Independent Auditor's Report

(112)Cai-Shen-Bao-Zi No. 22005177

To Castles Technology Co., Ltd.:

Opinion

Castles Technology Co., Ltd. (the "Company") which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the parent-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-only financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-Only 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 the 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 for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's 2022 financial statements are as below:

Evaluations of the loss allowance for accounts receivable

<u>Description of key audit matters</u>

For the accounting policy of accounts receivable, please refer to Note 4(8) of the Parent-Only Financial Statement; for the uncertainties of accounting estimates and assumptions for the assessed loss allowance of accounts receivable, please refer to Note 5(2) of the Parent-Only Financial Statement Financial Statement; for the description of accounts for accounts receivable, please refer to Note 6(3) of the Parent-Only Financial Statement Financial Statement.

The Company manages the payment collection and overdue accounts, while assuming the related credit risks. The management authority regularly evaluates the credit quality and payment status of customers, and adjusts the credit policy for customers in a timely manner. In addition, the assessment for the impairment of accounts receivable is based on the relevant provisions of the International Financial Reporting Standard 9 “Financial Instruments,” using a simplified method of assessment the expected credit loss; the management authority establishes the expected loss rate based on the overdue period of the customer in the history as of the balance sheet date, and various factors that may affect the customer’s solvency such as financial position and economic conditions, while incorporating the future forward-looking information.

Because the amount of accounts receivable of the Company is relatively large, and the assessment process of loss allowance involves the judgment of the management; therefore, we listed the assessment of loss allowance of accounts receivable as one of the most important matters in the audit.

<u>Responding audit procedures</u>

The responding audit procedures we adopted for the aforesaid key audit matters are as below:

1. Understand the Company’s customer credit status, credit quality and provision policy for loss allowance of accounts receivable.
2. Test the changes in the aging of accounts receivable, inspect the relevant supporting

documents of the dates of accounts receivable, and confirm the classification of the aging period.

3. Obtain and review the relevant information provided by the management, and refer to the ratio of providing loss allowance by referring to the historical loss occurrence rate in the past years while considering future forward-looking information.
4. Recalculate the loss allowance that shall be provided based on the ratio of providing loss allowance.

Valuation of inventories

Description of key audit matters

For the accounting policy of inventory valuation, please refer to Note 4(11) of the Parent-Only Financial Statement; for the uncertainties of accounting estimates and assumptions for the inventory valuation, please refer to Note 5(2) of the Parent-Only Financial Statement; for the description of accounts for inventory, please refer to Note 6(5) of the Parent-Only Financial Statement.

The major revenue of the Company is processing, manufacturing, and sales of point of sales (POS), and the inventory valuation is subject to the changes of inventory values due to technology changes, environmental changes, and sales conditions. The Company adopts the judgements to estimate the net realizable value of inventory, to identify the net realizable value one by one, to compare with the costs for which one is lower, while supplementing the usable status of long-duration inventory individually, to provide the valuation loss.

Since the amount of inventory of the Company is relatively large, and the inventory valuation process involves the judgment of the management; therefore, we listed the valuation of the inventory is one of the most important matters in the audit.

Responding audit procedures

The responding audit procedures we implemented for the aforesaid key audit matters are as below:

1. Obtain the inventory valuation policy, evaluate its provision policy, and confirm the adoption of the inventory valuation policy during the financial statement period.
2. Conduct the on-site inventory inspection at the end of the period to identify whether there are obsolete, damaged or unmarketable inventories.
3. Obtain the inventory age report, perform the inventory age test, randomly sample the material number in the inventories to inspect the inventory change record, confirm the classification of the inventory age range, and evaluate the impact on the inventory value.
4. Obtain the net realizable value statement of the inventory, confirm the calculation logic, and

randomly sample and test the relevant data against the relevant evaluation documents, and compare the cost and the net realizable value one by one for the lower after the recalculation.

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 included], 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 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. 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. 3.Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 auditors' report. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. 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. 6.Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022, 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.

PwC Taiwan

Huang, Shi-Chung

CPA

Yeh, Tsui-Miao

Financial Supervisory Commission
Approval No. of Attestation: Jin-Guan-Zheng-Shen-Zi No.1050029449
Former Securities and Futures Bureau of Financial Supervisory Commission, Executive Yuan
Approval No. of Attestation: Jin-Guan-Zheng-Liu-Zi No.0960058737

March 28, 2023

Castles Technology Co., Ltd.
Parent-only Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

	Assets	Note	December 31, 2022 Amount		%	December 31, 2021 Amount		%
	Current assets							
1100	Cash and cash equivalents	6(1)	$	498,380	9	$	413,467	10
1136	Financial assets measured at amortized cost – current	6(1) and 8		8,511	-		82,539	2
1150	Notes receivable	6(3)		7,557	-		5,629	-
1170	Accounts receivable, net	6(3)(4)		317,320	5		313,928	7
1180	Accounts receivable – related parties, net	6(3) and 7(2)		1,818,756	31		845,117	20
1200	Other receivables			42,425	1		26,318	1
130X	Inventories	6(5)		1,797,480	30		1,500,937	35
1410	Prepayments			22,441	-		12,811	-
11XX	**Current Assets**			4,512,870	76		3,200,746	75
	Non-current assets							
1510	Financial assets at FVTPL – non-current	6(2)		16,573	-		-	-
1535	Financial assets measured at amortized cost – non-current	6(1) and 8		242	-		500	-
1550	Investment with the equity method	6(6)		675,441	12		406,585	9
1600	Property, plant and equipment	6(7) and 8		284,500	5		282,913	7
1755	Right-of-use assets	6(8)		38,079	1		8,145	-
1780	Intangible assets			25,410	-		34,122	1
1840	Deferred income tax assets	6(23)		236,855	4		246,924	6
1920	Refundable deposit			5,969	-		2,762	-
1930	Long-term notes and accounts receivable	6(3)(4)		6,490	-		13,124	-
1990	Other non-current assets – others	6(3)		102,271	2		86,175	2
15XX	**Non-current assets**			1,391,830	24		1,081,250	25
1XXX	**Total Assets**		$	5,904,700	100	$	4,281,996	100

(Continued in the next page)

Castles Technology Co., Ltd.
Parent-only Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

	Liabilities and Equity	Note	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities					
2100	Short-term loans	6(9)	$ 668,000	11	$ 908,386	21
2130	Contract liabilities – current	6(17) and 7(2)	66,107	1	80,278	2
2150	Notes payable		-	-	49	-
2170	Accounts payable		1,540,354	26	1,077,810	25
2200	Other payables		203,154	4	116,483	3
2220	Other payables – related parties	7(2)	60,770	1	8,393	-
2230	Income tax liabilities of the period	6(23)	114,438	2	69,117	2
2280	Lease liabilities – current		10,616	-	4,084	-
2320	Long-term liabilities due in one year or one business cycle	6(10)	73,009	1	57,809	1
21XX	**Current Liabilities**		2,736,448	46	2,322,409	54
	Non-current liabilities					
2540	Long-term loans	6(10)	272,903	5	308,353	7
2560	Income tax liabilities of the period – non-current	6(23)	-	-	9,113	-
2570	Deferred income tax liabilities:	6(23)	20,257	-	5,150	-
2580	Lease liabilities – non-current		27,659	1	4,109	-
2670	Other non-current liabilities – others	6(11)	17,838	-	17,420	1
25XX	**Non-current Liabilities**		338,657	6	344,145	8
2XXX	**Total liabilities**		3,075,105	52	2,666,554	62
	Equity					
	Share capital	6(13)				
3110	Share capital - common stock		995,426	17	895,426	21
	Capital surplus	6(14)				
3200	Capital surplus		694,514	12	325,014	8
	Retained earnings	6(15)				
3310	Legal reserve		100,954	2	78,676	2
3320	Special reserve		29,110	-	11,451	-
3350	Unappropriated retained earnings		1,019,913	17	352,037	8
	Other equity interests					
3400	Other equity interests		7,729	-	(29,111)	(1)
3500	Treasury shares	6(13)	(18,051)	-	(18,051)	-
3XXX	**Total equity**		2,829,595	48	1,615,442	38
	Significant contingent liabilities and unrecognized contract commitments	IX.				
	Significant Events After Balance Sheet Date	XI.				
3X2X	**Total Liabilities and Equity**		$ 5,904,700	100	$ 4,281,996	100

The accompanying notes are an integral part of the parent-only financial statements; please read them together.

Chairperson: Hua-Hsi Hsin Managerial Officer: Hung-Chun Lin Accounting Officer: Mei-Yun Tu

Castles Technology Co., Ltd.
Parent-only Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(Other than EPS, which is in NT$)

	Item	Note	2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenue	6(16) and 7 (2)	$ 6,159,886	100	$ 3,503,009	100
5000	Operating costs	6(5)(21)	(5,001,269)	(81)	(2,805,913)	(80)
5900	Gross profit		1,158,617	19	697,096	20
5910	Unrealized income from sales		(28,980)	-	(10,684)	-
5920	Realized income from sales		10,684	-	15,902	-
5950	Gross operating profit, net		1,140,321	19	702,314	20
	Operating expenses	6(21) and 7 (2)				
6100	Selling expenses		(74,491)	(1)	(126,643)	(4)
6200	General and administrative expenses		(85,666)	(2)	(51,045)	(1)
6300	Research and development expenses		(383,759)	(6)	(328,881)	(9)
6450	Gain from expected credit impairment	12(2)	3,261	-	42,110	1
6000	Total operating expenses		(540,655)	(9)	(464,459)	(13)
6900	Operating profit		599,666	10	237,855	7
	Non-operating income and expenses					
7100	Interest income	6(17)	1,598	-	482	-
7010	Other income	6(18)	42,589	1	11,218	-
7020	Other gains and losses	6 (19)	8,597	-	(47,804)	(1)
7050	Finance cost	6(20)	(21,909)	(1)	(16,131)	(1)
7070	Shares of gain and loss from subsidiaries, associates, and joint venture recognized with the equity method	6(6)	245,728	4	67,311	2
7000	Total non-operating income and expenses		276,603	4	15,076	-
7900	**Profit before income tax**		876,269	14	252,931	7
7950	Income tax expense	6(23)	(114,996)	(2)	(30,015)	(1)
8200	**Profit for the year**		$ 761,273	12	$ 222,916	6
	Other comprehensive income, net					
	Items not re-classified to income/loss					
8311	Remeasurement of defined benefit programs	6(11)	($ 246)	-	($ 177)	-
8349	Income taxes related to the items not re-classified	6(23)	49	-	35	-
8310	Total of items not re-classified		(197)	-	(142)	-
	Items that may be reclassified subsequently to profit or loss					
8361	Financial statements translation differences of foreign operations	6(6)	36,840	1	(17,660)	-
8360	Total of items that may be reclassified subsequently to profit or loss		36,840	1	(17,660)	-
8300	**Other comprehensive income, net**		$ 36,643	1	($ 17,802)	-
8500	**Total comprehensive income for the year**		$ 797,916	13	$ 205,114	6
	Basic earnings per share	6(24)				
9750	Profit for the year		$	8.19	$	2.51
	Diluted earnings per share	6(24)				
9850	Profit for the year		$	8.09	$	2.49

The accompanying notes are an integral part of the parent-only financial statements; please read them together.

Chairperson: Hua-Hsi Hsin Managerial Officer: Hung-Chun Lin Accounting Officer: Mei-Yun Tu

Castles Technology Co., Ltd.
Parent-only Statements of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

			Capital surplus				Retained earnings			Other equity interests		
	Note	Share capital - common stock	Premium of issuance	Consolidated premium	Employee stock options	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising on translation of foreign operations Exchange difference from translation of financial statements	Treasury shares	Total equity
2021												
Balance as of January 1, 2021		$ 895,426	$ 320,198	$ 4,816	$ -	$ -	$ 58,849	$ 11,163	$ 202,641	($ 11,451)	($ 18,051)	$ 1,463,591
Profit for the year		-	-	-	-	-	-	-	222,916	-	-	222,916
Total other comprehensive income for the period		-	-	-	-	-	-	-	(142)	(17,660)	-	(17,802)
Total comprehensive income for the period		-	-	-	-	-	-	-	222,774	(17,660)	-	205,114
Earning provision and appropriate for 2020	6(15)											
Provided for statutory reserves		-	-	-	-	-	19,827	-	(19,827)	-	-	-
Special reserve allocation		-	-	-	-	-	-	288	(288)	-	-	-
Payment of cash dividends		-	-	-	-	-	-	-	(53,263)	-	-	(53,263)
Balance as of December 31, 2021		$ 895,426	$ 320,198	$ 4,816	$ -	$ -	$ 78,676	$ 11,451	$ 352,037	($ 29,111)	($ 18,051)	$ 1,615,442
2022												
Balance as of January 1, 2022		$ 895,426	$ 320,198	$ 4,816	$ -	$ -	$ 78,676	$ 11,451	$ 352,037	($ 29,111)	($ 18,051)	$ 1,615,442
Profit for the year		-	-	-	-	-	-	-	761,273	-	-	761,273
Total other comprehensive income for the period		-	-	-	-	-	-	-	(197)	36,840	-	36,643
Total comprehensive income for the year		-	-	-	-	-	-	-	761,076	36,840	-	797,916
Earning provision and appropriate for 2021	6(15)											
Provided for statutory reserves		-	-	-	-	-	22,278	-	(22,278)	-	-	-
Special reserve allocation		-	-	-	-	-	-	17,659	(17,659)	-	-	-
Payment of cash dividends		-	-	-	-	-	-	-	(53,263)	-	-	(53,263)
Cash capital increase	6(13)	100,000	369,149	-	(19,149)	-	-	-	-	-	-	450,000
Remuneration cost of employee warrants for cash capital increase	6(12)	-	-	-	19,500	-	-	-	-	-	-	19,500
Employee warrants invalidated		-	-	-	(351)	351	-	-	-	-	-	-
Balance as of December 31, 2022		$ 995,426	$ 689,347	$ 4,816	$ -	$ 351	$ 100,954	$ 29,110	$ 1,019,913	$ 7,729	($ 18,051)	$ 2,829,595

The accompanying notes are an integral part of the parent-only financial statements; please read them together.

