Castles Technology Co., Ltd. and its subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

2022 and 2021

(Stock Code 5258)

Company Address: 6F, No. 207-5, Sec 3, Beixin Rd., Xindian Dist., New Taipei City

Tel: (02)8913-1771

Castles Technology Co., Ltd. and its subsidiaries

Declaration for Consolidated Financial Statements of Affiliated Enterprises

For the year of 2022 (from January 1, 2022 to December 31, 2022), the companies to be included in the preparation of the affiliate consolidated financial statements pursuant to the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Reports and Consolidated Financial Statements of Affiliated Enterprises,” are the same as those included in the consolidated financial statements of the parent company and subsidiaries prepared in conformity under the International Financial Reporting Standards (IFRS) No. 10, which are standards certified by the Financial Supervisory Commission. In addition, the information required to be disclosed in the consolidated financial statements is included in the aforesaid consolidated financial statements. Consequently, the Company and its subsidiaries do not prepare a separate set of consolidated financial statements.

It is hereby declared

Name of Company: Castles Technology Co., Ltd.

Person in Charge: Hsin, Hua-Hsi

March 28, 2023

Independent Auditor's Report

(112)Cai-Shen-Bao-Zi No. 22005180

To Castles Technology Co., Ltd.:

Opinion

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

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

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluations of the loss allowance for accounts receivable

Description of key audit matters

For the accounting policy of accounts receivable, please refer to Note 4(9) of the Consolidated 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 Consolidated Financial Statement; for the description of accounts for accounts receivable, please refer to Note 6(3) of the Consolidated Financial Statement.

The Group manages the payment collection and overdue accounts, while assuming the related credit risks. The management 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 Group 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.

Responding audit procedures

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

1. Understand the Group'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(12) of the Consolidated Financial Statement; for the uncertainties of accounting estimates and assumptions for the inventory valuation, please refer to Note 5(2) of the Consolidated Financial Statement; for the description of accounts for inventory, please refer to Note 6(5) of the Consolidated Financial Statement.

The major revenue of the Group 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 Group 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 Group 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.

Other matters – parent-only financial statements

We have also audited the parent company only financial statements of Castles Technology Co., Ltd. as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

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

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

Those charged with governance, (including the audit committee), are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards 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 consolidated 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. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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. and its subsidiaries
Consolidated 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)	$ 1,010,234	16	$ 867,238	19
1136	Financial assets measured at amortized cost – current	6(1) and 8	86,379	1	83,301	2
1150	Notes receivable	6(3)	7,557	-	5,629	-
1170	Accounts receivable, net	6(3)(4)	1,968,530	31	1,057,437	23
1200	Other receivables		45,383	1	31,276	1
1220	Income tax assets of the period	6(23)	3,617	-	230	-
130X	Inventories	6(5)	2,273,610	36	1,657,404	36
1410	Prepayments		62,430	1	41,336	1
11XX	**Current Assets**		5,457,740	86	3,743,851	82
	Non-current assets					
1510	Financial assets at FVTPL – non-current	6(2)	18,263	-	1,577	-
1535	Financial assets measured at amortized cost – non-current	6(1) and 8	242	-	500	-
1600	Property, plant and equipment	6(6) and 8	355,496	5	354,062	8
1755	Right-of-use assets	6(7)	129,566	2	60,668	1
1780	Intangible assets		47,113	1	65,683	2
1840	Deferred income tax assets	6(23)	237,115	4	246,924	5
1920	Refundable deposit		10,382	-	5,175	-
1930	Long-term notes and accounts receivable	6(3)(4)	6,490	-	13,124	-
1990	Other non-current assets – others	6(3)	108,236	2	91,941	2
15XX	**Non-current assets**		912,903	14	839,654	18
1XXX	**Total Assets**		$ 6,370,643	100	$ 4,583,505	100

