Stock Code:8443

SHUI-MU INTERNATIONAL CO., LTD.

Parent Company Only Financial Statements

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

Address: 6F, No. 168, Songjiang Rd., Zhongshan Dist., Taipei City
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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of SHUI-MU International Co., Ltd.:

Opinion

We have audited the financial statements of SHUI-MU International Co., Ltd.("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   Please refer to Note 4(p) for the accounting policy on revenue recognition and Note 6(t) for details of revenue from contracts with customers.

   Description of key audit matter:

   The Company' s revenues primarily derive from its retail stores and consist of a high volume of small-value transactions. The sales data transfer process is highly dependent on IT systems. Revenue recognition is the main concern of the users of the financial statements. Therefore, we determined that the revenue recognition is a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

1) Understanding the Company's revenue recognition policy and assessing whether it is consistently applied in comparative periods.

2) Examining supporting documents for retail sales transactions and the IT control environment related to financial reporting process.

3) Inspecting, on a sample basis, the daily cash report and reconciling items.

4) Verifying, on a sample basis, whether the cash receipt amount of the daily cash report is consistent with the bank remittance amount.

5) Verifying, on a sample basis, whether the sales amount of daily sales report is consistent with the amount recorded in the accounting system.

2. Inventory valuation

Please refer to Note 4(g) for the accounting policy on inventories, Note 5 for significant accounting estimates and uncertainty of assumptions related to inventory valuation, and Note 6(f) for details of inventories.

Description of key audit matter:

The Company is primarily engaged in the sale of shoes and other leather products. As the fashion trends and styles change constantly, the risk of inventory obsolescence is higher. Therefore, we determined that inventory valuation is a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

1) Verifying whether the Company's accounting policy on the allowance for inventory valuation loss is consistently applied, and assessing the reasonableness of the policy.

2) Inspecting supporting documents to test the accuracy of inventory classification according to quarterly changes, and verifying whether the allowance for valuation loss is provided in accordance with the Company's policy.

3) Obtaining the net realizable value report to verify whether the calculation logic is used consistently, and testing the assumptions used by inspecting supporting documents.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Pei-Chi Chen and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 21, 2023

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

SHUI-MU INTERNATIONAL CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (notes 6(a)(w))	$ 131,015	7	152,046	8
1110	Current financial assets at fair value through profit or loss (notes 6(b)(w))	30,826	2	41,103	2
1136	Financial assets measured at amortized cost-current (notes 6(c)(w))	9,100	1	9,100	-
1170	Accounts receivable, net (notes 6(d)(t)(w))	26,055	1	47,907	2
1180	Accounts receivable due from related parties, net (notes 6(w) and 7)	31	-	54	-
1200	Other receivables (notes 6(e)(w))	496	-	789	-
1210	Other receivables due from related parties (notes 6(w) and 7)	1,140	-	-	-
1220	Current income tax assets	15	-	11	-
130X	Inventories (note 6(f))	570,828	33	563,594	29
1410	Prepayments (Note 7)	32,100	2	30,913	2
	Total current assets	801,606	46	845,517	43
	Non-current assets:				
1535	Financial assets measured at amortized cost-noncurrent (notes 6(a)(c)(w) and 8)	-	-	23,590	1
1550	Investments accounted for using equity method (notes 6(g)(k))	30,699	2	49,797	3
1600	Property, plant and equipment (note 6(h))	352,067	20	483,941	24
1755	Right-of-use assets (note 6(i))	388,759	22	420,993	21
1760	Investment property, net (notes 6(j) and 8)	95,984	6	-	-
1780	Intangible assets	22,472	1	20,684	1
1840	Deferred tax assets (note 6(q))	-	-	75,049	4
1900	Other non-current assets (notes 6(w) and 8)	55,745	3	55,740	3
	Total non-current assets	945,726	54	1,129,794	57
	Total assets	$ 1,747,332	100	1,975,311	100

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2130	Current contract liabilities (note 6(t))	$ 356,034	20	347,394	18
2150	Notes payable (note 6(w))	-	-	4	-
2170	Accounts payable (Note 6(w))	66,563	4	77,266	4
2180	Accounts payable to related parties (notes 6(w) and 7)	6,889	1	3,167	-
2200	Other payables (notes 6(m)(w))	84,925	5	82,481	4
2220	Other payables to related parties (notes 6(w) and 7)	307	-	528	-
2250	Current provisions (note 6(o))	1,839	-	1,745	-
2280	Current lease liabilities (notes 6(n)(w))	128,292	7	134,363	7
2300	Other current liabilities	2,872	-	4,039	-
	Total Current liabilities	647,721	37	650,987	33
	Non-Current liabilities:				
2550	Non-current provisions (note 6(o))	5,703	-	5,904	-
2580	Non-current lease liabilities (notes 6(n)(w))	274,342	16	297,242	15
2600	Other non-current liabilities (note 6(w))	4,815	-	3,071	-
	Total Non-current liabilities	284,860	16	306,217	15
	Total liabilities	932,581	53	957,204	48
	Equity (note 6(r)):				
3110	Ordinary share	668,000	38	668,000	34
3200	Capital surplus	331,289	19	331,289	17
3300	Retained earnings	(190,247)	(11)	20,371	1
3400	Other equity	5,709	1	(1,553)	-
	Total equity	814,751	47	1,018,107	52
	Total liabilities and equity	$ 1,747,332	100	1,975,311	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SHUI-MU INTERNATIONAL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars , except for Earnings Per Share)