Chairperson: Hua-Hsi Hsin　　Managerial Officer: Hung-Chun Lin　　Accounting Officer: Mei-Yun Tu

Castles Technology Co., Ltd.
Parent-only Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

	Note	2022	2021
Cash flow from operating activities			
Profit before tax for the period		$ 876,269	$ 252,931
Adjustments			
Income/expenses items			
Depreciation expense of property, plant and equipment	6(21)	23,965	23,945
Amortized expenses of the right-of-use assets	6(21)	6,075	6,268
Amortization expenses of intangible assets	6(21)	8,712	8,712
Amortization of other non-current assets	6(21)	5,030	5,214
Gain from expected credit impairment	12(2)	(3,261)	(42,110)
Financial assets at FVTPL – net loss (income)	6 (19)	(16,573)	748
Interest expense	6(20)	21,909	16,131
Interest income	6(17)	(1,598)	(482)
Dividend income	6(18)	(12,858)	(7,678)
Remuneration cost of employee warrants for cash capital increase	6(12)	19,500	-
Shares of gain from subsidiary recognized with the equity method	6(6)	(245,728)	(67,311)
Loss (gain) on disposal of property, plant and equipment	6 (19)	(45)	346
Gain on lease modification	6 (19)	-	(11)
Impairment loss of investment with the equity method	6 (19)	5,114	6,288
Unrealized income from sales	6(6)	28,980	10,684
Realized income from sales	6(6)	(10,684)	(15,902)
Changes in operating assets and liabilities			
Net changes in assets related to operating activities			
Notes receivable		(1,947)	524
Accounts receivable, net		6,522	213,104
Accounts receivable -- related parties		(973,639)	(248,757)
Other receivables		(16,107)	(12,539)
Inventories		(296,543)	(522,036)
Prepayments		(9,630)	(2,649)
Other non-current assets		(27,181)	3,686
Net changes in liabilities related to operating activities			
Contract liabilities – current		(14,171)	54,615
Notes payable		(49)	49
Accounts payable		462,544	476,634
Other payables		86,824	14,220
Other payables – related parties		52,377	(17,736)
Other current liabilities		-	(4)
Net defined benefit liabilities		172	196
Cash (outflow) inflow from operations		(26,021)	157,080
Interest received		1,598	482
Dividend received		12,858	7,678
Interest paid		(22,062)	(17,246)
Income tax paid		(53,563)	(9,112)
Net cash (outflow) inflow from operating activities		(87,190)	138,882

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Castles Technology Co., Ltd.
Parent-only Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

	Note	2022	2021
Cash flow from investing activities:			
Financial assets measured at amortized cost (increased) decreased		$ 74,286	($ 14,538)
Acquisition of property, plant and equipment		(16,922)	(10,717)
Disposal of property, plant and equipment		190	-
Refundable deposit (increase)		(5,018)	(1,710)
Refundable deposit decrease		1,811	1,982
Prepayment of equipment (increase)		(2,720)	(15,407)
Net cash inflow (outflow) from investing activities		51,627	(40,390)
Cash flow from financing activities:			
Acquisition of investment adopting the equity method – increase in capital of subsidiary	6(6)	(9,698)	-
Short-term loans increase	6(25)	2,962,244	2,523,648
Short-term loans (decrease)	6(25)	(3,202,630)	(2,351,058)
Proceeds from long-term debt	6(25)	50,000	10,000
Repayment of long-term debt	6(25)	(70,250)	(38,900)
Payment of cash dividends	6(15)	(53,263)	(53,263)
Repayment of principal for lease liabilities	6(25)	(5,927)	(6,276)
Cash capital increase	6(11)	450,000	-
Net cash inflow from financing activities		120,476	84,151
Increase in cash and cash equivalents for the period		84,913	182,643
Cash and cash equivalents at beginning of year		413,467	230,824
Cash and cash equivalents at end of year		$ 498,380	$ 413,467

The accompanying notes are an integral part of the parent-only financial statements; please read them together.

Chairperson: Hua-Hsi Hsin Managerial Officer: Hung-Chun Lin Accounting Officer: Mei-Yun Tu

Castles Technology Co., Ltd.
Notes to Parent-only Financial Statements
2022 and 2021

Unit: NTD thousand
(Unless specified otherwise)

I. Company history

(I) Castles Technology Co., Ltd. (“the Company”) was approved to be incorporated on April 20, 1993 pursuant to the Company Act of the ROC. The Company mainly operates in purchase, sales, and lease of personal finance application products, electronic financial transaction terminals, electronic cash registers and peripherals.

(II) The Company’s shares were approved to be traded in the emerging stock market of Taipei Exchange on November 14, 2011; in October 2016, upon the passage of the Taiwan Stock Exchange Corporation’s review, the shares were officially listed in TWSE since December 2016 for trading.

II. The date of authorization for issuance of the financial statements and procedures for authorization

The consolidated financial statements are released on March 28, 2023 upon the approval of the board of directors.

III. Application of new standards, amendments, and interpretations

(I) Effect from the adopted latest released and amended IFRS endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The following table summarizes the new, revised or amended IFRSs endorsed and issued into effect by the FSC and their interpretation applicable since 2022:

New publicized/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3, “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before intended use”	January 1, 2022
Amendments to IAS 37, “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRSs 2018–2020	January 1, 2022

After assessment, the standards and interpretations above do not affect the Company's parent-only financial status and position materially.

(II) Effect from the IFRSs not yet endorsed and issued into effect by the FSC

The following table summarizes the new, revised or amended IFRSs endorsed and issued into effect by the FSC and their interpretation applicable since 2023:

New publicized/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policy"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimation"	January 1, 2023
Amendments to IAS 12 "Deferred income tax: related to assets and liabilities incurred due to single transaction"	January 1, 2023

After assessment, the standards and interpretations above do not affect the Company's parent-only financial status and position materially.

(III) Effect from the IFRSs already announced by IASB but not yet endorsed and issued into effect by the FSC

The following table summarizes the new, revised or amended IFRSs announced by IASB but not included in the IFRSs endorsed by the SFC and their interpretations:

New publicized/Amended/Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be confirmed by IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "First time of application of IFRS 17 and IFRS 9－comparison information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1: "Non-current Liabilities with Covenants"	January 1, 2024

After assessment, the standards and interpretations above do not affect the Company's parent-only financial status and position materially.

IV. <u>Summary of significant accounting policies</u>

The major accounting policies adopted for preparing the parent-only financial report are described below. Unless explained otherwise, these policies have been applied consistently during all reporting periods.

(I) <u>Compliance statement</u>

The parent-only financial statements are prepared pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) <u>Basis of preparation</u>

1. Other than the following important items, the parent-only financial statements was prepared based on historic costs:
   (1) Financial assets measured at FVOCI measured at fair value.
   (2) Defined assets or liabilities recognized at the retirement fund asset deducting the net current value of defined benefit obligation.
2. To prepare the IFRS, IAS, IFRIC and SIC-compliant financial reports, some important accounting estimates are required, and the management's judgements are required during the process of applying the Company's accounting policies. For the items involving high judgement or complexity, or involving the material assumptions and estimates of the parent-only financial reports, please refer to Note 5.

(III) <u>Foreign currency translation</u>

The items listed in the financial statements of the Company are measured in the currencies of the major economic environment where the Company operates (i.e. functional currencies). The parent-only financial report is presented with the Company's functional currency "New Taiwan dollar."

1. Foreign currency transaction and balance
   (1) Foreign currency transactions are translated to the functional currency at the spot exchange rate of the transaction date or measurement date; the translation differences generated from translating such transactions are recognized as the current profit or loss.
   (2) The balance of monetary assets and liabilities in foreign currency are adjusted with the spot exchange rate valuation of the balance sheet date; the differences generated from translating such adjustments are recognized as the current profit or loss.
   (3) For the balance of non-monetary assets and liabilities in foreign currency, these measured at FVTPL are adjusted with the spot exchange rate valuation of the balance sheet date, and the differences generated from translating such adjustments are recognized as the current profit or loss; for these measured at FVOCI, are adjusted with

the spot exchange rate valuation of the balance sheet date, and the differences generated from translating such adjustments are recognized as the other comprehensive income; for these not measured at fair value are measured at the historic exchange rate at the initial transaction date.

(4) All exchange gains and losses are recognized in the “Other gains or losses” in the statement of income.

2. Translation of the foreign operations

For all the entities of the Group, affiliates and the joint agreement with different functional currencies and presentation currencies, their operating results and the financial positions are translated into the presentation currencies via the following manners:

(1) The assets and liabilities presented in each balance sheet are translated at the closing exchange rate of the balance sheet date;

(2) The incomes and expenses presented in each statement of comprehensive income are translated at the average exchange rate of current period; and

(3) All exchange differences generated from the translation are recognized as other comprehensive income.

(IV) <u>The criteria to classify of assets and liabilities as current or non-current</u>

1. Any asset meeting one of the following conditions is classified as a current asset:

(1) Expected to be realized in the entity’s normal operating cycle or intended to be sold or consumed.

(2) Held primarily for the purpose of trading.

(3) Expected to be realized within 12 months from the balance sheet date.

(4) Cash and cash equivalents, excluding these restricted for exchange or settle liabilities within 12 months from the balance sheet date.

The Company classifies all the assets failing to meet the aforesaid conditions as non-current.

2. Any liability meeting one of the following conditions is classified as a current liability:

(1) Expected to be settled within the entity’s normal operating cycle.

(2) Held primarily for the purpose of trading.

(3) Due to be settled within 12 months from the balance sheet date.

(4) For which the entity cannot unconditionally defer settlement beyond 12 months. The terms of liabilities that, at the election of the counterparty, may be settled by the issue of equity instruments, does not impact classification.

The Company classifies all the liabilities failing to meet the aforesaid conditions as non-current.

(V) <u>Cash equivalents</u>

Cash equivalents refers to the short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposit meeting the aforesaid definition, and the purpose of holding is to meet the short-term operational cash commitment is classified as cash equivalents.

(VI) <u>Financial assets at FVTPL</u>

1. Refer to the financial assets not measured at amortized cost or at fair value through other comprehensive income.
2. For the financial assets at FVTPL meeting the customary trading, the Company adopts the trading date accounting.
3. The Company measures at the fair value at the initial recognition, and the related trading costs are recognized in profit and loss; subsequently, the measurement is made at fair value, and the gain or loss is recognized in profit and loss.
4. When the right of receiving the dividend income is established and the economic effect related to the dividends is likely to inflow, and the amount of dividends may be reliably measured, the Company recognize the dividend income at the profit and loss.

(VII) <u>Financial assets measured at amortized cost</u>

1. Refers to these meeting the following conditions at the same time:
   (1) The financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows.

   (2) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. The Company adopts the trading date accounting for the financial assets measure at amortized costs meeting trading customs.
3. The Company measures its fair value plus transaction costs at the time of initial recognition, and subsequently adopts the effective interest method to recognize interest income and impairment losses during the circulation period based on the amortization procedure, and when derecognizing, the gain or loss is recognized in profit or loss.
4. The Company holds the time deposits not consistent with the cash equivalents; because they are held during a short period of time, and the effect of discount is immaterial, they are measured at the investment amount.

(VIII) <u>Accounts and notes receivable</u>

1. Refers to the entity has an unconditional contractual right to consideration for goods or

services that have been transferred.

2. For the short-term accounts receivable with no interests attached, the effect of discount is immaterial, so they are measured at the original invoice amounts.

(IX) Financial asset impairment

At each balance sheet date, for the financial assets measured at amortized cost and the accounts receivable including material financial components, after considering all reasonable information with supporting evidence (including the forward-looking one), if the credit risk has not significantly increased since the initial recognition, the loss allowance is measured at the 12-month ECL amount; if the credit risk has significantly increased since the initial recognition, the loss allowance is measured at the ECL amount of the duration; for the accounts receivable not including material financial components, the loss allowance is measured at the ECL amount of the duration.

(X) De-recognition of financial assets

For any of following circumstances, the Company derecognizes a financial asset:

1. When the contractual right of the Group to receive the cash flow from a financial asset become invalid
2. The contractual rights to receive the cash flows of the financial asset are transferred, and substantially all the risks and rewards of ownership of the financial asset have been transferred.
3. The contractual rights to receive the cash flows of the financial asset are transferred, but the control over the financial asset is not retained.

(XI) Inventories

Inventories are stated at the lower of cost or net realizable value; the costs are determined with the weighted average method. Costs of finished goods and work in progress include materials, direct labor, other direct cots and the manufacturing expenses related to the production, but excluding the borrowing costs. When comparing the cost and net realizable value for the lower, the item-by-item method is adopted; the cost or net realizable value refers to the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(XII) Invested subsidiary with the equity method

1. Subsidiaries refers to entities controlled by the Company (including the structural entities). When the Company is exposed to the variable return participated in by the entity, or entitled to the variable return, and the Company is able to influence such return through the power over the entity, the Company controls that entity.
2. The unrealized profit and loss between the Company and the subsidiary are written off.

The accounting policies of subsidiaries have been adjusted as necessary to be consistent to these adopted by the Company.

3. The Company recognizes the share of the profit and loss after the acquisition of a subsidiary as the profit and loss of the current period, and the share of the other comprehensive income after the acquisition of a subsidiary as the other comprehensive income in the current period. If the share of loss in a subsidiary recognized by the Company exceeds the equity in the subsidiary, the Company continue to recognize the loss at the shareholding percentage.
4. If the changes in shareholding in a subsidiary does not result in loss of control (transaction with the non-controlling equity), it is treated as the equity transaction, i.e. the transaction with owners. The difference between the adjusted amount of the non-controlling equity and the fair value of paid or received considerations is directly recognized as equity.
5. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit and loss and other comprehensive income in the parent-only financial reports shall be identical to the profit and loss and other comprehensive income attributed to the owners of parent company in the consolidated financial reports. The equity of owners in the parent-only financial reports shall be identical to the equity attributed to the owners of parent company in the consolidated financial reports.