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Castles Technology Co., Ltd. and its subsidiaries
Consolidated 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(8)	$ 668,000	11	$ 908,386	20
2130	Contract liabilities – current	6(16)	76,558	1	90,369	2
2150	Notes payable		-	-	49	-
2170	Accounts payable		1,606,494	25	1,117,651	24
2200	Other payables	6(9)	378,356	6	215,673	5
2230	Income tax liabilities of the period	6(23)	146,706	2	83,894	2
2250	Liability reserves – current		8,663	-	6,560	-
2280	Lease liabilities – current		24,444	1	17,929	1
2320	Long-term liabilities due in one year or one business cycle	6(10)	73,009	1	57,809	1
2399	Other current liabilities – others		10,494	-	8,952	-
21XX	**Current Liabilities**		2,992,724	47	2,507,272	55
	Non-current liabilities					
2540	Long-term loans	6(10)	272,903	4	308,353	7
2550	Liability reserves – non-current		3,069	-	5,642	-
2560	Income tax liabilities of the period – non-current	6(23)	-	-	9,113	-
2570	Deferred income tax liabilities:	6(23)	20,257	1	5,150	-
2580	Lease liabilities – non-current		108,275	2	44,170	1
2645	Deposits received		576	-	519	-
2670	Other non-current liabilities – others	6(11)	17,838	-	17,420	-
25XX	**Non-current Liabilities**		422,918	7	390,367	8
2XXX	**Total liabilities**		3,415,642	54	2,897,639	63
	Equity attributable to shareholders of the parent company					
	Share capital	6(13)				
3110	Share capital - common stock		995,426	16	895,426	19
	Capital surplus	6(14)				
3200	Capital surplus		694,514	11	325,014	7
	Retained earnings	6(15)				
3310	Legal reserve		100,954	1	78,676	2
3320	Special reserve		29,110	-	11,451	-
3350	Unappropriated retained earnings		1,019,913	16	352,037	8
	Other equity interests					
3400	Other equity interests		7,729	-	(29,111)	(1)
3500	Treasury shares	6(13)	(18,051)	-	(18,051)	-
31XX	**Total equity attributable to owners of the parent company**		2,829,595	44	1,615,442	35
36XX	**Non-controlling interest**		125,406	2	70,424	2
3XXX	**Total equity**		2,955,001	46	1,685,866	37
	Significant contingent liabilities and unrecognized contract commitments	IX.				
	Significant Events After Balance Sheet Date	XI.				
3X2X	**Total Liabilities and Equity**		$ 6,370,643	100	$ 4,583,505	100

The accompanying notes are an integral part of the consolidated financial statements; please read together.

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

Castles Technology Co., Ltd. and its subsidiaries
Consolidated Statement 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)	$ 7,399,996	100	$ 4,455,316	100
5000	Operating costs	6(5)(21)	(5,082,436)	(69)	(3,219,975)	(72)
5950	Gross operating profit, net		2,317,560	31	1,235,341	28
	Operating expenses	6(21)				
6100	Selling expenses		(393,927)	(5)	(300,247)	(7)
6200	General and administrative expenses		(243,803)	(3)	(169,206)	(4)
6300	Research and development expenses		(588,236)	(8)	(487,020)	(11)
6450	Expected credit (loss) profit	12(2)	(64,518)	(1)	48,869	1
6000	Total operating expenses		(1,290,484)	(17)	(907,604)	(21)
6900	Operating profit		1,027,076	14	327,737	7
	Non-operating income and expenses					
7100	Interest income	6(17)	3,368	-	745	-
7010	Other income	6(18)	18,295	-	32,609	1
7020	Other gains and losses	6 (19)	(4,582)	-	(65,502)	(2)
7050	Finance cost	6(20)	(24,035)	-	(16,914)	-
7000	Total non-operating income and expenses		(6,954)	-	(49,062)	(1)
7900	**Profit before income tax**		1,020,122	14	278,675	6
7950	Income tax expense	6(23)	(214,807)	(3)	(42,579)	(1)
8200	**Profit for the year**		$ 805,315	11	$ 236,096	5

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Castles Technology Co., Ltd. and its subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

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

Code	Item	Note	2022 Amount	2022 %	2021 Amount	2021 %
	Other comprehensive income, net					
8311	Remeasurement of defined benefit programs	6(11)	($ 246)	-	($ 177)	-
8349	Income taxes related to the items not re-classified	6(22)	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		46,702	1	(19,860)	-
8360	Total of items that may be reclassified subsequently to profit or loss		46,702	1	(19,860)	-
8300	**Other comprehensive income, net**		$ 46,505	1	($ 20,002)	-
8500	**Total comprehensive income for the year**		$ 851,820	12	$ 216,094	5
	Net profit (loss) attributable to:					
8610	Owners of the parent		$ 761,273	10	$ 222,916	5
8620	Non-controlling interest		44,042	1	13,180	-
	Current net profit (loss)		$ 805,315	11	$ 236,096	5
	Total comprehensive income attributable to:					
8710	Owners of the parent		$ 797,916	11	$ 205,114	5
8720	Non-controlling interest		53,904	1	10,980	-
	Total comprehensive income for the period		$ 851,820	12	$ 216,094	5
	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		$ 8.10		$ 2.49	

The accompanying notes are an integral part of the consolidated financial statements; please read together.