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue, net (note 6(t))**	$ 1,241,071	100	1,083,642	100
5000	**Operating costs (notes 6(f) and 7)**	662,989	53	591,707	55
5900	**Gross profit from operations**	578,082	47	491,935	45
	Operating expenses (notes 6(d)(e)(h)(i)(j)(k)(n)(p)(u) and 7):				
6100	Selling expenses	595,773	48	614,508	57
6200	Administrative expenses	100,612	8	112,769	10
6300	Research and development expenses	11,846	1	16,310	1
6450	Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(499)	-	824	-
6000	**Total operating expenses**	707,732	57	744,411	68
6900	**Net operating loss**	(129,650)	(10)	(252,476)	(23)
	Non-operating income and expenses (notes 6(b)(k)(n)(v)(w) and 7):				
7100	Interest income	1,670	-	1,613	-
7010	Other income	12,624	1	26,949	3
7020	Other gains and losses, net	(13,206)	(1)	(10,241)	(1)
7050	Finance costs, net	(6,042)	(1)	(9,660)	(1)
7070	Share of profit (loss) of subsidiaries and associates accounted for using equity method, net	(965)	-	307	-
	Total non-operating income and expenses	(5,919)	(1)	8,968	1
7900	**Loss before tax**	(135,569)	(11)	(243,508)	(22)
7950	Less: Income tax expenses (note 6(q))	75,049	6	17,244	2
	Loss	(210,618)	(17)	(260,752)	(24)
8300	**Other comprehensive income:**				
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements	7,262	1	(885)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	7,262	1	(885)	-
8300	**Other comprehensive income**	7,262	1	(885)	-
8500	**Comprehensive income**	**$ (203,356)**	**(16)**	**(261,637)**	**(24)**
	Earnings (loss) per share (note 6(s))				
9750	**Basic earnings (loss) per share (in dollars)**	**$ (3.15)**		**(3.90)**	
9850	**Diluted earnings (loss) per share (in dollars)**	**$ (3.15)**		**(3.90)**	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SHUI-MU INTERNATIONAL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance at January 1, 2021	$ 668,000	342,752	252,097	1,835	27,191	281,123	(668)	1,291,207
loss	-	-	-	-	(260,752)	(260,752)	-	(260,752)
Other comprehensive income	-	-	-	-	-	-	(885)	(885)
Total comprehensive income	-	-	-	-	(260,752)	(260,752)	(885)	(261,637)
Appropriation and distribution of retained earnings:								
Reversal of special reserve	-	-	-	(1,167)	1,167	-	-	-
Other changes in capital surplus:								
Cash distributed from capital surplus	-	(10,020)	-	-	-	-	-	(10,020)
Changes in ownership interests in subsidiaries	-	(1,443)	-	-	-	-	-	(1,443)
Balance at December 31, 2021	668,000	331,289	252,097	668	(232,394)	20,371	(1,553)	1,018,107
loss	-	-	-	-	(210,618)	(210,618)	-	(210,618)
Other comprehensive income	-	-	-	-	-	-	7,262	7,262
Total comprehensive income	-	-	-	-	(210,618)	(210,618)	7,262	(203,356)
Appropriation and distribution of retained earnings:								
Legal reserve used to offset accumulated deficits	-	-	(231,726)	-	231,726	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	(668)	668	-	-	-
Balance at December 31, 2022	**$ 668,000**	**331,289**	**20,371**	**-**	**(210,618)**	**(190,247)**	**5,709**	**814,751**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SHUI-MU INTERNATIONAL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Loss before tax	$ (135,569)	(243,508)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	195,084	220,860
Amortization expense	4,196	3,257
Expected credit loss (gain)	(499)	824
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	9,573	827
Interest expense	6,042	9,660
Interest income	(1,670)	(1,613)
Dividend income	(775)	(500)
Share of loss (profit) of associates and subsidiaries accounted for using equity method	965	(307)
Loss (gain) on disposal of property, plant and equipment	3,135	9,309
Gain on lease modification	(57)	(1,405)
Total adjustments to reconcile profit (loss)	215,994	240,912
Changes in operating assets and liabilities:		
Financial assets or liabilities at fair value through profit or loss	704	51,570
Accounts receivable	21,851	12,537
Accounts receivable due from related parties	23	3,876
Other receivables	824	2,030
Other receivables due from related parties	-	18,692
Inventories	(7,234)	33,164
Prepayments	(4,221)	6,870
Contract liabilities	8,640	20,987
Notes payable	(4)	(1,035)
Accounts payable	(10,703)	32,398
Accounts payable to related parties	3,722	1,522
Other payables	2,444	(3,733)
Other payables to related parties	(221)	391
Other current liabilities	(1,167)	(752)
Total adjustments	230,652	419,429
Cash inflow (outflow) generated from operations	95,083	175,921
Interest received	1,667	1,612
Interest paid	(6,042)	(9,660)
Income taxes refund (paid)	(4)	243
Net cash flows from operating activities	90,704	168,116
Cash flows from (used in) investing activities:		
Decrease in financial assets at amortized cost	23,590	39,780
Acquisition of investments accounted for using equity method	-	(26,000)
Proceeds from capital reduction of investments accounted for using equity method	24,255	406
Acquisition of property, plant and equipment	(17,210)	(23,691)
Decrease (increase) in refundable deposits	(5)	8,267
Acquisition of intangible assets	(1,583)	(829)
Dividends received	747	598
Net cash flows from (used in) investing activities	29,794	(1,469)
Cash flows from (used in) financing activities:		
Decrease in guarantee deposits received	1,744	(5)
Payment of lease liabilities	(143,273)	(155,092)
Cash distributed from capital surplus	-	(10,020)
Net cash flows used in financing activities	(141,529)	(165,117)
Net increase (decrease) in cash and cash equivalents	(21,031)	1,530
Cash and cash equivalents at beginning of period	152,046	150,516
Cash and cash equivalents at end of period	$ **131,015**	**152,046**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SHUI-MU INTERNATIONAL CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

(a) SHUI-MU International Co., Ltd. (the "Company") was incorporated on August 25, 2003 and registered with the Ministry of Economic Affairs, ROC. The address of the Company's registered office is 6 F, No. 168, Songjiang Rd., Zhongshan Dist., Taipei City. The major business activities of the Company is wholesale and retail of shoes and bags.

(b) The Company's stocks were approved for trading on Taipei Exchange's emerging stock board on September 3, 2012. The Company was approved for listing by Taiwan Stock Exchange in June 2014 and was officially listed in September 2014.

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

These financial statements were authorized for issue by the Board of Directors on March 21, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability' s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- IFRS16 "Requirements for Sale and Leaseback Transactions"

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for financial assets at fair value through profit or loss are measured at fair value, the parent company only financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company' s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(Continued)

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

(d) Classification of current and non-current assets and liabilities

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

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

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company 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 issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
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2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables, other receivables, guarantee deposit paid and other financial assets).

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

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECL.

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

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

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

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

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

(Continued)

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

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

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

4) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Financial liabilities

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

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

2) Derecognition of financial liabilities

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

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

(Continued)

3) Offsetting of financial assets and liabilities

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

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

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

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent-company-only financial statements include the Company’ s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company’s interests in the associate. When the Company’s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

The Company uses the equity method on investees over which the Company has control when preparing the parent-company-only financial statements. The profit or loss for the period and other comprehensive income presented in individual financial statements shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the individual financial statements shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions.

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(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	buildings	55 years
2)	transportation equipment	5 years
3)	office equipment	3～5 years
4)	leasehold improvement	1～10 years
5)	other equipment	3～10 years

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(k) Leases

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

(Continued)

(i) As a lessee

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

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

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

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

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

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a extension or termination option; or

— there is any lease modifications

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

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

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

(ii) As a lessor

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(m) Intangible assets

(i) Recognition and measurement

Other intangible assets, including trademarks and computer software, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(iii) Amortization

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

The estimated useful lives for current and comparative periods are as follows:

1)	Trademarks	10 years
2)	Computer software	3～10years

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

(n) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units（CGUs）.