(XIII) <u>Property, plant and equipment</u>

1. Property, plant and equipment is accounted for based on the cost of acquisition.
2. The subsequent costs are only deemed in the carrying amount of an asset or recognized as one single asset when the future economic effect related to the item is very likely to flow into the Company, and the costs of that item may be measured reliably. The carrying amount of those parts that are replaced is derecognized. All other maintenance fees are recognized at the income of the current period when occurring.
3. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost model, and others are depreciated with the straight-line method over its useful life, except that land is not depreciable. Where each component of the property, plant and equipment is material, the depreciation shall be provided individually.
4. The Company reviews the residual value, useful life, and depreciation of each asset at the end of each fiscal year. If the expected values of the residual value and useful live are different from the previous estimates, or the expected consumption format of the future economic effects included in the asset has changed materially, the IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” shall be applied to treat such as the changes in accounting estimates since the occurrence date of change. Useful life of each asset are as below:

Buildings and construction	50 years

Machines and equipment	3 years–8 years
Office equipment	3 years–5 years
Others	2 years–10 years

(XIV) Lease transactions by lessees – right-of-use asset/lease liabilities

1. The lease assets are recognized as the right-of-use assets and lease liabilities since the day availing to the Company for use. Where a lease contract is a short-term lease or lease of a low value underlying asset, the lease payments are recognized as an expense on a straight-line basis over the lease term.
2. For lease liabilities, the unpaid lease payment is recognized since the starting day of leases at the current values discounted at the Company's incremental lending interest rate. The lease payments include the fixed payment deducting any lease incentives receivable,
   and are measured at the amortized cost with the interest method, to provide the interest expenses during the lease terms. Where the non-contractual modification results in the change in the lease term or lease payment, the lease liability is re-valued, and the remeasurement to the right-of-use asset adjusted.
3. Right-of-use assets are recognized at costs from the commencement date of the lease. The costs include:
   The subsequent measurement adopts the cost model, and the depreciate expense is provided at the earlier between the maturity of the useful life of the right-of-use asset or the expiry of the lease term. When a lease liability is re-valued, the right-of-use asset will adjust any remeasurement of the lease responsibility.

(XV) Intangible assets

The intangible assets are mainly patent rights, recognized at the acquisition cost, and amortized with the straight-line method for the useful life of 5 years.

(XVI) Non-financial asset impairment

The Company estimates the recoverable amounts of these assets with impaired signals, and recognizes the impairment loss when the recoverable amounts are lower than the carrying values. The recoverable amount refers to the higher of the fair value deducting disposal cost or the use value. Where the situation of asset impairment recognized in previous years does not exist or reduces, the impairment loss is reversed; provided, the carrying amount of the asset increased with the reversed impairment loss shall not exceed the carrying amount of the asset deducting the depreciation or amortization if the impairment loss was not recognized.

(XVII) Borrowings

Refer to the long- and short-term fund borrowed from banks. The Company measures such at the fair value less transaction costs at the time of initial recognition, and subsequently recognizes any difference between the price after deducting transaction costs and the redemption value using the effective interest method, and recognizes interest expenses during the circulation period in profit and loss based on amortizing procedures.

(XVIII) Accounts and notes payable

1. Refers to incurred for purchase of materials or supplies, goods, or services on credit, and notes payable incurred from operations or non-operations.
2. For the short-term accounts payable with no interests attached, the effect of discount is immaterial, so they are measured at the original invoice amounts.

(XIX) De-recognition of financial liabilities

The Company derecognizes financial liabilities when the obligations listed in the contract are performed, cancelled, or expired.

(XX) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the non-discounted amount expected to pay, and recognized as expenses when the related services are provided.

2. Pension

   (1) Defined contribution plans

   For the defined contribution plan, the amount of retirement fund to be contributed is recognized as the pension cost of the period on the accrual basis. The prepaid contributions are recognized as assets within the extent of refundable cash or reduced future payment.

   (2) Defined benefit plans

   A. The net obligation under the defined benefit plan is calculated at the discounted future benefit amount earned by employees for the current period or in the past, and the current value of the defined benefit plans at the balance sheet date deducts the fair value of the plan assets. The net obligation under the defined benefit plan is calculated by actuaries every year with the projected unit credit method, and the discount rate references the market yields of the quality corporate bonds with the same currency and term of the defined benefit plan at the balance sheet date and the market yields of the government bonds (at the balance sheet date) shall be applied.

   B. The remeasurement generated from defined benefit plans is recognized at other comprehensive income of the term when it incurs and presented in the retained earnings.

3. Remunerations to employees and directors

   Remunerations to employees and directors are recognized as expenses and liabilities when legal or constructive obligations are created and amounts may be reasonably estimated. For any difference between the actual distributed amount and estimated amount, it is treated as the change in accounting estimates. Where the remunerations to employees are paid in shares, the basis to calculate number of shares is the closing price of the day one day earlier than the resolution date of the board meeting.

(XXI) Employees' share-based payment

The grant date fair value of equity settled share based payment arrangements granted to employees is generally recognized as an expense, with a corresponding adjustment on equity. The fair value of equity instruments shall reflect the effect of market price vested conditions and non-vested conditions. The recognized remuneration cost is adjusted based on the quantity of incentives that are expected to meet the service conditions and non-market price vested conditions, until the final recognized amount is recognized based on the vested quantity on the vesting date.

(XXII) Income tax

1. Income tax expenses include the current and deferred income taxes. The income taxes related to the items accounted to other comprehensive incomes or directly to equity are accounted to other comprehensive incomes or directly to equity, respectively; otherwise income taxes are recognized in profit and loss.
2. The Company calculates the income tax of the period based on tax rates and laws that have been enacted or substantively enacted by the date of balanced sheet in the country where it operates and the taxable income is generated. The management regularly assets the filing of income taxes pursuant to the period specified in the applicable income tax related regulations, and estimate the income tax liabilities based on the taxes expected to be paid to the tax authorities where applicable. For the income taxes levied on the undistributed earning pursuant to the Income Tax Act, are recognized as the income tax expenses of the undistributed earnings in the next year of the year when the earnings generated, based on the actual distributed earnings upon the approval of earning distribution by the shareholders' meeting.
3. The deferred income tax adopts the balance sheet method, recognizes the temporary difference generated between the tax base of the assets and liabilities and their carrying amounts in the balance sheet. Where an investee subsidiary generates a temporary difference, the Company may control the timing to reverse the temporary difference, and the temporary difference very unlikely to be reversed in the foreseeable future is

not recognized. The deferred income tax adopts the tax rates and laws that have been enacted or substantively enacted by the date of balanced sheet, which is expected to apply upon the realization of the related deferred income tax asset, or the income tax liability is settled.

4. Temporary differences are recognized within the extent where they may be used to deduct the future taxable incomes, and the unrecognized and recognized deferred income tax assets are reassessed at each balance sheet date.
5. Where the legal enforcement right to offset the amounts of current income tax assets and liabilities recognized is obtained, and with an attempt to settle on the net amount basis, or to realize assets and settle liabilities at the same time, the current income tax assets and liabilities may be offset; where the legal enforcement right to offset the amounts of current income tax assets and liabilities recognized is obtained, and the deferred tax assets and liabilities generated from the taxpayer entity whose income taxes are levied by the same tax collection authority, or generated from different taxpayer entities but each entity, with an attempt to settle on the net amount basis, or to realize assets and settle liabilities at the same time, the deferred income tax assets and liabilities may be offset.

(XXIII) Share capital

1. Common shares are classified as equity. The incremental costs directly attributable to the issuance of new shares or stock options are recorded as a deduction of the price in equity after deducting income tax.
2. When repurchasing the issued shares of the Company, the consideration paid, including directly attributable incremental costs, is recognized as a decrease in shareholders' equity at the net amount after tax. When subsequently re-issue the repurchased shares, the difference between the consideration received, including directly attributable incremental costs and effects of income tax, and the carrying amount is recognized as the adjustment to shareholders' equity.

(XXIV) Dividend distribution

The dividends distributed to the Company's shareholders are recognized in the financial statements when the shareholders' meeting resolves to distribute dividends; the cash dividends distributions are recognized as liabilities.

(XXV) Revenue recognition

1. Revenue from sales

(1) Revenues from sales are recognized when the controls of products are transferred to a customer, i.e. when the products are delivered to the customer, the customer has the discretion over the sales channel and price of the products, and the

Company has no unperformed contractual obligations that may affect the customer's acceptance of the products. The delivery of good only occurs when products are transported to the designated location, and the risks of obsolescence and loss are transferred to the customer, while the customer accepts the product pursuant to the sales contract, or any objective evidence showing all the acceptance standards are met.

(2) The payment terms of the revenues from sales are generally due 60 to 120 days from the shipping date. From the time transferring the committed products or services to the customer, until the time when the payment is made by the customer is within one year, the Company does not adjust the transaction prices to reflect the monetary time value.

(3) Accounts receivable are recognized at the time when the products are delivered to customers, because since that point of time, the Company has no conditional rights over the contractual considerations, and only to receive the proceeds after the time goes by.

2. Revenue from maintenance

The Company provides service related to machine maintenance. Service revenues are recognized in the financial reporting period in which the service is provided to the customer. Revenues from fixed-price contracts are recognized based on the ratio of the actually provided services to all the services to be provided as of the balance sheet date, and the completion ratio of the services is determined on the basis of the delivered quantity to the total quantity to be delivered.

V. Critical accounting judgments and key sources of estimation and uncertainty

When preparing the parent-only financial reports, the management has applied the judgement to decide the accounting policies adopted, and made the accounting estimates and assumptions based the situations and the reasonable expectation to the future event at the balance sheet date. The key accounting estimates and assumptions made may be different from the actual results, and the continuous evaluation and adjustment will be made by considering the historic experience and other factors. Such estimates and assumptions have the risk of resulting in material adjustments to be made for the carrying amounts of assets and liabilities in the next fiscal years. Please refer to the following description of the uncertainties regarding key accounting judgements, estimates and assumptions:

(I) Key judgements adopted for accounting policies

The key judgements adopted for accounting policies, upon the assessment, have no material uncertainty.

(II) Key estimates and assumptions

1. Assessment of the loss allowance for notes receivable, accounts receivable, and long-term notes and accounts receivable

   The Company manages the payment collection and overdue accounts, while assuming the related credit risks. The management authority regularly evaluates the credit quality and payment status of customers, and adjusts the credit policy for customers in a timely manner. In addition, the assessment for the impairment of accounts receivable is based on the relevant provisions of the International Financial Reporting Standard 9 "Financial Instruments," using a simplified method of assessment the expected credit loss; the management authority establishes the expected loss rate based on the overdue period of the customer in the history as of the balance sheet date, and various factors that may affect the customer's solvency such as financial position and economic conditions, while incorporating the future forward-looking information.

   For the carrying amount of the Company's notes receivable, accounts receivable, and long-term notes and accounts receivable as of December 31, 2022, please refer to Note 6(3).

2. Inventory valuation

   During the valuation of inventories, the Company must adopt judgements to estimate the net realizable value of inventory by assessing the normal loss, obsolescence and marketable values, and then write down the cost of inventories to net realizable value. The value of inventory is subject to the change in technologies and environment, and the sales conditions, and thus the valuation of inventory is affected.

   For the carrying amount of the Company's inventories as of December 31, 2022, please refer to Note 6(5).

VI. Statements of main accounting items

(I) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and penny cash	$ 770	$ 1,098
Checking and demand deposit	497,610	412,369
	$ 498,380	$ 413,467

1. The financial institutions dealing with the Company have good credit quality, and the Company have business with many financial institutions to diversify the credit risk, and the probability of default is expected to be extremely low.

2. The Company transfers the cash and cash equivalents with restricted usage due to the needs of short-term financing as the financial assets measured at amortized cost – current. The amounts on December 31, 2022 and 2021 are NT$8,511 and NT$82,539, respectively. Please refer to Note 8.
3. The Company transfers the cash and cash equivalents with restricted usage due to the needs of long-term financing as the financial assets measured at amortized cost – non-current. The amounts on December 31, 2022 and 2021 are NT$242 and NT$500, respectively. Please refer to Note 8.

(II) Financial assets at FVTPL

	December 31, 2022	December 31, 2021
Non-current items:		
Financial assets at FVTPL mandatorily		
Shares of companies not listed in TWSE or TPEx	$ 30,333	$ 30,333
Valuation adjustment	(13,760)	(30,333)
	$ 16,573	$ -

1. Please refer to Note 6(19) for the description of the net (loss) income from the Company's financial assets at FVTPL in 2022 and 2021.
2. The Company has not provided the financial assets at FVTPL for pledge or collaterals.
3. Please refer to the description in Note 12(3) for the information related to fair values.

(III) Notes and accounts receivable (long-term notes and accounts receivable included)

	December 31, 2022	December 31, 2021
Notes receivable	$ 7,633	$ 5,686
Less: Loss allowance	(76)	(57)
	$ 7,557	$ 5,629
Accounts receivable	$ 325,381	$ 325,269
Long-term accounts receivable due within one year	7,098	7,098
	332,479	332,367
Less: Loss allowance	(15,159)	(18,439)
	$ 317,320	$ 313,928
Accounts receivable – related parties	$ 1,818,756	$ 845,117
long-term receivables	$ 13,762	$ 20,643
Less: unrealized interest income	(174)	(421)
	13,588	20,222
Less: long-term accounts receivable due within one year	(7,098)	(7,098)
	$ 6,490	$ 13,124
Overdue accounts (listed in Other non-current assets)	$ 915,191	$ 915,191

Less: Loss allowance	(915,191)	(915,191)
	$ -	$ -

1. For the age analysis and information related to the credit risks, please refer to the description in Note 12(2).
2. The notes and accounts receivable as of December 31, 2022 and 2021 were both generated from customers' contracts, and the notes and accounts receivable as of January 1, 2021 were NT$6,210 and NT$1,154,955, respectively.
3. Please refer to Note 6(4) for details of the circumstances under which the Company sells accounts receivable with recourse.