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

Castles Technology Co., Ltd. and its subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

		Equity attributable to shareholders of the parent company												
			Capital surplus				Retained earnings			Other equity interests				
	Note	Share capital - common stock	Premium of issuance	Consolidated premium	Capital reserve – employee warrant	Capital reserve – others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Treasury shares	Total	Non-controlling interest	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	$ 59,444	$ 1,523,035
Profit for the year		-	-	-	-	-	-	-	222,916	-	-	222,916	13,180	236,096
Total other comprehensive income for the period		-	-	-	-	-	-	-	(142)	(17,660)	-	(17,802)	(2,200)	(20,002)
Total comprehensive income for the period		-	-	-	-	-	-	-	222,774	(17,660)	-	205,114	10,980	216,094
Earning provision and appropriate for 2020	6(15)													
Provided for statutory reserves		-	-	-	-	-	19,827	-	(19,827)	-	-	-	-	-
Special reserve allocation		-	-	-	-	-	-	288	(288)	-	-	-	-	-
cash dividends		-	-	-	-	-	-	-	(53,263)	-	-	(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	$ 70,424	$ 1,685,866
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	$ 70,424	$ 1,685,866
Profit for the year		-	-	-	-	-	-	-	761,273	-	-	761,273	44,042	805,315
Total other comprehensive income for the period		-	-	-	-	-	-	-	(197)	36,840	-	36,643	9,862	46,505
Total comprehensive income for the period		-	-	-	-	-	-	-	761,076	36,840	-	797,916	53,904	851,820
Earning provision and appropriate for 2021	6(15)													
Provided for statutory reserves		-	-	-	-	-	22,278	-	(22,278)	-	-	-	-	-
Special reserve allocation		-	-	-	-	-	-	17,659	(17,659)	-	-	-	-	-
cash dividends		-	-	-	-	-	-	-	(53,263)	-	-	(53,263)	-	(53,263)
Cash capital increase	6(13)	100,000	369,149	-	(19,149)	-	-	-	-	-	-	450,000	-	450,000
Remuneration cost of employee warrants for cash capital increase	6(12)	-	-	-	19,500	-	-	-	-	-	-	19,500	-	19,500
Employee warrants invalidated		-	-	-	(351)	351	-	-	-	-	-	-	-	-
Increase in non-controlling equity – cash capital increase by a subsidiary		-	-	-	-	-	-	-	-	-	-	-	1,078	1,078
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	$ 125,406	$ 2,955,001

The accompanying notes are an integral part of the consolidated financial statements; please read together.

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

Castles Technology Co., Ltd. and its subsidiaries
Consolidated Cash Flow Statement
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		$ 1,020,122	$ 278,675
Adjustments			
Income/expenses items			
Depreciation expense of property, plant and equipment	6(21)	71,699	63,492
Amortized expenses of the right-of-use assets	6(21)	21,964	19,913
Amortization expenses of intangible assets	6(21)	15,150	13,797
Amortization expenses of other non-current assets	6(21)	9,861	10,835
Expected credit impairment (incomes) losses	12(2)	64,518	(48,869)
Goodwill impairment losses	6 (19)	5,114	6,288
Interest expense	6(20)	24,035	16,914
Interest income	6(17)	(3,368)	(745)
Dividend income	6(18)	(12,858)	(7,678)
Loss (income) from disposal of property, plant and equipment	6 (19)	4,019	(502)
Loss (gains) on lease modification	6 (19)	(31)	(33)
Financial assets at FVTPL – net loss	6 (19)	(16,573)	748
Remuneration cost of employee warrants for cash capital increase	6(12)	19,500	-
Changes in operating assets and liabilities			
Net changes in assets related to operating activities			
Notes receivable		(1,948)	524
Accounts receivable, net		(973,190)	(82,498)
Other receivables		(13,389)	(11,350)
Inventories		(638,346)	(441,411)
Prepayments		(21,094)	12,563
Other non-current assets – others		(32,497)	3,176
Net changes in liabilities related to operating activities			
Contract liabilities – current		(13,811)	61,241
Notes payable		(49)	49
Accounts payable		488,843	490,395
Other payables		162,836	55,310
Liability reserve		(470)	2,656
Other current liabilities		1,542	(13,439)
Net defined benefit liabilities		172	196
Cash inflow from operations		181,751	430,247
Interest received		2,650	1,014
Dividend received		12,858	7,678
Interest paid		(24,188)	(18,028)
Income tax paid		(139,556)	(14,426)
Net cash inflow from operating activities		33,515	406,485