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

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

Impairment losses are recognized in profit or loss.

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

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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(p) Revenue from contracts with customers

(i) Revenue from contracts with customers

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

1) Sale of goods

The Company sells shoes and leather products. The Company recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product. The Company sells gift certificates that are non-refundable and have no expiry date. When gift certificates are redeemed and the obligation to supply goods is fulfilled, revenue is recognized based on the amount of gift certificates redeemed relative to the total amount expected to be redeemed.

2) Customer loyalty program

The Company operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Company considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Company has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

3) Service revenue

The Company provides shoes repair services to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the work performed to date as a proportion of the total work expected to be performed.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
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(ii) Financing components

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

(q) Government grants

The Company recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

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

(s) Income tax

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

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

(Continued)

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

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

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(t) Earnings per share

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

(u) Operating segments

The Company discloses the operating segment information in the consolidated financial statemetns; therefore, the Company does not disclose the operating segment information in the parent company only financial statemetns.

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

(a) Valuation of inventory:

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash	$ 3,960	6,040
Checking accounts	1,607	1,751
Demand deposits	117,548	136,755
Time deposits	7,900	7,500
	$ 131,015	**202,317**

(i) The Company transacts with a variety of financial institutions, all with high credit quality, to disperse credit risk, so it expects that the probability of counterparty default is remote.

(ii) As of December 31, 2022 and 2021, the Company's demand deposits and time deposits had been pledged as collateral for issuance of gift certificates amounting to $0 thousand and $23,590 thousand, respectively. Due to restrictions on uses, these deposits were recorded as "Financial assets measured at amortized cost – non-current". Please refer to notes 6(c) and 8.

(iii) Please refer to note 6(w) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

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Notes to the Financial Statements

(b) Financial assests at fair value through profit or loss

		December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Fund beneficiary certificates	$	15,979	19,714
Stock listed on domestic markets		14,847	21,389
	$	**30,826**	**41,103**

(i) For the years ended December 31, 2022 and 2021, net losses on financial assets at fair value through profit or loss were $(9,573) thousand and $(827) thousand, respectively. Please refer to note 6(v).

(ii) As of December 31, 2022 and 2021, none of the financial assests at fair value through profit or loss had not been pledged as collateral.

(iii) Please refer to note 6(w) for market risk information in relation to financial assets at fair value through profit or loss.

(c) Financial assets measured at amortized cost

		December 31, 2022	December 31, 2021
Current:			
Time deposits with maturity over 3 months	$	**9,100**	**9,100**
Non-current:			
Restricted time deposits and demand deposits	$	**-**	**23,590**

(i) As of December 31, 2022 and 2021, the financial assets measured at amortized costs of the Company had been pledged as collateral. Please refer to note 8.

(ii) Please refer to note 6(w) for credit risk information in relation to financial assets measured at amortized costs.

(d) Accounts receivable

		December 31, 2022	December 31, 2021
Accounts receivable	$	26,954	48,806
Less: loss allowance		(899)	(899)
	$	**26,055**	**47,907**

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

The loss allowance provision was determined as follows:

	December 31, 2022		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 25,751	0%~0.03%	-
Past due within 90 days	265	0%~0.03%	-
Past due over 91 days	938	95.84%	899
	$ 26,954		**899**

	December 31, 2021		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 47,137	0%~0.03%	-
Past due within 90 days	770	0%~0.03%	-
Past due over 91 days	899	100%	899
	$ 48,806		**899**

The movement in the allowance for accounts receivable was as follows:

	For the years ended December 31	
	2022	**2021**
Balance on January 1	$ 899	899
Impairment losses recognized	1	-
Amounts written off	(1)	-
Balance on December 31	**$ 899**	**899**

None of the accounts receivable held by the Company were pledged or collateralized as of December 31, 2022 and 2021.

For further credit risk information, please refer to note 6(w).

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Notes to the Financial Statements

(e) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	$ 713	1,506
Less: Loss allowance	217	717
	$ 496	**789**

The movement in the allowance for other receivables was as follows:

	December 31, 2022	December 31, 2021
Balance on January 1	$ 717	-
Impairment losses recognized	-	824
Amounts written off	-	(107)
Impairment losses reversed	(500)	-
Balance on December 31	**$ 217**	**717**

(f) Inventories

	December 31, 2022	December 31, 2021
Merchandise	$ 721,877	714,813
Less: Loss allowance	(151,049)	(151,219)
	$ 570,828	**563,594**

The details of the cost of sales were as follows:

	For the years ended December 31	
	2022	**2021**
Inventory that has been sold	$ 615,682	532,079
Write-down and write-off of inventories	39,140	50,731
Repair costs	6,012	6,864
Service costs	2,155	2,033
	$ 662,989	**591,707**

None of inventories held by the Company were pledged as collateral as of December 31, 2022 and 2021.

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(g) Investments accounted for using equity method

A summary of the Company's financial information about investments accounted for using equity method at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Subsidiaries–		
A.S.O. International Co., Ltd.	$ 26,574	45,486
Comphy International Company Limited	2,697	2,810
BESO International Co., Ltd.	672	910
Lovelly International Co., Ltd.	153	261
Associates	603	330
	$ 30,699	49,797

(i) Subsidiaries

Please refer to the consolidated financial statements.

(ii) Collateral

None of the investments accounted for using method held by the Company was pledged as collateral as of December 31, 2022 and 2021.

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Cost：							
Balance at January 1, 2022	$ 161,199	67,463	1,230	37,346	447,507	59,984	774,729
Additions	-	-	-	1,731	13,824	1,655	17,210
Disposal	-	-	-	(372)	(8,754)	-	(9,126)
Reclassification to investment property	(80,600)	(23,076)	-	-	-	-	(103,676)
Reclassification	-	-	-	(2,095)	-	-	(2,095)
Balance at December 31, 2022	$ 80,599	44,387	1,230	36,610	452,577	61,639	677,042
Balance at January 1, 2021	$ 161,199	67,463	1,230	36,627	453,174	60,043	779,736
Additions	-	-	-	5,244	16,177	2,270	23,691
Disposal	-	-	-	(4,525)	(21,844)	(2,329)	(28,698)
Balance at December 31, 2021	$ 161,199	67,463	1,230	37,346	447,507	59,984	774,729