(IV) Transferred financial assets

Transferred financial assets not derecognized as a whole

1. The Company signed an account receivable sale contract with Far Eastern International Bank in September 2019. Pursuant to the contract, the bank still has the right of recourse to the financial asset, so the Company did not derecognize the sale of accounts receivables as a whole, and the relevant proceed paid in advance is listed under the long-term borrowings. The Company has fully repaid the long-term borrowing arising from the execution of the account receivable sale contract with the Far Eastern International Bank. On December 31, 2022, the Company had no balance of transferred financial assets.
2. The Company continues to recognize that the fair value of the transferred sales of accounts receivables is identical to carrying amount; and the related information:

	December 31, 2022	December 31, 2021
Carrying amount of the long-term accounts receivable before the transfer	$ -	$ 36,066
Carrying amount of the transferred long-term accounts receivable (i.e. fair value)	$ -	$ 20,222
Book value of the proceeds paid in advance (i.e. fair value)	-	(18,569)
Net position	$ -	$ 1,653

3. The amount of cashier's checks issued by the Company as of December 31, 2022 and 2021 for the sale of accounts receivable contracts was NT$0 and NT$37,533.

(V) Inventories

	December 31, 2022		
	Cost	Loss allowance for fallen price	Book value
Raw materials	$ 1,060,543	($ 90,119)	$ 970,424
Work in process	191,927	(838)	191,089

	Cost	Loss allowance for fallen price	Book value
Semi-finished products	267,785	(76,667)	191,118
Finished products	502,785	(57,936)	444,849
	$ 2,023,040	($ 225,560)	$ 1,797,480

	December 31, 2021		
	Cost	Loss allowance for fallen price	Book value
Raw materials	$ 1,152,924	($ 98,727)	$ 1,054,197
Work in process	75,080	(660)	74,420
Semi-finished products	259,839	(101,254)	158,585
Finished products	294,456	(80,721)	213,735
	$ 1,782,299	($ 281,362)	$ 1,500,937

1. The inventories above are not provided for pledge or as collaterals.

2. The expense and loss related to inventory recognized for the period by the Company:

	2022	2021
Costs of sold inventories	$ 4,958,953	$ 2,770,757
Loss from the fallen price (gain from recovery) of inventories	(55,802)	35,156
Loss from scrapped inventories	98,118	-
	$ 5,001,269	$ 2,805,913

The Company closed out the inventories provided with the loss allowance for fallen price, so the loss allowance for fallen price decreased, and the gain from recovery was generated.

(VI) Investment with the equity method

	2022	2021
January 1	$ 406,585	$ 358,018
Investment with the equity method added	9,698	-
Shares of gain (loss) on investment with the equity method	245,728	67,311
Realized income from sales	10,684	15,902
Unrealized income from sales	(28,980)	(10,684)
Impairment loss of investment with the equity method	(5,114)	(6,288)
Financial statements translation differences of foreign operations	36,840	(17,660)
Transferred to changes in other non-current liabilities	-	(14)
December 31	$ 675,441	$ 406,585

Subsidiaries:	December 31, 2022	December 31, 2021
Castles Technology International Corp.	$ 253,586	$ 135,842
Castles Technology Europe S.R.L	90,215	47,652
Casware System Technology Co., Ltd.	13,905	13,891
Castles Technology Spain SL	37,101	17,719
Castech International Ltd.	10,958	20,123
Castles Technology Singapore	150,009	83,980
Castles Technology Japan GK	160	71
CASTLES TECHNOLOGY UK & IRELAND LTD	104,220	82,245
Castles Technology-Jordan Private Shareholding Company	15,287	5,062
	$ 675,441	$ 406,585

The investments adopting the equity method above, are recognized based on the Company's financial statements audited and attested by the CPAs. The shares of gain (loss) on investment in subsidiaries recognized with the equity method in 2022 and 2021 are NT$$245,728 and NT$67,311, respectively.

For the information of the Company's subsidiaries, please refer to the descriptions in Note 4(3) of the 2022 consolidated financial statements.

(VII) Property, plant and equipment

	Land	Buildings and construction	Machines and equipment	Office equipment	Others	Total
January 1, 2022	For self-use	For self-use	For self-use	For self-use	For self-use	
Cost	$ 148,772	$ 110,489	$ 97,014	$ 61,248	$ 51,836	$ 469,359
Accumulated depreciation and impairment	-	(24,320)	(80,798)	(48,215)	(33,113)	(186,446)
	$ 148,772	$ 86,169	$ 16,216	$ 13,033	$ 18,723	$ 282,913
2022						
January 1	$ 148,772	$ 86,169	$ 16,216	$ 13,033	$ 18,723	$ 282,913
Addition	-	-	14,871	111	1,940	16,922
Disposal cost	-	-	(5,451)	(111)	-	(5,562)
Accumulated depreciation of disposal	-	-	5,325	92	-	5,417
Reclassification	-	-	5,334	-	3,441	8,775
Depreciation expense	-	(2,154)	(12,943)	(3,872)	(4,996)	(23,965)
December 31	$ 148,772	$ 84,015	$ 23,352	$ 9,253	$ 19,108	$ 284,500
December 31, 2022						
Cost	$ 148,772	$ 110,489	$ 111,768	$ 61,248	$ 57,217	$ 489,494
Accumulated depreciation and impairment	-	(26,474)	(88,416)	(51,995)	(38,109)	(204,994)
	$ 148,772	$ 84,015	$ 23,352	$ 9,253	$ 19,108	$ 284,500

	Land	Buildings and construction	Machines and equipment	Office equipment	Others	Total
January 1, 2021	For self-use	For self-use	For self-use	For self-use	For self-use	
Cost	$ 148,772	$ 110,489	$ 88,227	$ 60,892	$ 46,843	$ 455,223
Accumulated depreciation and impairment	-	(22,166)	(70,508)	(43,472)	(27,255)	(163,401)
	$ 148,772	$ 88,323	$ 17,719	$ 17,420	$ 19,588	$ 291,822
2021						
January 1	$ 148,772	$ 88,323	$ 17,719	$ 17,420	$ 19,588	$ 291,822
Addition	-	-	7,880	356	2,481	10,717
Disposal cost	-	-	-	-	(1,246)	(1,246)
Accumulated depreciation of disposal	-	-	-	-	900	900
Reclassification	-	-	3,061	-	1,604	4,665
Depreciation expense	-	(2,154)	(12,444)	(4,743)	(4,604)	(23,945)
December 31	$ 148,772	$ 86,169	$ 16,216	$ 13,033	$ 18,723	$ 282,913
December 31, 2021						
Cost	$ 148,772	$ 110,489	$ 97,014	$ 61,248	$ 51,836	$ 469,359
Accumulated depreciation and impairment	-	(24,320)	(80,798)	(48,215)	(33,113)	(186,446)
	$ 148,772	$ 86,169	$ 16,216	$ 13,033	$ 18,723	$ 282,913

1. The property, plant, and equipment listed above are not in the circumstance of interest capitalization.
2. For the property, plant and equipment provided for pledge or as collaterals by the Company, please refer to the description in Note 8.

(VIII) Lease transaction – lessee

1. The underlying assets leased by the Company include offices and warehouses, and the lease contract period ranges from one to three years. Lease contracts are negotiated individually, and contains different terms and conditions; other than that the leased assets must not be provided as collateral of borrowings, no other restriction is applied.
2. The lease periods of the offices and warehouses leased by the Company do not exceed 12 months.
3. The information on the carrying values and recognized depreciation expenses of right-of-use assets are as below:

	Offices	Warehouse	Total
January 1, 2022	$ 4,185	$ 3,960	$ 8,145
Added	2,637	33,372	36,009
Depreciation expense	(3,522)	(2,553)	(6,075)
December 31, 2022	$ 3,300	$ 34,779	$ 38,079

	Offices	Warehouse	Total

January 1, 2021	$ 9,165	$ 1,696	$ 10,861
Added	-	4,321	4,321
Early termination of lease	(700)	(69)	(769)
Depreciation expense	(4,280)	(1,988)	(6,268)
December 31, 2021	$ 4,185	$ 3,960	$ 8,145

4. Information of profit and loss items related to lease contracts:

Item affecting the current profit and loss	2022	2021
Interest expense of lease liabilities	$ 225	$ 118
Expenses classified as short-term lease contract	5,620	3,795
Gains on lease modification	-	(11)
	$ 5,845	$ 3,902

5. In addition to the cash outflow of lease-related expenses in Note 6 (8) 4. For the Company's total cash outflow due to repayment of the principal of lease liabilities in 2022 and 2021, please refer to the description in Note 6 (25).
6. Option of extending lease and option of terminating lease
   When the Company determines the lease period, it takes into consideration all the facts and circumstances that will generate economic incentives for exercising the option to extend or not exercising the option to terminate. The lease period will be re-estimated when a major event occurs for assessing the exercise of the extension option or the non-exercise of the termination option.

(IX) Short-term loans

Nature of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 583,000	0%~2.17%	Please refer to the description in Note 8
Unsecured borrowings	85,000	2.09%~2.14%	No
	$ 668,000		

Nature of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 908,386	1.18%~1.67%	Please refer to the description in Note 8

For the interest expenses recognized by the Company in profit and loss, please refer to the description in Note 6(20).

(X) Long-term loans

Nature of borrowings	Period of borrowing and repayment method	Interest rate range	Collateral	December 31, 2022
Borrowings repaid in installments				
Secured borrowing from Land Bank	The period of borrowing is from January 19, 2015 to July 19, 2035, and the interest is paid every month and amortized principal and interest are repaid since January 2018.	1.39%-2.02%	Please refer to the description in Note 8	$ 79,216
Credit borrowings from Jih Sun International Commercial Bank	The period of borrowing is from January 20, 2022 to January 20, 2024, and the interest is paid every month and amortized principal and interest are repaid since February 2022.	1.61%-2.25%	No	27,312
Credit borrowings from First Bank	The period of borrowing is from July 7, 2020 to July 16, 2025, and the interest is paid every month since August 2020, and amortized principal and interest are repaid since August 2021.	1.73%-2.35%	No	137,982
Credit borrowings from First Bank	The period of borrowing is from August 5, 2020 to August 5, 2025, and the interest is paid monthly from September 2020, and amortized principal and interest are repaid since September 2021.	1.73%-2.35%	No	97,177
Secured borrowing from Taiwan Business Bank	The period of borrowing is from March 18, 2021 to March 18, 2024, and the interest is paid and amortized principal and interest are repaid every month since April 2021.	1.5%-2.13%	Please refer to the description in Note 8	4,225
				345,912
Less: long-term borrowings due within one year				(73,009)
				$ 272,903

Nature of borrowings	Period of borrowing and repayment method	Interest rate range	Collateral	December 31, 2021
Borrowings repaid in installments				
Secured borrowing from Land Bank	The period of borrowing is from January 19, 2015 to January 19, 2035, and the interest is paid every month and amortized principal and interest are repaid since January 2018.	1.39%-1.94%	Please refer to the description in Note 8	$ 79,661
Account receivable of Far Eastern International Bank Sold borrowing	The period of borrowing is from September 4, 2019 to September 25, 2024, and the interest is paid every month and amortized principal and interest are repaid since October 2019.	1.95%-2.40%	No	18,569

Credit borrowings from Jih Sun International Commercial Bank	The period of borrowing is from January 22 2020 to January 22, 2023, and the interest is paid every month and amortized principal and interest are repaid since February 2020.	2.00%-2.10%	No	18,409
Credit borrowings from First Bank	The period of borrowing is from July 7, 2020 to July 16, 2025, and the interest is paid every month since August 2020, and amortized principal and interest are repaid since August 2021.	1.73%	No	142,035
Credit borrowings from First Bank	The period of borrowing is from August 5, 2020 to August 5, 2025, and the interest is paid monthly from September 2020, and amortized principal and interest are repaid since September 2021.	1.73%	No	99,946
Secured borrowing from Taiwan Business Bank	The period of borrowing is from March 18, 2021 to March 18, 2024, and the interest is paid and amortized principal and interest are repaid every month since April 2021.	1.50%	Please refer to the description in Note 8	7,542
				366,162
Less: long-term borrowings due within one year				(57,809)
				$ 308,353

For the interest expenses recognized by the Company in profit and loss, please refer to the description in Note 6(20).

(XI) Pension

1. Regulation of defined benefit retirement

(1) Pursuant to the provisions of the “Labor Standard Act,” the Company has established the retirement procedures as the defined benefits, applicable to the service years of all permanent employees before July 1, 2005 when the “Labor Pension Act” was enacted, and the subsequent service years of these employees elected to apply the Labor Standard Act after the enactment of the “Labor Pension Act.” For these employees meeting the retirement conditions, the payment of their pensions is based on their service years and the average salary of the six months prior to their retirement. Two bases are given for each full year of service rendered for the first 15 years (inclusive), and for the rest of the years over 15 years, one base is given for each full year of service rendered. However, the total number of bases shall be no more than 45. The Company contributed 2% of the total salary to the pension fund every month, and deposits the fund in a dedicated account with the Bank of Taiwan under the name

of the Labor Pension Fund Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor pension reserve account said in the preceding paragraph; where the balance is insufficient to pay the amount of pension calculated as aforesaid to the workers expected qualified for retirement, the Company will contribute the difference in a lump sum before the end of the next March.

(2) The amounts recognized in the balance sheet:

	December 31, 2022	December 31, 2021
Current value of the defined benefit obligation	($ 29,121)	($ 27,548)
Fair value of the plan assets	11,283	10,128
Net defined benefit liabilities (listed under other non-current liabilities – others)	($ 17,838)	($ 17,420)

(3) Changes in the net defined benefit liabilities:

	Current value of the defined benefit obligation	Fair value of the plan assets	Net defined benefit liabilities
2022			
Balance as of January 1	($ 27,548)	$ 10,128	($ 17,420)
Service cost of the period	(392)	-	(392)
Interest (expenses) income	(138)	51	(87)
	(28,078)	10,179	(17,899)
Remeasurement			
Return of plan assets (not including the amount included in the interest income or expenses)	-	797	797
Experience adjustment	(1,043)	-	(1,043)
	(1,043)	797	(246)
Pension fund contribution	-	307	307
Pension payment	-	-	-
Balance as of December 31	($ 29,121)	$ 11,283	($ 17,838)

	Current value of the defined benefit obligation	Fair value of the plan assets	Net defined benefit liabilities
2021			
Balance as of January 1	($ 26,719)	$ 9,672	($ 17,047)
Service cost of the period	(312)	-	(312)

Interest (expenses) income	(267)	98	(169)
	(27,298)	9,770	(17,528)
Remeasurement			
Return of plan assets (not including the amount included in the interest income or expenses)	-	73	73
Experience adjustment	(250)	-	(250)
	(250)	73	(177)
Pension fund contribution	-	285	285
Pension payment	-	-	-
Balance as of December 31	($ 27,548)	$ 10,128	($ 17,420)

(4) The fund assets of the Company's defined benefit retirement plans are the items specified in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e. deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, or investment in domestic or foreign real estate and its securitization products) commissioned to Bank of Taiwan as a mandate to operate within the proportion and amount specified in the annual investment utilization plan of the Fund; the related utilization is overseen by the Labor Pension Fund Supervisory Committee. Regarding the utilization of the fund, the lowest return on the Fund will not be lower than the interest of the local bank's two-year Time Deposit rate; for any deficit, the National Treasury will compensate upon the approval of the competent authority. Since the Company is not entitled to participate in the operation and management of the Fund, it is unable to disclose the categories of the fair value of plan assets pursuant to Section 142, IAS 19. Please refer to the Annual Labor Pension Fund Utilization Report announced by the government for the fair values composing the total assets of the Fund at December 31, 2022 and 2021.