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Castles Technology Co., Ltd. and its subsidiaries
Consolidated Cash Flow Statement
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 – current decrease		($ 2,820)	$ 15,445
Acquisition of property, plant and equipment	6(6)	(39,773)	(14,440)
Disposal of property, plant and equipment		230	1,259
Refundable deposit (increase)		(7,056)	(3,244)
Refundable deposit decrease		2,524	2,291
Acquisition of intangible assets		(1,287)	(11,680)
Prepayment of equipment (increase)		(5,485)	(18,003)
Net cash outflow from investing activities		(53,667)	(28,372)
Cash flow from financing activities:			
Proceeds from short-term borrowings	6(25)	2,962,244	2,523,648
Repayment of short-term borrowings	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)
Increase in deposits received	6(25)	-	519
Repayment of principal for lease liabilities	6(25)	(19,952)	(20,154)
Payment of cash dividends	6(14)	(53,263)	(53,263)
Cash capital increase	6(13)	450,000	-
Increase in non-controlling equity – cash capital increase by a subsidiary		1,078	-
Net cash inflow from financing activities		117,227	70,792
Effects of changes in foreign exchange rates		45,921	(16,120)
Increase in cash and cash equivalents for the period		142,996	432,785
Cash and cash equivalents at beginning of year		867,238	434,453
Cash and cash equivalents at end of year		$ 1,010,234	$ 867,238

The accompanying notes are an integral part of the consolidated financial statements; please read together.

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

Castles Technology Co., Ltd. and its subsidiaries
Notes to the Consolidated 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 and its subsidiaries (collectively "the Group") 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 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

Except for the following, upon continuous assessment, the Group deems that the standards and interpretations above do not affect the Group's consolidated financial status and performance materially:

Amendments to IAS 12 "Deferred income tax: related to assets and liabilities incurred due to single transaction"

This amendment requires entities to recognize related deferred income tax assets and liabilities for specific transactions that generate the same amount of taxable and deductible temporary differences at the initial recognition.

For all deductible and taxable temporary differences related to right-of-use assets and lease liabilities as of January 1, 2022, the Group recognized deferred income tax assets and liabilities. On January 1 and December 31, 2022, the Group might increase deferred tax assets of NT$11,119 and NT$19,533 and deferred tax liabilities of NT$11,119 and NT$19,533, respectively.

(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 financial status and position materially.

IV. Summary of significant accounting policies

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

(I) Compliance statement

The consolidated financial report was prepared pursuant to Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission.

(II) Basis of preparation

1. Other than the following important items, the consolidated financial report 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-compliant financial reports, some important accounting estimates are required. And the management's judgements required during the process of applying the Group's accounting policies. For the items involving high judgement or complexity, or involving the material assumptions and estimates of the consolidated financial reports, please refer to Note 5.

(III) Basis of consolidation

1. Principles of preparing consolidated financial reports
   (1) The Group includes all subsidiaries as the entities of consolidated financial reports Subsidiaries refers to entities controlled by the Group (including the structural entities). When the Group is exposed to the variable return participated in by the entity, or entitled to the variable return, and the Group is able to influence such return through the power over the entity, the Group controls that entity. Subsidiaries are included in the consolidated financial reports from the date when the Group obtains the control until the

date of losing control.

(2) The material transactions, balance, and unrealized profit and loss among companies of the Group are written off. The accounting policies of subsidiaries have been adjusted as necessary to be consistent to these adopted by the Group.

(3) The components of profit and loss and other comprehensive income are attributed to the owners of parent company and non-controlling equity; the total comprehensive income is also attributed to the owners of parent company and non-controlling equity, even the loss balance is resulted in non-controlling equity.

2. Subsidiaries included in the consolidated financial report:

Name of Investor	Name of Subsidiary	Business nature	Percentage of Equity Holdings December 31, 2022	Percentage of Equity Holdings December 31, 2021	Explanation
Castles Technology Co., Ltd.	Castles Technology International Corp.	Sales of electronic financial transaction terminals	100.00	100.00	
Castles Technology Co., Ltd.	Castles Technology Europe S.R.L.	Sales of electronic financial transaction terminals	100.00	100.00	
Castles Technology Co., Ltd.	Casware System Technology Co., Ltd.	Sales of electronic financial transaction terminals	100.00	100.00	
Castles Technology Co., Ltd.	Castles Technology Spain SL	Sales of electronic financial transaction terminals	100.00	100.00	
Castles Technology Co., Ltd.	Castech International Limited	Investments in various business	100.00	100.00	
Castles Technology Co., Ltd.	Castles Technology Singapore Pte. Ltd.	Sales of electronic financial transaction terminals	54.89	54.89	
Castles Technology Co., Ltd.	Castles Technology Japan GK	Sales of electronic financial transaction terminals	100.00	100.00	
Castles Technology Co., Ltd.	CASTLES TECHNOLOGY UK & IRELAND LTD	Sales of electronic financial transaction terminals and services	100.00	100.00	
Castles Technology Co., Ltd.	Castles Technology Jodan Private Shareholding Company	Sales of electronic financial transaction terminals	90.00	90.00	Note
Castech International Limited	Castech International (H.K.) Limited	Investments in various business	100.00	100.00	
Castles Technology Singapore Pte. Ltd.	Castles International Technology and Services Philippines,Inc.	Sales of electronic financial transaction terminals	100.00	100.00	
Castech International (H.K.) Limited	Suzhou Castech Limited	Sales and software development of electronic financial transaction terminals	100.00	100.00	