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
Depreciation:							
Balance at January 1, 2022	$ -	21,283	1,230	23,657	201,892	42,726	290,788
Depreciation	-	999	-	4,873	36,214	6,306	48,392
Disposal	-	-	-	(368)	(5,623)	-	(5,991)
Reclassification to investment property	-	(7,486)	-	-	-	-	(7,486)
Reclassification	-	-	-	(728)	-	-	(728)
Balance at December 31, 2022	**$ -**	**14,796**	**1,230**	**27,434**	**232,483**	**49,032**	**324,975**
Balance at January 1, 2021	$ -	20,078	1,230	23,135	175,016	37,109	256,568
Depreciation	-	1,205	-	5,047	39,410	7,947	53,609
Disposal	-	-	-	(4,525)	(12,534)	(2,330)	(19,389)
Balance at December 31, 2021	**$ -**	**21,283**	**1,230**	**23,657**	**201,892**	**42,726**	**290,788**
Carrying amounts:							
Balance at December 31, 2022	**$ 80,599**	**29,591**	**-**	**9,176**	**220,094**	**12,607**	**352,067**
Balance at January 1, 2021	**$ 161,199**	**47,385**	**-**	**13,492**	**278,158**	**22,934**	**523,168**
Balance at December 31, 2021	**$ 161,199**	**46,180**	**-**	**13,689**	**245,615**	**17,258**	**483,941**

(i) As of December 31, 2022 and 2021, the property, plant and equipment of the Company had been pledged as collateral for issuance of gift certificates to financial institutions; please refer to note 8.

(ii) Reclassification to investment property

The Company leased its owned property to a third party since June 29, 2022. The property was reclassified to investment property at its carrying amount when the use of the property changed. Please refer to note 6(j).

(i) Right-of-use assets

The Cost and depreciation of leased building and construction and other equipment of the Company were as follows:

	Buildings	Other equipment	Total
Cost:			
Balance at January 1, 2022	$ 770,540	4,810	775,350
Additions	116,442	97	116,539
Reductions	(102,512)	-	(102,512)
Balance at December 31, 2022	**$ 784,470**	**4,907**	**789,377**

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

	Buildings	Other equipment	Total
Balance at January 1, 2021	$ 841,081	4,689	845,770
Additions	100,710	121	100,831
Reductions	(171,251)	-	(171,251)
Balance at December 31, 2021	**$ 770,540**	**4,810**	**775,350**
Depreciation:			
Balance at January 1, 2022	$ 350,018	4,339	354,357
Depreciation	146,145	341	146,486
Reductions	(100,225)	-	(100,225)
Balance at December 31, 2022	**$ 395,938**	**4,680**	**400,618**
Balance at January 1, 2021	$ 267,121	3,091	270,212
Depreciation	166,003	1,248	167,251
Reductions	(83,106)	-	(83,106)
Balance at December 31, 2021	**$ 350,018**	**4,339**	**354,357**
Carrying amount:			
Balance at December 31, 2022	**$ 388,532**	**227**	**388,759**
Balance at January 1, 2021	**$ 573,960**	**1,598**	**575,558**
Balance at December 31, 2021	**$ 420,522**	**471**	**420,993**

(j) Investment property

Investment property comprises office buildings that are owned by the Company and leased to third parties under operating leases. The leases of investment properties contain an initial non-cancellable lease term of 10 years. The lease provide the lessee with options to extend at the end of the term.

	Land	Buildings	Total
Cost:			
Balance at January 1, 2022	$ -	-	-
Reclassification from property, plant and equipment	80,600	23,076	103,676
Balance at December 31, 2022	**$ 80,600**	**23,076**	**103,676**
Balance at January 1, 2021	$ -	-	-
Balance at December 31, 2021	**$ -**	**-**	**-**

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

		Land	Buildings	Total
Accumulated depreciation:				
Balance at January 1, 2022	$	-	-	-
Reclassification from property, plant and equipment		-	7,486	7,486
Depreciation		-	206	206
Balance at December 31, 2022	$	-	7,692	7,692
Balance at January 1, 2021	$	-	-	-
Balance at December 31, 2021	$	-	-	-
Carrying amount:				
Balance at January 1, 2022	$	-	-	-
Balance at December 31, 2022	$	80,600	15,384	95,984
Balance at January 1, 2021	$	-	-	-
Balance at December 31, 2021	$	-	-	-
Fair value:				
Balance at December 31, 2022				$ 265,930

The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

Fair value was measured using the market approach and income approach. The yield method under the income approach would have been used if there was no active market for the investment properties. The valuation model considers the present value of net cash flows to be generated from the property, and the expected net cash flows are discounted using risk-adjusted discount rates. For the year ended December 31, 2022, the rate of return is 2.72%.

As of December 31, 2022 and 2021, the investment property of the Company had been pledged as collateral for issuance of gift certificates and loans facility to financial institutions; please refer to note 8.

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(k) Operating lease

The Company leased out its investment property. The Company classified these leases as operating leases because it did not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(j) Investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2022	December 31, 2021
Less than one year	$ 7,387	-
One to five years	29,547	-
More than five years	35,087	-
	$ 72,021	**-**

For the years ended December 31, 2022 and 2021, rental income from investment properties was $1,824 thousand and $0 thousand, respectively.

(l) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31, 2022	December 31, 2021
Secured bank loans	**$ -**	**-**
Unused facilities	**$ 350,000**	**350,000**
Range of interest rates	**-**	

For the collateral for short-term borrowings, please refer to note 8.

(m) Other payables

The details of other payables were as follows:

	December 31, 2022	December 31, 2021
Salaries payable	$ 31,971	31,550
Payables on equipment	13,194	4,760
Other accrued expenses and others	39,760	46,171
	$ 84,925	**82,481**

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SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(n) Lease liabilities

The carrying values of the lease liabilities were as follows:

		December 31, 2022	December 31, 2021
Current	$	128,292	134,363
Non-current	$	274,342	297,242

For the maturity analysis, please refer to note 6(w).

The amounts recognized in profit or loss were as follows:

		2022	2021
Interest on lease liabilities	$	6,034	9,660
Expenses relating to short term leases	$	20,461	21,893

The amounts recognized in the statement of cash flows for the Company were as follows:

		2022	2021
Total cash outflow for leases	$	169,768	186,645

(i) Real estate leases

The Company leases building for its warehouses and retail stores. The leases of warehouses typically run for a period of 5 years, and of retail stores for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(i) Other leases

The Company leases equipment, with lease terms of three years. The Company will acquire all the equipment at the end of the lease.

(o) Provisions

		2022	2021
Balance at January 1	$	7,649	8,504
Provisions reversed during the year		(107)	(855)
Balance at December 31	$	7,542	7,649

The carrying amount of provisions were as follows:

		December 31, 2022	December 31, 2021
Current	$	1,839	1,745
Non-current	$	5,703	5,904

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

According to applicable agreements, the Company bears dismantling, removing the asset and restoring the site obligations for certain stores in the future. A provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site.