(5) The actuarial assumption regarding the pension is summarized:

	2022	2021
Discount rate	1.25%	0.50%
Increasing rate of the future wage	3.25%	3.25%

The assumptions of the future mortality rates is based on the statistics of the 2nd Experience Life Table of Life Insurance Industry in Taiwan and the experiences.

The analysis of present value of defined benefit obligation impacted due to changes of the major actuarial assumptions adopted is as below:

	Discount rate		Increasing rate of the future wage	
	Increase by 0.25%	Decrease by 0.25%	Increase by 1%	Decrease by 1%
December 31, 2022				
Effect on the current value of the defined benefit obligation	($ 452)	$ 469	$ 1,973	($ 1,737)
December 31, 2021				
Effect on the current value of the defined benefit obligation	($ 730)	$ 760	$ 3,180	($ 2,758)

The aforesaid sensitivity analysis is the analysis of changes in one single assumption with no other assumption changed. In practice, changes of many assumptions may be correlated. The sensitivity analysis adopts the same method calculating the net pension liability for the balance sheet.

The method and assumptions to prepare the sensitivity analysis for the current period are identical to the previous period.

(6) The Company is expected to pay $307 as the contribution to the retirement plan in 2023.

(7) As of December 31, 2021, the weighted average duration of the retirement plan is 9.9 years.

2. Regulation of defined contribution retirement

(1) Since July 1, 2005, the Company established the defined contribution retirement procedures pursuant to the "Labor Pension Act," applicable to Taiwanese staff. For the labor pension defined by the "Labor Pension Act" elected by employees, the Company contribute 6% of the wage to the personal accounts of employees at the Labor Insurance Bureau every month; the payment of employees' pensions is made monthly or in a lump sum based on the amount in the personal pension accounts of employees and the accumulated incomes.

(2) In 2022 and 2021, the Company recognized NT$13,613 and NT$11,988 as the pension costs pursuant to the aforesaid retirement procedures.

(XII) Share-based payment

1. The Company's share-based payment agreement

Type of agreement	Grant date	Grant volume (shares	Contract period	Vesting conditions
Reserved employees' subscription in a cash capital increase	111.08.01	1,000,000	NA	Immediate vest

2. Detailed information on the aforesaid share-based payment agreement

	2022		2021	
	Warrant volume (thousand shares)	Weighted average exercise price (NT$)	Warrant volume (thousand shares)	Weighted average exercise price (NT$)
Beginning outstanding warrants on January 1	-	-	-	-
Warrants granted in the period	1,000	45	-	-
Warrant given up in the period	(18)	45	-	-
Warrants exercised in the period	(982)	45	-	-
End outstanding warrants on December 31	-	-	-	-
Exercisable end warrants on December 31	-	-	-	-

3. Information related to the share-based payment transaction granted on the grant date by the Company

Type of agreement	Grant date	Share price (NT$)	Exercise price (NT$)	Expected volatility	Expected duration	Expected dividend (NT$)	Risk-free interest rate	Fair value per unit (NT$)
Reserved employees' subscription in a cash capital increase	August 1, 2022	64.50	45	28.11%	0.02 year	-	1.18%	19.50

4. The Company's compensation costs recognized for the reserved employees' subscription in a cash capital increase in 2022 and 2021 is NT$19,500 and NT$0, respectively.

(XIII) Share capital

1. As of December 31, 2022, the Company's authorized capital was NT$1,600,000, divided as 160,000 thousand shares (including 6,000 thousand shares available for employee's warrants), and the paid-in capital was NT$995,426, with the face value of NT$10 per share, for total 99,542,579 shares. The Company has fully received payment of all issued shares.

   The Company's outstanding common shares at the beginning and end of the period are reconciliated:

	2022	2021
January 1	88,771,579	88,771,579
Cash capital increase	10,000,000	-
December 31	98,771,579	88,771,579

2. The Company increased the capital in cash on January 18, 2022 upon the resolution of the

board meeting, to issue 10,000,000 common shares, with the expected issue price NT$45 per share, for total NT$450,000 as the increased capital in cash. The share payment was fully received by August 1, 2022 (base date of cash capital increase), and the change registration was completed on August 30, 2022.

3. The Company privately placed common shares within 50,000,000 shares upon the resolution adopted by the shareholders' meeting on August 24, 2021, for cash capital increase. The private placement was to be made in three tranches within a year from the date of resolution. Provided that by considering the market condition, on June 21, 2022, upon the resolution adopted by the shareholders' meeting, the Company ceased the private placement for cash capital increase.

4. Treasury shares

(1) Reason and volume of reclaim shares

		December 31, 2022	
Name of the company	Reason of reclaim	Number of Shares	Book value
holding shares the Company	For transferring shares to employees	771,000	$ 18,051

		December 31, 2021	
Name of the company	Reason of reclaim	Number of Shares	Book value
holding shares the Company	For transferring shares to employees	771,000	$ 18,051

(2) The Securities and Exchange Act specifies that the number of shares bought back by a company may not exceed ten percent of the total number of issued and outstanding shares of the company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.

(3) The treasury shares held by the Company shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed.

(4) Pursuant to the Securities and Exchange Act, the shares bought back to be transferred to employees shall be transferred within five years from the date of buyback. The shares not transferred within the said time limit shall be deemed as not issued by the Company, and change registration shall be processed. For the shares bought back to maintain the company's credit and shareholders' rights and interests, the change registration shall be effected within six months from the date of buyback. As of December 31, 2022, the deadlines of treasury share transfer are as below:

Buyback period	Number of Shares	Book value	Final deadline of transfer
March to May 2020	771,000	$ 18,051	March, April, and May 2025

(XIV) Capital surplus

Pursuant to the Company Act, capital reserve of the income derived from the issuance of new shares at a premium and the income from endowments received by the company, other than compensating the deficit, when the Company has no accumulated loss, may be distributed as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. Additionally, pursuant to the Securities Exchange Act, when the said capital reserve is capitalized, the combined amount of any portions capitalized in any 1 year may not exceed 10 percent of paid-in capital. A company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss. Please refer to the parent-only statement of changes in equity for the changes in the Company’s capital reserve.

(XV) Retained earnings/ events after balance sheet date

1. If there is a profit after the annual closing of books, the Company shall allocate it in the following order:
   (1) Pay due taxes.
   (2) Offset accumulated losses.
   (3) Set aside ten percent as legal reserve; where such legal reserve amounts to the total paid-in capital, this provision shall not apply.
   (4) Set aside or reverse the special reserve as required by the competent authority.
   (5) The remaining portion along with the beginning accumulated undistributed earnings shall be the distributable earnings. The board of directors shall submit a proposal for the distribution of shareholders’ dividends to the shareholders for approval.

   In order to meet the needs of business expansion and development of industry, the future dividend policy shall depend on the the Company’s future capital expenditure according to the needs for funds. The earnings distribution may be made by way of cash dividend and/or stock dividend, provided however, the ratio for cash dividend shall not be less than 10% of total distribution.
2. The legal reserve and the capital reserve shall not be used except for making good the deficit (or loss) of the company or distributing new shares or cash to its original shareholders in proportion; provided the distribution of new shares or cash may not exceed 25% of the part of the reserve over the paid-in capital.
3. tribution may only made from the special surplus reserve provided from the debit balance of the other equity item at the balance sheet date of the current year; later the reversal amount may be accounted to the distributable earnings when reversing the debit balance of the other equity it

4. The Company's earning distribution

(1) On June 21, 2022 and August 24, 2021, the shareholders' meetings resolved the 2021 and 2020 earning distribution proposal as follows:

	2021		2020	
	Amount	Dividends Per Share (NT$)	Amount	Dividends Per Share (NT$)
Provided for statutory reserves	$ 22,278		$ 19,827	
Special reserve allocation	17,659		288	
cash dividends	53,263	0.60	53,263	0.60
	$ 93,200		$ 73,378	

(2) On March 28, 2023, the board meeting resolved to approve the 2022 earning distribution proposal as follows:

	2022	
	Amount	Dividends Per Share (NT$)
Provided for statutory reserves	$ 76,108	
Reversal of special reserve	(29,110)	
Share dividend	49,386	0.50
cash dividends	79,017	0.80
	$ 175,401	

The aforesaid 2022 earning distribution proposal has not been resolved by the shareholders' meetings as of March 28, 2023

(XVI) Operating revenue

1. Details of revenues from customers' contracts

The Company's revenues all sourced from external customers as the products transferred at some time point, and services transferred gradually during a period of time. The revenues may be detailed as the following geographic area by the location of sales customers.

2022	Taiwan	Asia (ex-Taiwan)	Americas	Europe	Others	Total
Revenues from customers' contracts	$ 322,621	$ 1,831,588	$ 2,144,054	$ 1,859,272	$ 2,351	$ 6,159,886
Time point recognizing revenue						
Revenue recognized at some time point	$ 317,284	$ 1,825,927	$ 2,143,891	$ 1,859,272	$ 2,351	$ 6,148,725
Revenue recognized gradually during a period of time	5,337	5,661	163	-	-	11,161

	$ 322,621	$ 1,831,588	$ 2,144,054	$ 1,859,272	$ 2,351	$ 6,159,886

2021	Taiwan	Asia (ex-Taiwan)	Americas	Europe	Others	Total
Revenues from customers' contracts	$ 285,679	$ 1,118,191	$ 1,252,169	$ 806,382	$ 40,588	$ 3,503,009
Time point recognizing revenue						
Revenue recognized at some time point	$ 281,306	$ 1,117,392	$ 1,251,905	$ 806,382	$ 40,588	$ 3,497,573
Revenue recognized gradually during a period of time	4,373	799	264	-	-	5,436
	$ 285,679	$ 1,118,191	$ 1,252,169	$ 806,382	$ 40,588	$ 3,503,009

2. Contract liabilities

(1) Contract liabilities recognized by the Company related to the revenues from customers' contracts

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities – product sales	$ 66,107	$ 80,278	$ 25,663

(2) Beginning contract liabilities recognized revenue amount for 2022 and 2021 are NT$58,533 and NT$7,656, respectively

(XVII) Interest income

	2022	2021
Interest on bank deposits	$ 1,598	$ 482

(XVIII) Other income

	2022	2021
Dividend income	$ 12,858	$ 7,678
Revenue from freight	25,521	-
Others	4,210	3,540
	$ 42,589	$ 11,218

(XIX) Other gains and (losses)

	2022	2021
Net foreign exchange (losses) gains	($ 2,907)	($ 40,360)
Loss (income) from disposal of property, plant and equipment	45	(346)
Impairment loss of investment with the equity method	(5,114)	(6,288)
Net gain (loss) on financial assets at FVTPL	16,573	(748)

Gains (loss) on lease modification	-	11
Other income	-	(73)
	$ 8,597	($ 47,804)

(XX) Finance cost

	2022	2021
Interest expense of bank borrowings	$ 21,684	$ 16,013
Interest expense of lease liabilities	225	118
	$ 21,909	$ 16,131

(XXI) Additional information of expense nature

	2022	2021
Expenses of employee benefits	$ 434,460	$ 308,685
Depreciation expense of property, plant and equipment	$ 23,965	$ 23,945
Amortized expenses of the right-of-use assets	$ 6,075	$ 6,268
Amortization expenses of intangible assets	$ 8,712	$ 8,712
Amortization expenses of other non-current assets	$ 5,030	$ 5,214

(XXII) Expenses of employee benefits

	2022	2021
Wage expense	$ 364,037	$ 251,282
Labor and national health insurances expense	27,564	23,689
Pension expense	14,092	12,469
Directors' remuneration	7,815	6,104
Others	20,952	15,141
	$ 434,460	$ 308,685

1. The Articles of Incorporation specifies that if there is a distributable balance for the Company’s annual profit before tax and employees’, directors’, and supervisors’ remuneration after offsetting accumulated losses for the previous years, it shall be distributed as follows:

   (1) Remuneration for employees: 3%–15%

   (2) The directors’ and supervisors’ remuneration is no more than 3%; and the determination of distribution ratio for employees’, directors’ and supervisors’ remunerations distribution, and payment is made shares or in cash, shall be

adopted by resolution with a majority vote at a meeting of the board of directors attended by two thirds of the total number of directors, and it shall be reported to the shareholders' meeting.

The employees entitled to receive employees' remuneration in accordance with the provisions of Paragraphs may include the employees of subsidiaries meeting certain specific requirements. Qualification requirements shall be determined by the Board of Directors.

2. The estimated amount of the employee remunerations for 2022 and 2021 was NT$66,312 and NT$19,245; the estimated amount of the director remunerations was NT$4,737 and NT$2,749. The said amounts were accounted under the wage expenses. In 2022, the estimates were made at approximately 7% and 0.5% based on the profit as of the current period. On March 28, 2023, the board meeting resolve to distribute the employee remuneration of NT$33,312 in cash and NT$$33,000 in shares.

   The employee remuneration and director remuneration resolved for 2021, are NT$19,245 and NT$2,749, respectively, the same as the amounts recognized in the 2021 parent-only financial statements. As of December 31, 2022, the distributions of NT$19,245 and NT$2,749 were made in cash.
3. The information on the employee remunerations and director and supervisor remunerations approved by the Board are available on the MOPS.