As of December 31, 2022 and 2021, the key subsidiaries are both Castles Technology Europe S.R.L. and Castles Technology Spain SL; as of December 31, 2022 and 2021,all subsidiaries have been audited by the Company’s CPAs, and included in the consolidated financial statements.

Note: The Company increased NT$$9,699 (USD324 thousand) to the company, upon the resolution of the board of directors in August 2022.

3. Subsidiaries not included in the consolidated financial report: none.

4. Adjustment and treatment for subsidiaries with different fiscal period: none.

5. Material restrictions: none

6. Subsidiaries having material non-controlling equity in the Group: none.

(IV) Foreign currency translation

The items listed in the financial report of each entity of the Group are measured in the currencies of the major economic environment where the entity operates (i.e. functional currencies). The consolidated financial report is presented with the Company's functional currency "New Taiwan dollar." The items listed in the financial statements of each entity of the Group are measured in the currencies of the major economic environment where the entity operates (i.e. functional currencies). The functional currency of the Company is "New Taiwan dollar." The functional currencies of subsidiaries are "TWD," "CNY," "USD," "EUR," "GBP," "JOD," "JPY," and "PHP." The consolidated 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

(1) 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:

A. The assets and liabilities presented in each balance sheet are translated at the closing exchange rate of the balance sheet date;

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

C. All exchange differences generated from the translation are recognized as other comprehensive income.

(2) Goodwill and the adjustment of fair value generated from acquisition of foreign entity are deemed the asset and liability of the concerned foreign entity, and translated at the end exchange rate.

(V) <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 Group 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 Group classify all the liabilities failing to meet the aforesaid conditions as non-current.

(VI) <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.

(VII) <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 Group adopts the trading date accounting.
3. The Group 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 Group recognize the dividend income at the profit and loss.

(VIII) Financial assets measured at amortized cost

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 Group adopts the trading date accounting for the financial assets measure at amortized costs meeting trading customs.
3. The Group 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 Group 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.

(IX) Accounts and notes receivable

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.

(X) 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.

(XI) De-recognition of financial assets

For any of following circumstances, the Group 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.

(XII) 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.

(XIII) Property, plant and equipment

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 Group, 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 Group 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–6 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 Group 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 payments are recognized from the starting day of leases at the current values discounted at the Group'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.
4. For the lease modification reduces the lease scope, the lessee will reduce the carrying amount of the right-of-use asset to reflect all of partial termination of the lease, and recognize the difference between which and the remeasured amount of the lease liability in the profit and loss.

(XV) Intangible assets

1. Computer software

   Recognized at the acquisition cost, and amortized with the straight-line method for the useful life of 3 to 5 years.
2. Goodwill
   Generated from the acquisition method adopted by the entity merger.
3. Patent right
   Recognized at the acquisition cost, and amortized with the straight-line method for the useful life of 3 to 5 years.

(XVI) Non-financial asset impairment

1. The Group 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. Except for goodwill, 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.
2. Goodwill is estimated for the recoverable amount at the end of each year. When the recoverable amount is lower than its carry amount, the impairment loss is recognized. The impairment loss of goodwill impairment is not to be reversed in the subsequent years
3. For the purpose of impairment test, goodwill is distributed to the CGUs. This distribution is to distribute the goodwill, based on the identification of operating departments, to the cash generating unit (CGU) or the group of CGUs benefitted from the entity merger generating goodwill.

(XVII) Borrowings

Refer to the long- and short-term fund borrowed from banks. The Group 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 Group derecognizes financial liabilities when the obligations listed in the contract are performed, cancelled, or expired.

(XX) Liability reserve

Product warranty liability reserves are recognized when there is a current legal or constructive obligation due to past events, and it is very likely that resources with economic benefits will flow out to settle the obligation, and the amount of the obligation can be reliably estimated. The measurement of liability reserve is based on the best estimated value of the expenditure required to settle the obligation on the balance sheet date, and future operating losses shall not be recognized as liability reserve.

(XXI) 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.

(XXII) 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.

(XXIII) 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 Group 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 Group may control the timing to reverse the temporary difference, and the temporary difference very unlikely to be reversed in the foreseeable future are 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.

(XXIV) 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.