(p) Employee benefits

Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $12,831 thousand and $13,991 thousand for the years ended December 31, 2022 and 2021, respectively.

(q) Income taxes

(i) The components of income tax were as follows:

	For the years ended December 31,	
	2022	**2021**
Current tax expense (income)	$ -	(5)
Deferred tax expense	75,049	17,249
Income tax expense	**$ 75,049**	**17,244**

Reconciliation of income tax and profit (loss) before tax for 2022 and 2021 was as follows:

	2022	**2021**
Profit (loss) excluding income tax	$ (135,569)	(243,508)
Income tax using the Company's domestic tax rate	(27,114)	(48,702)
Tax-exempt income	-	(4,416)
Change in unrecognized temporary differences	100,211	70,231
Underestimated (overestimated) income tax in prior periods	-	(5)
Others	1,952	136
Income tax expense	**$ 75,049**	**17,244**

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
Temporary differences related to investments in subsidiaries	$ -	6,506
The carryforward of unused tax losses	154,027	78,146
	$ 154,027	84,652

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

2) Recognized deferred tax assets

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

	Inventory provisions	Unused tax losses and others	Total
January 1, 2022	20,118	54,931	75,049
Recognized in profit or loss	(20,118)	(54,931)	(75,049)
December 31, 2022	$ -	-	-
January 1, 2021	32,729	59,569	92,298
Recognized in profit or loss	(12,611)	(4,638)	(17,249)
December 31, 2021	$ 20,118	54,931	75,049

3) Assessment of tax

The Company' s tax returns for the years through 2020 were assessed by the Taipei National Tax Administration.

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(r) Capital and other equity

(i) Issuance of ordinary shares

As of December 31, 2022 and 2021, the number of authorized ordinary shares were both 80,000 thousand shares, amounting to $800,000 thousand with par value of $10 per share, and 66,800 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The components of capital surplus were as follows:

		December 31, 2022	December 31, 2021
Paid in capital in excess of par value	$	330,033	330,033
Difference arising from subsidiary's share price and its carrying value		1,256	1,256
	$	**331,289**	**331,289**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

On March 22, 2021, the Company's Board of Directors resolved to distribute cash from capital surplus. The relevant distributions from capital surplus to the shareholders were as follows:

	2022		
		Amount per share (in dollars)	**Total amount**
Cash distributed to ordinary shareholders			
Capital surplus distributed by cash	$	0.15	**10,020**

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

SHUI-MU INTERNATIONAL CO., LTD.
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Before the distribution of dividends, the Company shall first take into consideration its operating programs and estimated future cash flows in determining the stock or cash dividends to be paid, and profits may be distributed by cash dividends or stock dividends. The cash dividends shall not be lower than 10% of total dividends. The aforementioned percentage of earnings distribution is subject to resolution by the shareholders' meeting for adjustments depending on current year's profit and capital position.

In accordance with the Article 240, paragraph 5 of the Company Act, the Company authorizes the Board of Directors, with the presence of more than two-thirds of the directors and the approval of a majority of the directors, to distribute the dividends and bonus or legal reserves and capital surpluses, entirely or partially, as cash dividends, and report to the shareholders' meeting.

1) Legal reserve

When the Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

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

3) Earnings appropriation and distribution

Due to loss in 2020, the Company resolved not to distribute earnings in the general meeting of shareholders held on August 4, 2021.

A resolution was passed during the general meeting of shareholders held on June 14, 2022 to offset the accumulated deficit with legal reserve of $231,726 thousand and special reserve of $668 thousand, respectively.

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SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(iv) Other equity (net of tax)

		Exchange differences on translation of foreign financial statements
Balance at January 1, 2022	$	(1,553)
Exchange differences on foreign operations		7,262
Balance at December 31, 2022	**$**	**5,709**

		Exchange differences on translation of foreign financial statements
Balance at January 1, 2021	$	(668)
Exchange differences on foreign operations		(885)
Balance at December 31, 2021	**$**	**(1,553)**

(s) Loss per share

The details on the calculation of basic loss per share as of December 31, 2022 and 2021 was based on the profit (loss) attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, as follows:

(i) Loss attributable to ordinary shareholders of the Company

		2022	2021
Loss attributable to ordinary shareholders of the Company	**$**	**210,618**	**260,752**

(ii) Weighted average number of ordinary shares

	2022	2021
Weighted average number of ordinary shares (in thousand shares)	**66,800**	**66,800**

The Company has no potential dilutive ordinary shares for the years ended December 31, 2022 and 2021.

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(t) Revenue from contracts with customers

(i) Details of revenue

		2022	2021
Primary geographical markets：			
Taiwan	$	1,241,071	1,083,642

Revenue of the Company is from selling products including shoes and bags and its repair business, the Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The geographical market is in Taiwan.

(ii) Contract balances

		December 31, 2022	December 31, 2021	January 1, 2021
Trade receivables	$	26,954	48,806	61,343
Less: allowance for impairment		(899)	(899)	(899)
	$	26,055	47,907	60,444

		December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities:				
Unearned revenue from gift certificates	$	342,564	336,191	316,109
Customer Loyalty Programs		13,470	11,203	10,298
	$	356,034	347,394	326,407

For details on trade receivables and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2022 that was included in the contract liability balance at the beginning of the period were $54,068 thousand and $35,527 thousand, respectively.

For gift certificates that the Company issued with no expiry date, the Company recognizes revenue when customers redeem the gift certificates.

Th change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(u) Employee compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute no less than 10% of the profit as employee compensation and less than 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

Due to loss in 2022 and 2021, there were no estimated amounts of employee compensation and directors' remuneration. Related information would available at the Market Oberservation Post System website.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

		2022	2021
Interest income from bank deposits	$	1,670	1,613

(ii) Other income

The details of other income were as follows:

		2022	2021
Rental income	$	7,611	3,694
Dividend income		775	500
Government grants and others		4,238	22,755
	$	12,624	26,949

(iii) Other gains and losses

The details of other gains and losses were as follows:

		2022	2021
Losses on financial assets at fair value through profit or loss	$	(9,573)	(827)
Foreign exchange gains (losses)		360	(96)
Losses on disposals of investment property		(3,135)	(9,309)
Gains on lease modifications		57	1,405
Others		(915)	(1,414)
	$	(13,206)	(10,241)

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(iv) Finance costs

The details of finance costs were as follows:

		2022	2021
Interest expense – lease	$	6,034	9,660
Interest expense – others		8	-
	$	**6,042**	**9,660**