(XXIII) Income tax

1. Income tax expenses (income)

   (1) Compositions of the income tax expenses (income):

	2022	2021
Income tax of the current period:		
Income tax liabilities of the period	$ 114,438	$ 69,117
Income tax liability of the current period – non-current	-	9,113
Income tax liabilities in previous years	(17,176)	(27,337)
(Over-) underestimates of the income tax in previous years	(7,491)	(14,753)
Levy on undistributed earnings	(6,479)	(6,237)
Total amount of income tax of the current period:	83,292	29,903
Deferred income tax:		
Origin and reversal of the temporary difference	25,225	(6,125)
Others:		
Levy on undistributed earnings	6,479	6,237
Income tax expenses (income)	$ 114,996	$ 30,015

(2) Amount of income tax expense (income) related to other comprehensive income

	2022	2021
Remeasurement of defined benefit obligation	($ 49)	($ 35)

(3) There was no income tax of directed credited or debited equity for the Company in 2022 and 2021.

2. Relationship between the income tax expense and accounting profit

	2022	2021
Income tax calculated based on net profit before tax and statutory tax rate	$ 175,254	$ 50,586
(Over-) underestimates of the income tax in previous years	(7,491)	(14,753)
Levy on undistributed earnings	6,479	6,237
Unrealized valuation and impairment loss	(2,292)	1,407
Unrealized (gain) loss on investment	(49,146)	(13,462)
Effect on income of the investment credit	(7,808)	-
Income tax expense	$ 114,996	$ 30,015

3. Each deferred tax asset and liability generated from temporary difference:

	2022			
	January 1	Recognized in (loss) and profit	Recognized in other comprehensive income	December 31
Deferred income tax assets:				
Limits exceeded on bad debt allowance	$ 182,512	($ 2,642)	$ -	$ 179,870
Unrealized fallen price loss of inventories	56,273	(11,160)	-	45,113
Bonus for not taking leave	2,501	-	-	2,501
Pension	3,485	34	49	3,568
Unrealized income between associates	2,137	3,659	-	5,796
Others	16	(9)	-	7
Subtotal	246,924	(10,118)	49	236,855
Deferred income tax liabilities:				
Effect on income of the investment credit	-	(7,573)		(7,573)
Unrealized gain on exchange	(5,150)	(7,534)	-	(12,684)
Subtotal	(5,150)	(15,107)	-	(20,257)
Total	$ 241,774	($ 25,225)	$ 49	$ 216,598

	2021			
	January 1	Recognized in (loss) and profit	Recognized in other comprehensive	December 31

		income		
Deferred income tax assets:				
Limits exceeded on bad debt allowance	$ 190,964	($ 8,452)	$ -	$ 182,512
Unrealized fallen price loss of inventories	49,242	7,031	-	56,273
Bonus for not taking leave	2,162	339	-	2,501
Pension	3,410	40	35	3,485
Unrealized income between associates	3,180	(1,043)	-	2,137
Others	25	(9)	-	16
Subtotal	248,983	(2,094)	35	246,924
Deferred income tax liabilities:				
Unrealized gain on exchange	(13,369)	8,219	-	(5,150)
Total	$ 235,614	$ 6,125	$ 35	$ 241,774

4. Income amount of deductible temporary difference not recognized as deferred income tax assets

	December 31, 2022	December 31, 2021
Income amount of deductible temporary difference	$ 99,120	$ 151,734

5. The Company did not recognize the deferred income tax liabilities for the taxable temporary difference related to investments in subsidiaries. As of December 31, 2022 and 2021, the temporary difference not recognized as deferred income tax liabilities are NT$246,131 and NT$39,588, respectively.
6. The profit-seeking enterprise income tax of the Company have been assessed by the tax collection authority up to 2020.
7. The Company applied to pay the 2020 profit-seeking enterprise income tax in 24 installments due to the effect of the COVID-19 pandemic, and each installment payment is NT$1,519.

(XXIV) Earnings per share

	2022		
	Amount after tax	Number of weighted average outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of the current period attributable to the holders of common shares	$ 761,273	92,963	8.19
Diluted earnings per share			
Net profit of the current period attributable to the holders of common shares	$ 761,273	92,963	
Effects of potential common shares with diluting effect – employee remuneration	-	1,169	
Net profit of the current period attributable to the holders of common shares plus effects of potential common shares	$ 761,273	94,132	8.09

	2021		
	Amount after tax	Number of weighted average outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of the current period attributable to the holders of common shares	$ 222,916	88,772	2.51
Diluted earnings per share			
Net profit of the current period attributable to the holders of common shares	$ 222,916	88,772	
Effects of potential common shares with diluting effect – employee remuneration	-	700	
Net profit of the current period attributable to the holders of common shares plus effects of potential common shares	$ 222,916	89,472	2.49

(XXV) Changes in liabilities from financing activities

	2022		
	Short-term loans	Long-term loans (including due within one year)	Lease liabilities (current/non-current)
January 1	$ 908,386	$ 366,162	$ 8,193
Borrowings borrowed	2,962,244	50,000	-
Borrowings repaid	(3,202,630)	(70,250)	-
Increase in deposits received	-	-	
Repayment of principal for lease liabilities	-	-	(5,927)
Additional lease liabilities	-	-	36,009
Early termination of lease	-	-	-
December 31	$ 668,000	$ 345,912	$ 38,275

	2021		
	Short-term loans	Long-term loans (including due within one year)	Lease liabilities (current/non-current)
January 1	$ 735,796	$ 395,062	$ 10,928
Borrowings borrowed	2,523,648	10,000	-
Borrowings repaid	(2,351,058)	(38,900)	-
Increase in deposits received	-	-	-
Repayment of principal for lease liabilities	-	-	(6,276)
Additional lease liabilities	-	-	4,321
Early termination of lease	-	-	(780)
December 31	$ 908,386	$ 366,162	$ 8,193

VII. Related-party transactions

(XXVI) Names and relationships of related parties

Name of the related party	Relationship with the Company
Castles Technology International Corp.	Subsidiary of the Company
Castles Technology Europe S.R.L.	Subsidiary of the Company
Casware System Technology Co., Ltd.	Subsidiary of the Company
Castles Technology Spain SL	Subsidiary of the Company
Castles Technology Singapore Pte. Ltd.	Subsidiary of the Company
Suzhou Castech Limited	Subsidiary of the Company
Castech International (H.K.) Limited	Subsidiary of the Company
Castles Technology Japan GK	Subsidiary of the Company
CASTLES TECHNOLOGY UK & IRELAND LTD	Subsidiary of the Company
Castles Technology-Jordan Private Shareholding Company	Subsidiary of the Company
Hua Kang Investment Co., Ltd.	Director of the Company
All directors, president and vice presidents	The key management and governance unit of the Company

(XXVII) Material transactions with the related parties

1. Sale transaction

(1) Operating revenue

Details of sales to related parties by the Company are as below:

	2022	2021
Subsidiary – Castles Technology Singapore Pte. Ltd.	$ 662,944	$ 294,899
Subsidiary – Castles Technology Spain SL	631,759	376,223
Subsidiary – Castles Technology Europe S.R.L.	992,985	350,146
Subsidiary – Castles Technology International Corp.	1,345,004	430,055
Subsidiary – CASTLES TECHNOLOGY UK & IRELAND LTD	144,300	18,790
Subsidiary – others	20,807	338
	$ 3,797,799	$ 1,470,451

The sales prices to related parties are not greatly different from the prices to general customers; the payment terms for the related parties are monthly settlement with 60 days to 180 days, and to the general customers are monthly settlement with 60 days to 120 days

(2) Accounts receivable

The accounts receivable generated from the aforesaid transactions with related parties are detailed below:

	December 31, 2022	December 31, 2021
Subsidiary – Castles Technology Singapore Pte. Ltd.	$ 274,412	$ 66,481
Subsidiary – Castles Technology Spain SL	537,011	367,895
Subsidiary – Castles Technology Europe S.R.L.	613,336	261,221
Subsidiary – Castles Technology International Corp.	297,971	141,515
Subsidiary – CASTLES TECHNOLOGY UK & IRELAND LTD	74,813	7,746
Subsidiary – others	21,213	259
	$ 1,818,756	$ 845,117

(3) Contract liabilities

The contract liabilities generated from the aforesaid transactions with related parties are detailed below:

	December 31, 2022	December 31, 2021
Subsidiary – Casware System Technology Co., Ltd.	$ 5,958	$ 5,958

2. Other transactions

(1) Other income

The incomes generated by paying export freight on behalf of related parties are detailed as below:

	2022	2021
Subsidiary – Castles Technology International Corp.	$ 25,521	$ -

(2) Other receivables

The other receivables generated from the transactions above are NT$0.

(3) Operating expenses/operating costs

The Company commissions related parties for maintenance services, market development services, freight, and development service of software design, which are detailed as below:

	2022	2021
Subsidiary – Suzhou Castech Limited	$ 50,521	$ 64,394
Subsidiary – Castles Technology Europe S.R.L.	-	16,489
Subsidiary – Castles Technology Spain SL	-	26,400
Subsidiary – Casware System Technology Co., Ltd.	-	3,533
Subsidiary – others	494	496
	$ 51,015	$ 111,312

(4) Other payables

The other payables generated from the aforesaid transactions with related parties are detailed as below:

	December 31, 2022	December 31, 2021
Subsidiary – Castles Technology Europe S.R.L.	$ 16,489	$ 56
Subsidiary – Suzhou Castech Limited.	-	8,337
Subsidiary – Castles Technology Spain SL	26,400	-
	$ 42,889	$ 8,393

3. Collection and payment on other's behalf

The other payables generated from the collection and payment on other's behalf by the Company are detailed as below:

	December 31, 2022	December 31, 2021
Subsidiary – Castles Technology International Corp.	$ 11,487	$ -
Subsidiary – Castles Technology Spain SL	6,394	-
	$ 17,881	$ -

4. Property transaction – acquisition of financial assets

	Item listed	Number of traded shares	Underlying transaction	2022
Subsidiary – Castles Technology-Jordan Private Shareholding Company	Investment with the equity method	-	Capital	$ 9,698

2021: none

5. Guarantee transaction:

The Company enters into credit loan contracts with banks, and the Company's main management acts as a joint guarantor for part of loans.

(XXVIII) Information on the remunerations of key management

	2022	2021
Short-term employee benefits	$ 39,607	$ 21,444
Post-employment benefits	730	742
	$ 40,337	$ 22,186

VIII. Pledged asset

The details of the assets provided for pledge or as collaterals by the Company are as below:

	Book value		
Asset item	December 31, 2022	December 31, 2021	Collateral purpose
Property, plant and equipment	$ 232,787	$ 234,941	Secure the long- and short-term bank borrowings
Financial assets measured at amortized cost – current	8,511	82,539	Secure the short-term bank borrowings
Financial assets measured at amortized cost – non-current	242	500	Secure the long-term bank borrowings and right-of-use assets
	$ 241,540	$ 317,980	

IX. Significant contingent liabilities and unrecognized contract commitments

(XXIX) Significant contingent liabilities

Not applicable.

(XXX) Significant unrecognized contract commitments

1. As of December 31, 2022 and 2021, the cashier's check issued by the Company required for the account receivable sales but not yet used are NT$0 and NT$37,533, respectively.
2. Capital expenditure with executed contract but not yet occurs

	December 31, 2022	December 31, 2021
Property, plant and equipment	$ 20,182	$ -

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

On March 28, 2023, the board meeting resolve to the 2022 earning distributions. Please refer to the description in Note 6(15)

XII. Others

(I) Capital management

The target of the Company's capital management is to protect the Company for continuous operation, maintain the best capital structure to lower capital costs, and provide returns to shareholders. To maintain or adjust the capital structure, the Company may adjust the dividend amount paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts. The Company monitor the capital via debt ratio, which is the total assets divided by total liabilities.

The strategy adopted by the Company in 2022 was maintained the same as 2021, to strive to maintain the debt ratio at a reasonable level. For the debt ratio of the Company as of December 31, 2022 and 2021, please refer to the parent-only balance sheet.

(II) Financial instruments

1. Types of financial instrument

For the Group's financial assets (cash and cash equivalents, financial assets at amortized costs – current, notes receivable, accounts receivable (related parties included), other receivables, financial assets at amortized costs – non-current, financial assets at FVTPL – non-current, long-term notes and accounts receivable, and refundable deposit), and financial liabilities (short-term borrowing, notes payable, accounts payable, other payable (related parties included), long-term borrowings (including due within one year), and lease liability (current/none-current), please refer to the parent-only balance sheet and Note 6.

2. Risk management policy

(1) The daily operation of the Company is affected by various financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk and liquidity risk.

(2) The risk management are executed by the Finance Department of the Company pursuant to the policies approved by the management. The Finance Department of the Company works with the operating units closely, to be in charge of the

identification, evaluation, and avoidance of financial risks.

3. Natures and degrees of material financial risks

(1) Market risk

A. Exchange rate risk

(A) The Company operates cross-countries, so it is exposed to the exchange rate risk generated from transactions denominated in the currencies other than the Company's functional currencies, mainly USD, EUR, and JPY. The related exchange rate risk comes from the future commercial transactions, recognized assets and liabilities, and the net investment in foreign operations.

(B) The management has established policies to regulate the exchange rate risk relative to the functional currencies. The Company shall hedge the overall exchange rate risk via the Company's Finance Department.