(XXV) 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.

(XXVI) 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 Group 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 of 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 Group 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 Group has no conditional rights over the contractual considerations, and only to receive the proceeds after the time goes by.

2. Revenue from maintenance and lease

The Group provides the services related to maintenance and lease of machines. 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.

(XXVII) Government grants

A government grant is recognized only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received. The information on the operating departments and the internal management report furnished to the major operation decision-makers are reported in a consistent manner.

(XXVIII) Operating departments

The information on the operating departments and the internal management report furnished to the major operation decision-makers are reported in a consistent manner. The major operation decision-makers are responsible for allocating resources to operating departments and evaluating the performance.

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

When preparing the consolidated 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 Group 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 Group'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 Group 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 Group'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	$ 796	$ 1,121
Checking and demand deposit	1,009,438	866,117
	$ 1,010,234	$ 867,238

1. The financial institutions dealing with the Group have good credit quality, and the Group have business with many financial institutions to diversify the credit risk, and the probability of default is expected to be extremely low.
2. The Group 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 at December 31, 2022 and 2021 are NT$9,300 and NT$83,301, respectively. Please refer to Note 8.

3. The Group has transferred the time deposits due in three months to one year as the financial assets measured at amortized cost – current. The amounts at December 31, 2022 and 2021 are NT$77,079 and NT$0.
4. The Group 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 at 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	$ 32,215	$ 32,029
Valuation adjustment	(13,952)	(30,452)
	$ 18,263	$ 1,577

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 Group 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	$ 2,076,314	$ 1,096,490
Long-term accounts receivable due within one year	7,098	7,098
	2,083,412	1,103,588
Less: Loss allowance	(114,882)	(46,151)
	$ 1,968,530	$ 1,057,437
Long-term notes and accounts receivable	$ 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$1,013,963, respectively.
3. Please refer to Note 6(4) for details of the circumstances under which the Group sells accounts receivable with recourse.

(IV) Transferred financial assets

Transferred financial assets not derecognized as a whole

1. The Group 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 Group 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 Group 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 Group 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 Group 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	$	1,069,602	($	90,119)	$	979,483
Work in process		191,927	(	838)		191,089
Semi-finished products		267,785	(	76,667)		191,118
Finished products		1,000,656	(	88,736)		911,920
	$	2,529,970	($	256,360)	$	2,273,610

	December 31, 2021					
	Cost		Loss allowance for fallen price		Book value	
Raw materials	$	1,159,139	($	98,727)	$	1,060,412
Work in process		75,080	(	660)		74,420
Semi-finished products		259,839	(	101,254)		158,585
Finished products		474,952	(	110,965)		363,987
	$	1,969,010	($	311,606)	$	1,657,404

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 Group

	2022		2021	
Costs of sold inventories	$	5,040,645	$	3,175,687
Loss from the fallen price (gain from recovery) of inventories	(	56,327)		44,288
Loss from scrapped inventories		98,118		-
	$	5,082,436	$	3,219,975

The Group 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) Property, plant and equipment

	2022							
	Land	Buildings and construction	Machines and equipment			Office equipment	Others	
	For self-use	For self-use	For self-use	For lease	Subtotal	For self-use	For self-use	Total
January 1								
Cost	$ 148,772	$ 117,293	$ 97,832	$ 58,338	$ 156,170	$ 82,747	$ 118,595	$ 623,577
Accumulated depreciation and impairment		(24,320)	(81,454)	(22,320)	(103,774)	(56,708)	(84,713)	(269,515)
	$ 148,772	$ 92,973	$ 16,378	$ 36,018	$ 52,396	$ 26,039	$ 33,882	$ 354,062
January 1	$ 148,772	$ 92,973	$ 16,378	$ 36,018	$ 52,396	$ 26,039	$ 33,882	$ 354,062
Addition			14,871		14,871	8,131	16,771	39,773
Disposal			(126)	(198)	(324)	(3,182)	(743)	(4,249)
Reclassification			5,333	22,140	27,473		6,207	33,680
Depreciation expense		(2,154)	(12,943)	(18,241)	(31,184)	(8,803)	(29,558)	(71,699)
Net exchange difference		745	10	2,014	2,024	(7,378)	8,538	3,929
December 31	$ 148,772	$ 91,564	$ 23,523	$ 41,733	$ 65,256	$ 14,807	$ 35,097	$ 355,496
December 31								
Cost	$ 148,772	$ 118,038	$ 112,657	$ 82,964	$ 195,621	$ 78,541	$ 149,879	$ 690,851
Accumulated depreciation and impairment		(26,474)	(89,134)	(41,231)	(130,365)	(63,734)	(114,782)	(335,355)
	$ 148,772	$ 91,564	$ 23,523	$ 41,733	$ 65,256	$ 14,807	$ 35,097	$ 355,496