(w) Financial instruments

(i) Types of financial instruments

		December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:			
Financial assets mandatorily measured at fair value through profit or loss	$	30,826	41,103
Financial assets measured at amortized cost:			
Cash and cash equivalents		131,015	152,046
Financial assets measured at amortized cost - current		9,100	9,100
Accounts receivable, net		26,055	47,907
Accounts receivable due from related parties, net		31	54
Other receivables		496	789
Other receivables due from related parties		1,140	-
Financial assets measured at amortized cost - non-current		-	23,590
Other non-current assets - refundable deposits		55,745	55,740
Subtotal		223,582	289,226
	$	**223,582**	**289,226**

		December 31, 2022	December 31, 2021
Financial liabilities measured at amortized cost:			
Notes payable	$	-	4
Accounts payable		66,563	77,266
Accounts payable to related parties		6,889	3,167
Other payables		84,925	82,481
Other payables to related parties		307	528
Current lease liabilities		128,292	134,363
Non-current lease liabilities		274,342	297,242
Other non-current liabilities - guarantee deposits received		4,815	3,071
	$	**566,133**	**598,122**

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SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(ii) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The Company believes that there is no significant concentration of credit risk due to the Company’ s large number of customers and their wide geographic spread. In order to reduce credit risk, the Company evaluate the financial status of customers regularly without requiring its customers to provide collateral.

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Accounts payable (including related parties)	$ 73,452	73,452	73,452	-	-	-
Other payables (including related parties)	85,232	85,232	85,232	-	-	-
Lease liabilities	402,634	414,430	133,166	98,866	152,044	30,354
	$ 561,318	**573,114**	**291,850**	**98,866**	**152,044**	**30,354**
December 31, 2021						
Non-derivative financial liabilities						
Notes payable	$ 4	4	4	-	-	-
Accounts payable (including related parties)	80,433	80,433	80,433	-	-	-
Other payables (including related parties)	83,009	83,009	83,009	-	-	-
Lease liabilities	431,605	445,631	139,806	110,520	144,361	50,944
	$ 595,051	**609,077**	**303,252**	**110,520**	**144,361**	**50,944**

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

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SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(iv) Currency risk

1) Exposure to foreign currency risk

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
(Foreign currency: functional currency)						
USD:NTD	$ 143	30.710	4,392	131	27.680	3,626

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents. For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the foreign currency exchange rates were as follows:

	2022		
	Sensitivity analysis		
	Increasing/ decreasing	Net income	Other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 44	-

	2021		
	Sensitivity analysis		
	Increasing/ decreasing	Net income	Other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 36	-

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $360 thousand and $(96) thousand, respectively.

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(v) Price risk

1) The Company is exposed to equity price risk due to the investments in equity securities, accounted for financial assets at fair value through profit or loss. In order to manage price risk of equity investment, the Company sets a limit to invest in a diversified portfolio.

2) The Company primarily invests in domestic equity instruments, and the prices of these equity instruments may be affected by uncertainty of the future values. If the interest rate increases/decreases by 1%, the Company' s loss before tax will decrease/increase by $308 thousand and $411 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors that remain constant.

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss, is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows (excluding the disclosure of financial assets and liabilities for which the book value is close to this fair value, and lease liabilities):

	December 31, 2022				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 30,826	30,826	-	-	30,826

	December 31, 2021				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 41,103	41,103	-	-	41,103

2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

3) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2022 and 2021

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SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(x) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company’s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent-company-only financial statements.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company’s Board of Directors oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

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

1) Trade and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company’s standard payment and delivery terms and conditions are offered. The Company’s review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and are reviewed regularly. Customers that fail to meet the Company’s benchmark creditworthiness may transact with the Company only on a prepayment basis.

(Continued)

2) Investments

The Company holds its bank deposits in different financial institutions to manage the exposure to credit risk of each institution to prevent concentration risk.

3) Guarantees

As of December 31, 2022 and 2021, the Company has not provided any guarantees to companies outside the group.

(iv) Liquidity risk

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

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company' s unused credit line were both amounted to$350,000 thousand.

(v) Market risk

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

1) Exchange rate risk

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

2) Interest rate risk

The Company does not have any significant liability with a floating interest rate, and changes in market interest rate do not have any significant impact on the future cash flow of the Company.

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(y) Capital management

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

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

The Company’s debt-to-equity ratios at the end of the reporting periods were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 932,581	957,204
Less: cash and cash equivalents	(131,015)	(152,046)
Net debt	**$ 801,566**	**805,158**
Total equity	**$ 814,751**	**1,018,107**
Debt-to-equity ratio	**98.38 %**	**79.08 %**

There were no changes in the Company's approach to capital management as of December 31, 2022.

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

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021 were acquisition of right-of-use assets by leasing. Please refer to notes 6(i) and 6(n).

(7) Related-party transactions

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Shuang Yueh Footwear Ltd	An entity controlled by key management personnel
Yueh Ya Chuan Co., Ltd.	An entity controlled by key management personnel
A.S.O. International Co., Ltd.	A subsidiary
A.S.O. International Holdings Co., Ltd.	A subsidiary
Lovelly International Co., Ltd.	A subsidiary
Comphy International Company Limited	A subsidiary
BESO International Co., Ltd.	A subsidiary
A.S.O Nanjing Trading Co., Ltd.	A subsidiary
Learn Jet International Ltd.	An associate

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Sales

1) Accounts receivable due from related parties

Details of accounts receivable resulting from sales that been collected by a subsidiary on behalf of the Company.

Account title	Type of related parties	December 31, 2022	December 31, 2021
Accounts receivable due from related parties	A subsidiary	$ **31**	**54**

(ii) Purchases

1) Operating costs

The amounts of significant purchases by the Company from related parties were as follows:

	2022	2021
Purchases:		
An entity controlled by key management personnel	$ 16,653	-
A subsidiary	49	26
An associate	21,418	7,129
	$ **38,120**	**7,155**

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

2) Accounts payable to related parties

Payables to related parties resulting from the above transactions were as follows:

	December 31, 2022	December 31, 2021
Accounts payable to related parties:		
An entity controlled by key management personnel	$ 4,153	-
An associate	2,736	3,167
Total	$ **6,889**	**3,167**

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

3) Prepayments to related parties

The prepayments to related parties resulting from the above transactions were as follows:

	December 31, 2022	December 31, 2021
An associate	$ 3,280	571

(iii) Other transactions

1) Operating costs – repairs

The amounts of repairing costs by the Company from related parties were as follows:

	December 31, 2022	December 31, 2021
An entity controlled by key management personnel	$ 969	1,010

2) Operating expenses

The amounts of cleaning fee, telephones fee, building management fee, utility fee, service expense, postage expense, and rental expense were as follows:

	2022	2021
An entity controlled by key management personnel:		
Shuang Yueh Footwear Ltd.	$ 2,541	2,134
Yueh Ya Chuan Co., Ltd.	44	-
A subsidiary	1,889	2,782
An associate	169	-
Total	$ 4,643	4,916

3) Rental income

	December 31, 2022	December 31, 2022
A subsidiary	$ 940	470

The Company subleased its retail store to its subsidiary.