(C) The business engaged in by the Company involves several non-functional currencies (the Company's function currency is TWD), so the Company is subject to exchange rate fluctuation. The information on assets and liabilities of foreign currencies with great influence from exchange rate fluctuation is as below:

	December 31, 2022		
(Foreign currency: functional currency)	Foreign currency NT$ thousand	Exchange rate	Carrying amount (NT$)
Financial Assets			
Monetary item			
USD : TWD	109,902	30.71	$ 3,375,082
EUR : TWD	13,263	32.72	433,950
JPY : TWD	1,257,486	0.23	292,240
Non-monetary item			
- investments in subsidiaries			
USD : TWD	13,692	30.71	403,595
EUR : TWD	3,970	32.72	127,316
GBP : TWD	2,810	37.09	104,220
JOD : TWD	354	42.23	15,287
Financial Liabilities			
Monetary item			
USD : TWD	52,213	30.71	1,603,469
EUR : TWD	1,593	32.72	52,113

	December 31, 2021		
(Foreign currency: functional currency)	Foreign currency NT$ thousand	Exchange rate	Carrying amount (NT$)

Financial Assets			
Monetary item			
USD : TWD	61,177	27.68	$ 1,693,372
EUR : TWD	8,278	31.32	259,270
JPY : TWD	1,318,160	0.24	317,018
Non-monetary item			
- investments in subsidiaries			
USD : TWD	7,942	27.68	219,822
EUR : TWD	2,087	31.32	65,371
GBP : TWD	2,205	37.30	82,245
JOD : TWD	129	39.09	5,062
Financial Liabilities			
Monetary item			
USD : TWD	43,070	27.68	1,192,186
EUR : TWD	267	31.32	8,347

(D) For the exchange rate fluctuation with great influence over the Company’s monetary items, the summarized amount of all the exchange (loss) gain recognized in 2022 and 2021, please refer to Note 6(19).

(E) The market risk significantly affected by exchange rate fluctuations of the Company are analyzed as below.

	2022		
	Sensitivity Analysis		
	Extent of change	Affecting profit and loss	Affecting other comprehensive income
Financial Assets			
Monetary item			
USD : TWD	1%	$ 33,751	$ -
EUR : TWD	1%	4,340	-
JPY : TWD	1%	2,922	-
Financial Liabilities			
Monetary item			
USD : TWD	1%	(16,035)	-
EUR : TWD	1%	(521)	-

	2021		
	Sensitivity Analysis		
	Extent of change	Affecting profit and loss	Affecting other comprehensive income
Financial Assets			
Monetary item			

USD : TWD	1%	$	16,934	$ -
EUR : TWD	1%		2,593	-
JPY : TWD	1%		3,170	-
Financial Liabilities				
Monetary item				
USD : TWD	1%	(	11,922)	-
EUR : TWD	1%	(	83)	-

B. Price risk

(A) The Company's equity instruments exposed to the price risk are the financial assets at fair value through other comprehensive profit or loss. To manage the price risk of the investments in the equity instruments, the Company will diversify the portfolio within the limit set by the Company.

(B) The Company mainly invests in the equity instruments issued by the foreign companies; prices of such equity instruments are subject to the uncertainty of the future prices for the underlying investments. If the price of such equity instrument increases or decreases by 1%, and all other factors remaining the same, the gain or loss of the investment in equity measured at FVOCI classified under other comprehensive income in 2022 and 2021 were both increased or decreased by NT$166 and NT$0.

C. Cash flow and fair value interest rate risk

(A) The Company's interest rate risk mainly comes from long- and short-term borrowings issued at floating rates and loans from related parties, which expose the Company to cash flow interest rate risk. The Company's borrowings issued at floating rates are mainly denominated in TWD and USD.

(B) If the interest rate of TWD and USD borrowings increases or decreases by 0.1%, and all other factors remaining the same, the net profit before tax in 2022 and 2021 were both increased or decreased by NT$1,014 and NT$1,275, mainly because the borrowings with floating interest rate resulted in changes in interest expenses.

(2) Credit risk

A. The Company's credit risk are the risk of financial loss sustained by the Company due to the failure of performing contractual obligations by customers or counterparties of financial instruments, and mainly are the notes payable, accounts payable (related parties included), long-term notes and accounts payable and contractual cash flows from financial assets at amortized cost unable to be repaid by transaction counterparties as required by payment terms, and the contractual cash flow measured at amortized costs.

B. The Company establishes the management for credit risk from the perspective of the Company. For the banks and financial institutions with business relationships, only these with good credit ratings will be accepted as counterparties. Pursuant to the credit granting policy defined internally, before any operating unit within the Company establishes the payment and delivery terms and conditions with a new customer, such customer shall be managed and the credit risk must be analyzed. Internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience and other factors. Limits for individual risks are established by management based on internal or external assessments, and the utilization of credit limits is regularly monitored.

C. After considering historical experience in the past, the basis to determine if the credit risk of financial assets significant increased since the initial recognition adopted by the Company is when the contractual payment is overdue for more than 31 days or more than 181 days based on the agreed payment terms.

D. The Company categorizes different groups based on historical collection experience, by geographical area and customer risk level to evaluate; when the contractual payment is overdue for more than 91 days or more than 271 days based the agreed payment terms, it is deemed a breach of contract.

E. The Company groups the accounts receivable of customers based on the characteristics of the customer type, and adopts a simplified method to estimate the expected credit loss based on the provision matrix. In addition, the Company uses the general method to for the long-term receivables in accounts.

F. The Company continues to proceed with the legal procedures for recourse to financial assets that have defaulted to preserve the creditor’s rights. After the recourse procedure, the amount of the financial asset that cannot be reasonably expected to be recovered will be written off, but the Company will continue to proceed with the legal procedure of recourse to preserve the creditor’s rights.

G. By referring to forward-looking considerations, the Company adjusts the loss rate established based on historical and current information for a specific period to estimate the loss allowance for receivables:

December 31, 2022	Not overdue	Overdue 1 to 30 days	Overdue 31 to 60 days	Overdue 61 to 90 days	Overdue than 91 days	Total
Group A						
Expected loss rate	0.37%	17.70%	40.29%	63.85%	100.00%	
Notes receivable	$ 7,633	$ -	$ -	$ -	$ -	$ 7,633
Accounts receivable	311,498	7,594	1,515	1	11,871	332,479

long-term receivables	6,490	-	-	-	-	6,490
Total book value	$ 325,621	$ 7,594	$ 1,515	$ 1	$ 11,871	$ 346,602
Loss allowance	($ 1,409)	($ 1,344)	($ 610)	($ 1)	($ 11,871)	($ 15,235)

	Not over due to overdue 180 days	Overdue 181 to 270 days	Overdue more than 271 days	Total
Group B				
Expected loss rate	3%	50%	100%	
Total book value	$ -	$ -	$ 915,191	$ 915,191
Loss allowance	$ -	$ -	($ 915,191)	($ 915,191)

	Not overdue	Overdue 1 to 90 days	Overdue than 91 days	Total
Group C				
Expected loss rate	0%	0%	0%	
Total book value	$ 1,531,628	$ 155,242	$ 131,886	$ 1,818,756
Loss allowance	$ -	$ -	$ -	$ -

December 31, 2021	Not overdue	Overdue 1 to 30 days	Overdue 31 to 60 days	Overdue 61 to 90 days	Overdue than 91 days	Total
Group A						
Expected loss rate	1.23%	21.58%	39.49%	53.46%	100.00%	
Notes receivable	$ 5,686	$ -	$ -	$ -	$ -	$ 5,686
Accounts receivable	310,308	6,554	2,096	2,588	10,821	332,367
long-term receivables	13,124	-	-	-	-	13,124
Total book value	$ 329,118	$ 6,554	$ 2,096	$ 2,588	$ 10,821	$ 351,177
Loss allowance	($ 4,050)	($ 1,414)	($ 828)	($ 1,383)	($ 10,821)	($ 18,496)

	Not over due to overdue 180 days	Overdue 181 to 270 days	Overdue more than 271 days	Total
Group B				
Expected loss rate	3%	50%	100%	
Total book value	$ -	$ -	$ 915,191	$ 915,191
Loss allowance	$ -	$ -	($ 915,191)	($ 915,191)

	Not overdue	Overdue 1 to 90 days	Overdue than 91 days	Total
Group C				
Expected loss rate	0%	0%	0%	
Total book value	$ 581,275	$ 77,829	$ 186,013	$ 845,117
Loss allowance	$ -	$ -	$ -	$ -

The above is an aging report based on the overdue days.

Note: Sales customers are divided by the Company's credit risk:

Group A: risk as general customers, with a low probability of default based on historical collection experience.

Group B: Special customers, although they are customers with a low probability of default based on historical collection experience, but because they are located in Iran, and Iran is currently under foreign exchange control due to the international situation, and the collection situation is still uncertain.

Group C: related parties in the consolidated financial statements.

H. The statement of changes in the loss allowance of the Company

	2022			
	Notes receivable	Accounts receivable	Overdue accounts	Total
January 1	$ 57	$ 18,439	$ 915,191	$ 933,687
Expected credit loss (profit)	19	(3,280)	-	(3,261)
December 31	$ 76	$ 15,159	$ 915,191	$ 930,426

	2021			
	Notes receivable	Accounts receivable	Overdue accounts	Total
January 1	$ 62	$ 40,354	$ 935,381	$ 975,797
Expected credit loss (profit)	(5)	(21,915)	(20,190)	(42,110)
December 31	$ 57	$ 18,439	$ 915,191	$ 933,687

(3) Liquidity risk

A. The forecast of cash flow is conducted by each operating entity within the Group, and aggregated by the Finance Department of the Company. The Company's Finance Department monitors the forecast of required liquidity of the Company, to ensure sufficient funds to support the operating demands, and always maintaining the sufficient un-drawn borrowing commitment limit so that the Company will not breach the related borrowing limits or terms.

B. The Company's Finance Department invests the remaining funds in the demand and time deposits with interests, money market deposit, and marketable securities. The instruments selected have proper maturity or sufficient liquidity to support the aforesaid forecasts with enough level for deployment. The Company holds the money market position expected to generate cash flow instantly to manage the liquidity risk.

C. Details of the Company's undrawn borrowing limit

	December 31, 2022	December 31, 2021
Floating interest rate		

Due within one year	$ 772,485	$ 185,637

D. The Company has no derivative financial liabilities; additionally, for the remaining periods from the balance sheet date to the contract maturity date of non-derivative financial liabilities, except for those listed in the table below, all of them are due within one year, with the amount equivalent to the amounts listed in the parent-only balance sheet, and the disclosed contractual cash flow amounts are undiscounted amounts, as below:

December 31, 2022	Within one year	Within one to two years	Two years or more	Total
Non-derivative financial liabilities:				
Lease liabilities (current/non-current)	$ 11,257	$ 8,808	$ 19,890	$ 39,955
Long-term borrowings (including due within one year)	73,591	91,136	204,341	369,068

December 31, 2021	Within one year	Within one to two years	Two years or more	Total
Non-derivative financial liabilities:				
Lease liabilities (current/non-current)	$ 4,170	$ 3,045	$ 1,103	$ 8,318
Long-term borrowings (including due within one year)	63,646	104,971	215,439	384,056

(III) Information of fair value

1. The definition of each level for the valuation technique adopted to measure the fair values of the financial and non-financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Active markets are ones where asset and liability transactions take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis. The Company has no financial or non-financial instrument related to this Level.

Level 2: the direct or indirect observable inputs of assets or liabilities, but the quotations included in Level 1 are excluded. The Company has no financial or non-financial instrument related to this Level.

Level 3: the unobservable inputs of assets or liabilities. The Company’s equity securities without active market belong to the category.

2. Financial instruments not measured at fair value

The Company’s financial assets not measured at fair value include cash and cash equivalents, financial assets at amortized costs – current, notes receivable, accounts receivable (related parties included), other receivables, financial assets at amortized costs

– non-current, financial assets at amortized costs – current and non-current, refundable deposits, long-term notes and accounts receivable, short-term borrowing, notes payable, accounts payable, other payable (related parties included), long-term borrowings (including due within one year), deposit received, and lease liability (current/none-current), with carrying amount of the reasonable approximate value.

3. Approaches and assumptions adopted by the Company to measure the fair value

(1) The Company categorizes financial instrument by the nature of asset and liability, the related information

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Repetitive fair value				
Financial assets measured at FVTPL				
Equity securities	$ -	$ -	$ 16,573	$ 16,573

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Repetitive fair value				
Financial assets measured at FVTPL				
Equity securities	$ -	$ -	$ -	$ -

(2) The equity securities held by the Company without active market are evaluated by using the market method (Price/net worth ratio or P/E ratio) as the valuation technique. The parameters of comparable companies in the market are used as observable inputs, and the discounted value of illiquidity is considered to estimate the fair value.

4. During 2022 and 2021, there was no transfer between Level 1 and Level 2.

5. The following table demonstrate the changes in Level 3 during 2021 and 2020

	2022	2021
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	$ -	$ 748
Income and loss recognized under profit or loss	16,573	(748)
December 31	$ 16,573	$ -

6. The evaluation process for the fair value categorized at Level 3 is that the Financial Department takes the charge of individually verifying the fair value of financial instruments, to have the evaluation results closer to the market conditions via the information from independent sources, and confirm that the information source is independent, reliable, and consistent to other resources, and representing the executable prices, to ensure the evaluation results are reasonable.
7. The Company select the valuation model and valuation parameter via prudential assessments; provided that valuation results vary if a different valuation model and valuation parameter is selected. For the quantified information of material unobservable inputs used in the valuation model adopted for the measurement items of Level 3 fair value, and the sensitivity of changes in the material unobservable inputs, the descriptions are as below:

December 31, 2022	Fair value	Valuation technique	Material unobservable inputs	Range (Weighted average)	Relationship between inputs and fair values
Non-derivative equity instruments:					
Equity securities without active market	$ 16,573	Net asset value method	Not applicable	-	Not applicable

December 31, 2021	Fair value	Valuation technique	Material unobservable inputs	Range (Weighted average)	Relationship between inputs and fair values
Non-derivative equity instruments:					
Equity securities without active market	$ -	Net asset value method	Not applicable	-	Not applicable

(IV) Other matters

Due to the COVID-19 pandemic, the Company accommodated the governmental pandemic containment measures, that some employees worked from home during the period. The normal operation has been resumed, without material effects on the Company’s 2022 parent-only financial status and performance.

XIII. Additional disclosures

(I) Information on material transactions

1. Loaning of funds to others: none.
2. Endorsement and guarantee provided: none.
3. Securities held at the end of the period (excluding the investee subsidiaries, affiliates, and joint control): please refer to Table 1.
4. Accumulated amount of trading the same securities for NT$300 million or 20% of the paid-in capital or more: none.
5. Amount of acquired real properties for NT$300 million or 20% of the paid-in capital or more: none.
6. Amount of disposed real properties for NT$300 million or 20% of the paid-in capital or more: none.
7. Amount of transactions with related parties for NT$100 million or 20% of the paid-in capital or more: please refer to Table 2.
8. The receivables from related parties for NT$100 million or 20% of the paid-in capital or more: please refer to Table 3.
9. Engagement in derivative trading: none.
10. Business relationships and material transactions between the parent company and subsidiaries, or among subsidiaries, and the amount thereof: please refer to Table 4.