	2021							
	Land	Buildings and construction	Machines and equipment			Office equipment	Others	
	For self-use	For self-use	For self-use	For lease	Subtotal	For self-use	For self-use	Total
January 1								
Cost	$ 148,772	$ 117,490	$ 88,802	$ 39,787	$ 128,589	$ 81,328	$ 97,376	$ 573,555
Accumulated depreciation and impairment		(22,166)	(70,885)	(13,687)	(84,572)	(49,825)	(56,876)	(213,439)
	$ 148,772	$ 95,324	$ 17,917	$ 26,100	$ 44,017	$ 31,503	$ 40,500	$ 360,116
January 1	$ 148,772	$ 95,324	$ 17,917	$ 26,100	$ 44,017	$ 31,503	$ 40,500	$ 360,116
Addition			8,164		8,164	3,121	3,155	14,440
Disposal				(402)	(402)	(9)	(346)	(757)
Reclassification			3,061	23,238	26,299		22,788	49,087
Depreciation expense		(2,154)	(12,744)	(10,483)	(23,227)	(7,357)	(30,754)	(63,492)
Net exchange difference		(197)	(20)	(2,435)	(2,455)	(1,219)	(1,461)	(5,332)
December 31	$ 148,772	$ 92,973	$ 16,378	$ 36,018	$ 52,396	$ 26,039	$ 33,882	$ 354,062
December 31								
Cost	$ 148,772	$ 117,293	$ 97,832	$ 58,338	$ 156,170	$ 82,747	$ 118,595	$ 623,577
Accumulated depreciation and impairment		(24,320)	(81,454)	(22,320)	(103,774)	(56,708)	(84,713)	(269,515)
	$ 148,772	$ 92,973	$ 16,378	$ 36,018	$ 52,396	$ 26,039	$ 33,882	$ 354,062

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 Group, please refer to the description in Note 8.

(VII) Lease transaction – lessee

1. The underlying assets leased by the Group include offices and transportation equipment, and the lease contract period ranges from one to ten years. Lease contracts are negotiated individually, and contain different terms and conditions; other than that the leased assets must not be re-leased, subleased, lent, transferred, or any other way for a third-party's use, and no other restriction is applied.
2. The lease periods of the offices and warehouses leased by the Group 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	Transportation equipment	Others	Total
January 1, 2022	$ 52,233	$ 3,960	$ 4,407	$ 68	$ 60,668
Added	63,559	33,371	-	-	96,930
Early termination of lease	(8,376)	-	-	-	(8,376)
Depreciation expense	(17,188)	(2,553)	(2,188)	(35)	(21,964)
Net exchange difference	2,204	-	101	3	2,308
December 31, 2022	$ 92,432	$ 34,778	$ 2,320	$ 36	$ 129,566

	Offices	Warehouse	Transportation equipment	Others	Total
January 1, 2021	$ 29,361	$ 1,696	$ 7,371	$ 104	$ 38,532
Added	46,223	4,321	-	-	50,544
Early termination of lease	(5,397)	(69)	-	-	(5,466)
Depreciation expense	(15,579)	(1,988)	(2,313)	(33)	(19,913)
Net exchange difference	(2,375)	-	(651)	(3)	(3,029)
December 31, 2021	$ 52,233	$ 3,960	$ 4,407	$ 68	$ 60,668

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	$ 2,346	$ 892
Expenses classified as short-term lease contract	15,235	7,182
Gains on lease modification	(31)	(33)
	$ 17,550	$ 8,041

5. In addition to the cash outflow of lease-related expenses in Note 6 (7) 4. For the Group'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 Group 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.

(VIII) 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 Group in profit and loss, please refer to the description in Note 6(20)

(IX) Other payables

		December 31, 2022		December 31, 2021
Payroll and bonus payable	$	125,974	$	79,348
Cost of employees' leave not taken payable		17,447		18,101
Remunerations to employees and directors payable		71,049		21,994
Output tax		14,977		12,936
Sales tax payable		34,767		16,670
Others		114,142		66,624
	$	378,356	$	215,673

(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 monthly from August 2021, and amortized principal and interest are repaid since October 2023.	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 2021, and amortized principal and interest are repaid since November 2023.	1.73%-2.35%	No	97,177
Secured borrowing from Taiwan SMEs	The period of borrowing is from March 18, 2021 to March 18, 2024, and the interest is paid every month and amortized principal and interest are repaid 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 SMEs	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 Group 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 are as below:

	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 are as below:

	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)

2021	Current value of the defined benefit obligation	Fair value of the plan assets	Net defined benefit liabilities
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 as follows:

	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)

	Discount rate		Increasing rate of the future wage	
	Increase by 0.25%	Decrease by 0.25%	Increase by 1%	Decrease by 1%
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 Group 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 and the domestic subsidiaries 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) Each subsidiary contributes a certain percentage of the total employee wages for the endowment insurance pursuant to the endowment Insurance system required by the local government. In 2022 and 2021, the contribution percentage was 5%–20%. The pension of each employee is coordinated and arranged by the government, and the Group has no other obligation other than monthly contributions.