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

4) Other payables to related parties

Details of other payables to related partis resulting from the above transactions and transactions on behalf of the Company were as follows:

	December 31, 2022	December 31, 2021
An entity controlled by key management personnel	$ 211	395
A Subsidiary	96	133
Total	**$ 307**	**528**

5) Temporary payments

Details of temporary payments to related parties resulting from the above transactions were as follows:

	December 31, 2022	December 31, 2021
A subsidiary	**$ -**	**300**

6) Other receivables due from related parties

	December 31, 2022	December 31, 2021
A subsidiary	**$ 1,140**	**-**

The above balance was the residual capital of a subsidiary that has yet to be remitted back.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	$ 15,277	18,209
Post-employment benefits	321	324
	15,598	**18,533**

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Land and buildings	Issuance of gift certificates and loans facility	$ 110,190	207,379
Investment property	Issuance of gift certificates and loans facility	95,984	-
Time deposits and demand deposits (included in financial assets measured at amortized cost – non-current)	Issuance of gift certificates	-	23,590
Refundable deposits (included in other non-current assets)	Lease deposits and tenders	55,745	55,740
		$ 261,919	286,709

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	For the year ended December 31					
	2022			2021		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary		249,381	249,381		261,358	261,358
Labor and health insurance		26,612	26,612		28,978	28,978
Pension	-	12,831	12,831	-	13,991	13,991
Remuneration of directors	-	3,948	3,948	-	4,023	4,023
Others	-	15,540	15,540	-	17,931	17,931
Depreciation	-	195,084	195,084	-	220,860	220,860
Amortization	-	4,196	4,196	-	3,257	3,257

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

Further information of the number of employees and employee benefits as of December 31, 2022 and 2021 were as follows:

The Company's headcount and employees benefit expenses for the years 2022 and 2021 were as follows:

	2022	2021
Number of employees	510	563
Number of non-employee directors	5	9
Average employee benefits	$ 603	578
Average salary	$ 494	468
Adjustment of average employee salaries	5.56 %	(4.10)%
Supervisor's remuneration	$ -	-

The Company's salary and remuneration policy for directors, managers, and employees is as follows:

(i) Directors:

The remuneration of directors of the Company is complied with "Remuneration of Directors and Functional Committees Principles". The procedures of determining the remuneration is based on "Rules for Performance Evaluation of the Board". In addtion to the Company's operational performance, future operational risk and development trends of the industry, the achievement rate of individual performance and contribution to the Company's operational performance are taken into account for determining reasonable remuneration.

(ii) Managers and employees:

The remuneration of managers and employees is determined based on the Company's rules for salaries and conducting employee performance evaluations, taking into account the individual's position and responsiblity, contribution to the Company, and industry standards.

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

Number (note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (note 2)	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral Item	Collateral Value	Individual funding loan limits (Note 5)	Maximum limit of fund financing (Note 5)
0	SHUI-MU International Co., Ltd.	Comphy International Company Limited	Other receivables	Yes	4,000	4,000	-	1.5%	Note 3	-	Operating capital	-	None	-	162,950	325,900
0	SHUI-MU International Co., Ltd.	Lovelly International Co.,Ltd.	Other receivables	Yes	3,000	-	-	-	Note 3	-	Operating capital	-	None	-	162,950	325,900

Note 1: The numbers are as follows:
a. The Company is numbered "0".
b. The investees are sequentially numbered from "1".
Note 2: Highest balance of financing to other parties during the year.
Note 3: Entities with short-term financing needs.
Note 4: Pursuant to Article No.167 issued by the Securities & Futures Institute in March 2004, accounts receivable exceeding specific period of time of regular credit term should be disclosed in the information of Loans to other parties.
Note 5: (1) The ceiling on total loans granted by the Company shall not exceed 40% of the net worth of its audited or reviewed financial statements.
(2) For entities that the Company has business with, the ceiling on total loans granted by the Company shall not exceed 20% of the Company's net worth; the ceiling on loans granted to each entity shall not exceed the transaction amount within a year. The transaction amount is the higher amount of purchases or sales.
(3) For entities with short-term financing needs, the ceiling on total loans granted by the Company shall not exceed 20% of the Company's net worth; the ceiling on loans granted to each entity shall not exceed 20% of the Company's net worth.
(4) For loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares, the ceiling on total loans granted shall not exceed 100% of the Company's net worth; the ceiling on loans granted to each entity shall not exceed 60% of the Company's net worth.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	December 31, 2022 Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	Note
SHUI-MU International Co., Ltd.	Beneficiary certificates-Neuberger Berman Bond-Plus Income and Growth Multi-Asset Class Fund N(TWD)	None	Current financial assets at fair value through profit or loss	1,494,080	10,190	- %	10,190	
〃	Beneficiary certificates-PineBridge Global Emerging Market High Yield Bond Fund N(TWD)	〃	〃	562,936	3,209	- %	3,209	
〃	Beneficiary certificates-TCB Environmental & Socially Responsible Multi-Asset Fund A(TWD)	〃	〃	300,000	2,580	- %	2,580	
〃	Stock listed on domestic market-Information Technology Total Services Co., Ltd.	〃	〃	5,000	187	- %	187	
〃	Stock listed on domestic market - Taiwan Semiconductor Manufacturing Co., Ltd.	〃	〃	10,000	4,485	- %	4,485	
〃	Stock listed on domestic market - ASUSTeK Computer Inc.	〃	〃	5,000	1,342	- %	1,342	
〃	Stock listed on domestic market - Feng Tay Enterprises Co., Ltd.	〃	〃	600	124	- %	124	
〃	Stock listed on domestic market-Information Technology TotalServices Co., Ltd.	〃	〃	2,000	397	- %	397	
〃	Stock listed on domestic market-Macronix International Co., Ltd,	〃	〃	10,000	337	- %	337	
〃	Stock listed on domestic market - CHLITINA Holding Limited	〃	〃	2,000	158	- %	158	
〃	Stock listed on domestic market-Tainan Spinning Co., Ltd.	〃	〃	5,000	84	- %	84	
〃	Stock listed on domestic market - China Steel Corporation	〃	〃	2,000	60	- %	60	
〃	Stock listed on domestic market - Wan Hai Lines, Ltd.	〃	〃	7,590	608	- %	608	

(Continued)