(II) Information on investees

Information on name and location of investee (investees in China are excluded): please refer to Table 5.

(III) Information on investments in China

1. Basic information: please refer to Table 6.
2. The material transactions between the direct or indirect enterprises via a third place with the investee companies in China: please refer to Table 7.

(IV) Information on major shareholders

Information on major shareholders: please refer to Table 8.

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Castles Technology Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2022

Statement 1 | Unit: NTD thousand

Item	Summary	Amount
Cash on hand and penny cash		$ 770
Bank deposits:		
Demand deposit		
- TWD		50,356
- USD	USD 14,003 thousand; exchange rate: 30.71	430,012
- EUR	EUR 317 thousand; exchange rate: 32.72	10,377
- JPY	JPY 26,037 thousand; exchange rate: 0.23	6,051
- Others		94
Checking deposit		720
		$ 498,380

Castles Technology Co., Ltd.
Statement of Accounts Receivable
December 31, 2022

Statement 2 Unit: NTD thousand

Name of customer	Summary	Amount
General customer:		
Company F		$ 62,016
Company A		59,353
Company G		53,698
Company P		45,921
Company I		31,151
Others		80,340
		332,479
Less: bad debt allowance		(15,159)
		$ 317,320
Related parties:		
Castles Technology Spain SL		$ 537,011
Castles Technology Europe S.R.L.		613,336
Castles Technology International Corp.		297,971
Castles Technology Singapore Pte. Ltd.		274,412
CASTLES TECHNOLOGY UK & IRELAND LTD		74,813
Others		21,213
		$ 1,818,756

Castles Technology Co., Ltd.
Statement of Inventories
December 31, 2022

Statement 3

Unit: NTD thousand

Item	Amount: Cost	Amount: Net realizable value	Remarks
Raw materials	$ 1,060,543	$ 1,002,133	The net realizable value is determined as the balance of the expected sales price deducting the estimated costs up to finishing works, and the estimated cost up to sales, under normal conditions.
Work in process	191,927	191,089	
Semi-finished products	267,785	191,897	
Finished products	502,785	637,103	
	2,023,040	$ 2,022,222	
Less: loss allowance for fallen price	(225,560)		
	$ 1,797,480		

Castles Technology Co., Ltd.
Statement of Changes in Long-Term Investments in Equity Adopting the Equity Method
From January 1, 2022 to December 31, 2022

Statement 4 | Unit: NTD thousand

	Opening balance		Increase during the period					Decrease during the period		Balance at the end of the period			Market price or net worth of equity			
- Name	Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Amount	Amount of (loss) gain on investment	Financial statements translation differences of foreign operations	Amounts of other adjustments (Note 1)	Number of Shares (thousand shares)	Amount (Note 2)	Number of Shares (thousand shares)	Ownership	Amount	Unit price (NT$)	Total price	Guarantee or pledge provided	Remarks
Castles Technology International Corp.	3,000	$ 135,842	-	$ -	$ 111,552	$ 18,682	($ 12,490)	-	$ -	3,000	100%	$ 253,586	84.53	$ 253,586	No	
Castles Technology Europe S.R.L.	-	47,652	-	-	42,491	4,140	(4,068)	-	-	-	100%	90,215	-	90,215	No	
Casware System Technology Co., Ltd.	3,200	13,891	-	-	14	-	-	-	-	3,200	100%	13,905	4.35	13,905	No	
Castles Technology Spain SL	2,233	17,719	-	-	25,410	1,332	(2,246)	-	(5,114)	2,233	100%	37,101	16.61	37,101	No	
Castech International Limited	1,700	20,123	-	-	(9,491)	326	-	-	-	1,700	100%	10,958	6.45	10,958	No	
Castles Technology Singapore Pte Ltd.	730	83,980	-	-	53,620	11,901	508	-	-	730	54.89%	150,009	205.49	150,009	No	
Castles Technology Japan GK	-	71	-	-	89	-	-	-	-	-	100%	160	-	160	No	
CASTLES TECHNOLOGY UK & IRELAND LTD	1,780	82,245	-	-	22,263	(288)	-	-	-	1,780	100%	104,220	58.55	104,220	No	
Castles Technology-Jordan Private Shareholding Company	-	5,062	-	9,698	(220)	747	-	-	-	-	90%	15,287	-	15,287	No	
Total		$ 406,585		$ 9,698	$ 245,728	$ 36,840	($ 18,296)		($ 5,114)			$ 675,441		$ 675,441		

Note 1: Other adjustments are the unrealized gross profit from sales of NT$28,980 and realized gross profit from sales of NT$10,684.

Note 2: It is the impairment loss of NT$ 5,114 recognized for the period.

Castles Technology Co., Ltd.

Statement of Property, Plant and Equipment

From January 1, 2022 to December 31, 2022

Statement 5 Unit: NTD thousand

Please refer to the description in Note 6(7) for the information related to “Statement of Changes in Costs and Accumulated Depreciation of Property, Plant and Equipment,” and the description in Note 4(13) for depreciation methods and useful lives.

Castles Technology Co., Ltd.
Statement of Short-Term Borrowing
December 31, 2022

Statement 6 Unit: NTD thousand

Type of borrowings	Explanation	End balance	Maturity of contract	Interest rate range	Financing limits	Mortgage or guarantee	Remarks
Secured borrowings	Hua Nan Bank	$ 340,000	2022/02/27–2023/03/08	0%~1.96%	$ 400,000	Please refer to the description in Note 8	
Secured borrowings	Land Bank	23,000	2022/11/10–112/01/27	2.17%	200,000	Please refer to the description in Note 8	
Unsecured borrowings	Chang Hwa Bank	85,000	2022/08/25–2023/05/23	2.09%~2.14%	200,000	No	
Secured borrowings	CTBC	80,000	2022/12/23–2023/03/23	1.95%	80,000	Please refer to the description in Note 8	
Secured borrowings	Fubon Bank	80,000	2022/09/01–2023/06/01	2.02%	80,000	Please refer to the description in Note 8	
Secured borrowings	First Bank	60,000	2022/10/03–2023/04/14	2.10%	150,000	Please refer to the description in Note 8	
		$ 668,000					

Castles Technology Co., Ltd.
Statement of Accounts Payable
December 31, 2022

Statement 7 Unit: NTD thousand

Name of Company	Summary	Amount	Remarks
General suppliers –			
TT Group		$ 107,939	
Company D		121,597	
Company A		53,361	
Company B		77,568	
Others		1,179,889	None of sporadic customer's balance exceeding 5% of the amount under the account.
		$ 1,540,354	

Castles Technology Co., Ltd.
Statement of Long-Term Borrowing
December 31, 2022

Statement 8 Unit: NTD thousand

Please refer to the description in Note 6(10) for the “Statement of Long-Term Borrowing.”

Castles Technology Co., Ltd.
Statement of Operating Revenue
From January 1, 2022 to December 31, 2022

Statement 9 Unit: NTD thousand

Item	Quantity	Amount	Remarks
Electronic financial transaction terminals	1,519,233/unit	$ 5,138,574	
Electronic cash registers and peripherals	26,592/unit	135,277	
Personal financial application products	290,223/unit	25,147	
Others		860,888	None of individual item exceeding10% of total revenue
		$ 6,159,886	

Castles Technology Co., Ltd.
Statement of Operating Costs
From January 1, 2022 to December 31, 2022

Statement 10 Unit: NTD thousand

Item	Amount	Remarks
Beginning raw materials	$ 1,152,924	
Plus: received materials in the period	4,561,845	
Less: end raw materials	(1,060,543)	
Loss from scrapped inventories	(98,118)	
Direct consumption of raw materials	4,556,108	
Manufacturing expenses	788,319	
Total manufacturing costs	5,344,427	
Plus: beginning work in progress	75,080	
Less: end work in progress	(191,927)	
Costs of work in progress	5,227,580	
Plus: beginning semi-finished products	259,839	
Less: end semi-finished products	(267,785)	
Costs of semi-finished products	5,219,634	
Plus: beginning finished products	294,456	
Less: end finished products	(502,785)	
Transfer to various expenses	(52,352)	
Costs of finished products	4,958,953	
Plus: scrape loss of inventories	98,118	
Less: gain from recovered inventory price	(55,802)	
Operating costs	$ 5,001,269	

Castles Technology Co., Ltd.
Statement of Manufacturing Expenses
From January 1, 2022 to December 31, 2022

Statement 11 Unit: NTD thousand

Item	Summary	Amount	Remarks
Processing expenses		$ 509,694	
Indirect labor		126,256	
Depreciation expense		20,057	
Others		132,312	None of sporadic amount exceeding 5% of the amount under the account.
		$ 788,319	

Castles Technology Co., Ltd.
Statement of Operating Expenses
From January 1, 2022 to December 31, 2022

Statement 12 Unit: NTD thousand

Item	Selling expenses	General and administrative expenses	Research and development expenses	Gain from expected credit impairment	Total	Remarks
Wage expenditures	$ 36,160	$ 41,975	$ 181,807	$ -	$ 259,942	
Certification expenses	-	-	53,401	-	53,401	
Commissioned research expenses	-	-	55,620	-	55,620	
Labor service expenses	5,762	9,462	965	-	16,189	
Entertainment expenses	4,763	56	74	-	4,893	
Advertisement expenses	3,575	6	11	-	3,592	
Import/export expenses	9,987	-	-	-	9,987	
Gain from expected credit impairment	-	-	-	(3,261)	(3,261)	
Others	14,244	34,167	91,881	-	140,292	None of sporadic amount exceeding 5% of the amount under the account.
	$ 74,491	$ 85,666	$ 383,759	($ 3,261)	$ 540,655	

Castles Technology Co., Ltd.
Summary Statement of the Employee Benefits, Depreciate, and Amortization Expenses Occurred for the Period (Continued)
January 1 to December 31, 2022 and 2021

Statement 13 Unit: NTD thousand

By Function / By Nature	2022			2021		
	Belonging to operating costs	Belonging to operating expenses	Total	Belonging to operating costs	Belonging to operating expenses	Total
Expenses of employee benefits						
Wage expense	$ 104,095	$ 259,942	$ 364,037	$ 60,283	$ 190,999	$ 251,282
Labor and national health insurances expense	9,175	18,389	27,564	6,845	16,844	23,689
Pension expense	4,297	9,795	14,092	3,145	9,324	12,469
Directors' remuneration	-	7,815	7,815	-	6,104	6,104
Other employee benefits expenses	8,689	12,263	20,952	5,476	9,665	15,141
Depreciation expense	20,057	9,983	30,040	20,887	9,326	30,213
Amortization expenses	717	13,025	13,742	973	12,565	13,538

Note: 1. The number of employees of the year and previous year are 409 and 339, respectively; number of directors not concurrently serving as employees are four and four.

2. The companies have listed their shares in TWSE or TPEx shall disclose the following information additionally:

(1) The average expense of employee benefits of the year is NT$1,053 (“the total of expenses of employee benefits - the total of directors’ compensations of the year” / “the number of employee - number of directors not concurrently serving as employees of the year”).
The average expense of employee benefits of the previous year is NT$903 (“the total of expenses of employee benefits - the total of directors’ compensations of the previous year” / “the number of employees - number of directors not concurrently serving as employees of the previous year”).

(2) The average wage expense of the year is NT$899 (“the total of wage expenses of the year / “the number of employee- number of directors not concurrently serving as employees of the year “).
The average wage expense of the year is NT$750 (“the total of wage expenses of the previous year / “the number of employee - number of directors not concurrently serving as employees of the previous year”).

Castles Technology Co., Ltd.
Summary Statement of the Employee Benefits, Depreciate, and Amortization Expenses Occurred for the Period (Continued)
January 1 to December 31, 2022 and 2021

Statement 13

Unit: NTD thousand

(3) The average change of adjusted employee wage expenses is 19.87% (“the average employee wage expenses of the year / “the average employee wage expenses of the previous year”).

(4) The Audit Committee is established in the year, so there is no remuneration to supervisors; the supervisor remuneration of the previous year was NT$739.

(5) Please specify the remuneration policy of the Company (including directors, supervisors, managerial officers, and employees).

a. Policy of remunerations to managerial officers and employees

(a) Managerial officers: their remunerations include fixed salary and variable salary. The fixed salary is the monthly salary; the variable salaries are bonus of three major festivals, performance bonus, and employee’s compensations. Their salaries are deliberated by the Remuneration Committee before approved by the board of directors

(b) Employees: their remunerations include fixed salary and variable salary. The fixed salary is the monthly salary; the variable salaries are bonus of three major festivals, performance bonus, and employee’s compensations.

(c) The fixed salary is determined based on the job level, job title, education and experience, professional capabilities, and duties assumed, while referring to the industrial standards.

(d) The year-end bonus is paid based on the Company’s operating performance and personal performance.

(e) Employees’ remuneration: in accordance with the provisions of Article 26 of the Articles of Incorporation, there is a distributable balance for the Company’s annual profit before tax and employees’, directors’, and supervisors’ remuneration after offsetting accumulated losses for the previous years, it shall be distributed as 3% to 15% as employees’ remuneration The actual distribution ratio and amount is determined by the board of directors and reported to the shareholders’ meeting.

b. Policy of remunerations to directors and supervisors

(a) Pursuant to the Regulations for Management of Directors’, Supervisors’, and Managerial Officers’ Remuneration, the travelling subsidy, earning distribution, expense for execution of business, and compensation for a concurrent position as an employee are paid.

(b) Directors and supervisors’ earning distribution: in accordance with the provisions of Article 26 of the Articles of Incorporation, there is a distributable balance for the Company’s annual profit before tax and employees’, directors’, and supervisors’ remuneration after offsetting accumulated losses for the previous years, it shall be distributed no more than 3% The actual distribution ratio and amount is determined by the board of directors and reported to the shareholders’ meeting.