as of December 31, 2023

(Unit : thousands of NTD)

Investor company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized	Carrying amount as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023	Remark
					Outflow	Inflow							
XIAMEN DAILY PLUS FOOD BEVERAGE MANAGERMENTS CO., LTD.	Investment holding	\$19,313 (USD\$ 630)	(2) (Note 3)	\$9,656 (USD\$ 315)	\$-	\$-	\$9,656 (USD\$ 315)	\$(780)	50%	\$(390) (Note 2.(2).C)	\$9,558	\$-	

Accumulated outflow of investment from Taiwan as of December 31, 2023	Investment amounts authorized by the Investment Commission, MOEA	Upper limit on investments in Mainland China imposed by the Investment Commission of MOEA
\$9,656 (USD\$ 315 thousand)	\$32,188 (USD\$ 1,050 thousand)	\$893,767 (Note 3)

Note 1: The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- (3) Other methods.

Note 2: The investment income (loss) recognized in current period, the investment income (loss) were determined based on the following basis:

- (1) It should be indicated if it is in preparation and there is no investment income.
- (2) The basis for recognition of investment income is categorized in the following three, which should be indicated:
 - A. The financial report was audited by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
 - B. The financial statements were audited by the auditors of the parent company.
 - C. Others

Note 3: In accordance with "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" and "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area" amended on August 29, 2008 by Investment (

Note 4: The amounts in this table are expressed in New Taiwan Dollars.

TEN REN TEA CO., LTD. AND SUBSIDIARIES

ATTACHMENT 5: Information on major shareholders

Name of major shareholders	Number of shares held	Ownership (%)
TEN SHIN INVESTMENT CO., LTD.	10,784,629	11.90%
TEN FU INVESTMENT CO., LTD.	9,190,830	10.14%
TEN RIE INVESTMENT CO., LTD.	9,057,283	9.99%
WEI AN INVESTMENT CO., LTD.	6,643,599	7.33%
WANG, LIEN-YUAN	5,898,647	6.51%
CHOU, YUEN-CHU	4,815,000	5.31%

Note: If the Company applies to the Taiwan Depository & Clearing Corporation (TDCC) for obtaining the listed information in this table,

it must state the following matters in the notes below:

(1) The shareholders information is mainly derived from the last business day of each quarter-end when shareholders hold more than 5% of the common shares and preferred shares that have been completed (including treasury shares) non-physical registration. As for there may be differences between recorded shares in the Company's financial report and actual shares completed and delivered shares to non-physical registration, this is due to different calculation basis.

(2) If the above-mentioned information is in the case of shareholders handing over shares to the trust, the individual account of the trustor who set up the trust account with the trustee should be disclosed. As for shareholders who declare insiders shareholding statement in accordance with the Securities and Exchange Act for holding more than 10% of the shares, it includes shares held personally and shares that are put into the trust and hold the right to exercise decision-making power over the trust property, etc. Please refer to the Market Observation Post System (MOPS) for more information on the insiders shareholding statement.