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	December 31, 2022 Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	Note
〃	Stock listed on domestic market-Yang Ming Marine Transport Corp.	〃	〃	6,000	393	- %	393	
〃	Stock listed on domestic market-YAGEO Corporation	〃	〃	14,327	6,462	- %	6,462	
〃	Stock listed on domestic market-Eastern Media International Corporation	〃	〃	9,000	210	- %	210	

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

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

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Unit: thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2022	Original investment amount December 31, 2021	Balance as of December 31, 2022 Shares (thousands)	Percentage of ownership	Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
SHUI-MU International Co., Ltd.	A.S.O. International Co., Ltd.	Samoa	Investment holding	142,385	167,779	900	100.00 %	26,574	(779)	(779)	
”	Lovelly International Co., Ltd.	Taiwan	Sale of shoes, bags, and stationery	11,700	11,700	1,170	97.50 %	153	(111)	(108)	
”	Comphy International Company Limited	Taiwan	Sale of shoes, bags, and socks	9,500	9,500	950	95.00 %	2,697	(119)	(113)	
”	BESO International Co., Ltd.	Taiwan	Sale of shoes, bags, and daily necessities	29,400	29,400	2,940	98.00 %	672	(243)	(238)	
”	Learn Jet International Ltd.	Taiwan	Sale of clothing, shoes, hat	700	700	-	34.00 %	603	820	273	
A.S.O. International Co., Ltd.	A.S.O. International Holdings Co., Ltd.	Hong Kong	Investment holding	57,427	82,734	195	100.00 %	(39)	(572)	(572)	Note 1

Note 1: Investment income (losses) were recognized by investees of the Company.

(c) Information on investment in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of 2022	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 1)	Book value	Accumulated remittance of earnings in current period	Note
A.S.O Nanjing Trading Co.,Ltd.	Sale of shoes and leather products	60,064	(2)	60,064	-	24,255	35,809	216	100%	216	-	-	Note 3 and Note 4

Note 1: Investment methods are classified into the following three categories:
(1) Invest directly in Mainland China companies.
(2) Invest in Mainland China by remitting through a third region.
(3) Others.
Note 2: Investment income (loss) recognized was based on the financial statements audited by the Company's auditor.
Note 3: A.S.O Nanjing Trading Co., Ltd. was invested through A.S.O. International Holdings Co., Ltd.
Note 4: The investee was dissolved and liquidated in March 2022.

SHUI-MU INTERNATIONAL CO., LTD.
Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022 (Note 2)(Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
214,233	214,233	488,850

Note 1: Upper limit is 60% of the Company's net worth according to the regulation.

Note 2: A.S.O Shanghai Trading Co., Ltd. was dissolved and liquidated in 2020, and its residual capital amounting to $406 thousand was remitted back to Taiwan. The remittance to Mainland China amounting to $178,424 thousand was included in the accumulated

Note 3: A.S.O Nanjing Trading Co., Ltd. was dissolved and liquidated in 2022, and its residual capital amounting to $24,255 thousand was remitted back to Taiwan. The remittance to Mainland China amounting to $35,809 thousand was included in the accumulated investment amounts.

(iii) Significant transactions:None

(d) Major shareholders

Unit: shares

Shareholding / Shareholder's Name	Shares	Percentage
Jung-Yueh Lo	7,992,500	11.96 %
Yueh-Chiao Lin	6,662,560	9.97 %
Yueh Ya Chuan CO., LTD.	5,810,452	8.69 %
Yeh-O Lo	4,815,027	7.20 %
Lo Mommy A-Dou Charitable Trust Fund	3,442,338	5.15 %

(14) Segment information:

Please refer to the consolidated financial statements of the Company and its subsidiaries as of December 31, 2022 and for the years then ended.

SHUI-MU INTERNATIONAL CO., LTD.

Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Cash	Petty Cash	$ 3,960
Checking accounts and demand deposits-NTD		115,768
Demand deposits-foreign currency (Note)		
〃	USD: 107,345.35	3,297
〃	CNY: 5,726.39	25
	AUD: 34.64	1
〃	EUR: 1,950.13	64
Time deposits-NTD	Maturity dates: 2023/1/22~2023/2/25	
	Interest rate: 0.965%	7,900
Total		**$ 131,015**

Note: The aforementioned foreign currency was valuated at the rate on December 31, 2022.

USD : NTD=1 : 30.71

CNY : NTD=1 : 4.408

AUD : NTD＝1 : 20.83

EUR : NTD＝1:32.72

SHUI-MU INTERNATIONAL CO., LTD.

Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Amount		Market value basis
	Cost	Net realizable value	
Merchandise	$ 721,877	731,598	Net realizable value
Less: Loss allowances	(151,049)		〃
Total	**$ 570,828**		

SHUI-MU INTERNATIONAL CO., LTD.

Statement of operating revenue

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Quantity	Amount	Note
Sales revenue			
Shoes	295 thousand pairs	$ 537,668	
Bag	19 thousand items	41,073	
Socks	263 thousand pairs	29,955	
Others		624,507	
Subtotal		1,233,203	
Repair revenue		6,840	
Service revenue		37	
Other operating revenue		991	
Total		**$ 1,241,071**	

SHUI-MU INTERNATIONAL CO., LTD.

Statement of cost of revenue

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Amount	Note
Inventory, beginning of year	$ 714,813	
Add: Purchases	647,508	
Less: Inventory, end of year	(721,877)	
Reclassified into expense	14,547	
Losses of write-off of inventories	(39,309)	
Cost of inventories sold	615,682	
Write-down (reversal of allowance) of inventories	(169)	
Losses of write-off of inventories	39,309	
Cost of sales	654,822	
Repair costs	6,012	
Service costs	2,155	
Operating costs	**$ 662,989**	

SHUI-MU INTERNATIONAL CO., LTD.

Statement of operating expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Items	Selling expenses	Administrative expenses	Research and development expenses	Total	Note
Payroll	$ 204,907	39,273	5,201	249,381	
Depreciation	186,886	7,422	570	194,878	
Promotion expenses	45,369	74	-	45,443	
Others (note)	158,611	53,843	6,075	218,529	
Total	**$ 595,773**	**100,612**	**11,846**	**708,231**	

Note: Amounts less than 5% of the account balance are not disclosed individually.

Property, plant and equipment, please refer to Note6 (h).

Accumulated depreciation of property, plant and equipment, please refer to Note 6(h).

Right-of-use assets, please refer to Note 6(i).

Accumulated depreciation of right-of-use assets, please refer to Note 6(i).

Investment property, please refer to Note 6(j)

Accumulated depreciation of investment property, please refer to Note 6(j).

Lease liabilities, please refer Note 6 (n).

Non-operating income and expenses, please refer to Note 6(v).

Finance costs, please refer to Note 6(v).

A summary of current-period employee benefits, depreciation, and amortization, by function, please refer to Note 12.