(3) In 2022 and 2021, the Group recognized NT$26,627 and NT$24,706 as the pension costs pursuant to the aforesaid retirement procedures.

(XII) Share-based payment

1. The Group'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	August 1, 2022	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 Group

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年	-	1.18%	19.50

4. The Group’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 as below:

	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 its capital in cash on January 18, 2022 upon the resolution of the board meeting, to issue 10,000,000 common shares, with the actual 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

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

Name of the company holding shares	Reason of reclaim	December 31, 2021 Number of Shares	Book value
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	Amount	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 consolidated 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 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 Group'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	$ 323,179	$ 2,116,785	$ 2,515,501	$ 2,442,180	$ 2,351	$ 7,399,996
Time point recognizing revenue						
Revenue recognized at some time point	$ 317,393	$ 2,023,055	$ 2,500,896	$ 2,333,341	$ 2,351	$ 7,177,036
Revenue recognized gradually during a period of time	5,786	93,730	14,605	108,839	-	222,960
	$ 323,179	$ 2,116,785	$ 2,515,501	$ 2,442,180	$ 2,351	$ 7,399,996

2021	Taiwan	Asia (ex-Taiwan)	Americas	Europe	Others	Total
Revenues from customers' contracts	$ 286,852	$ 1,252,997	$ 1,453,660	$ 1,421,219	$ 40,588	$ 4,455,316
Time point recognizing revenue						
Revenue recognized at some time point	$ 281,312	$ 1,182,197	$ 1,446,646	$ 1,305,908	$ 40,588	$ 4,256,651
Revenue recognized gradually during a period of time	5,540	70,800	7,014	115,311	-	198,665
	$ 286,852	$ 1,252,997	$ 1,453,660	$ 1,421,219	$ 40,588	$ 4,455,316

2. Contract liabilities:

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities – product sales	$ 76,558	$ 90,369	$ 29,128

(2) Beginning contract liabilities recognized revenue amount for 2022 and 2021 are NT$74,011 and NT$16,286, respectively

(XVII) Interest income

	2022	2021
Interest on bank deposits	$ 3,368	$ 745

(XVIII) Other income

	2022	2021
Dividend income	$ 12,858	$ 7,678
Revenue from government grants	1,351	11,357
Others	4,086	13,574
	$ 18,295	$ 32,609

Note: The Group's subsidiary, Castles Technology International Corp. was eligible for the local governmental policy of COVID-19 subsidy, and thus recognized the revenue from grants in 2022 and 2021 for NT$0 and NT$8,319.

(XIX) Other gains and (losses)

	2022	2021
Loss (income) from disposal of property, plant and equipment	($ 4,019)	$ 502
Net foreign exchange (losses) gains	(11,677)	(49,633)
Gains (loss) on lease modification	31	33
Net gain (loss) on financial assets at FVTPL	16,573	(748)
Goodwill impairment losses	(5,114)	(6,288)
Other income	(376)	(9,368)
	($ 4,582)	($ 65,502)

(XX) Finance cost

	2022	2021
Interest expense of bank borrowings	$ 21,684	$ 16,014
Interest expense of lease liabilities	2,346	892
Others	5	8
	$ 24,035	$ 16,914

(XXI) Additional information of expense nature

	2022	2021
Expenses of employee benefits	$ 923,741	$ 693,415
Depreciation expense of property, plant and equipment	$ 71,699	$ 63,492
Amortized expenses of the right-of-use assets	$ 21,964	$ 19,913
Amortization expenses of intangible assets	$ 15,150	$ 13,797
Amortization expenses of other non-current assets	$ 9,861	$ 10,835

(XXII) Expenses of employee benefits

	2022	2021
Wage expense	$ 815,929	$ 605,502
Labor and national health insurances expense	43,350	35,356
Pension expense	27,106	25,187
Directors' remuneration	7,815	6,104
Others	29,541	21,266
	$ 923,741	$ 693,415

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) 3% to 15% as employees' remuneration.

   (2) No more than 3% as directors' and supervisors' remuneration.

   The determination of ratio of employees', directors' and supervisors' remuneration and distribution in the form of shares or in cash shall be adopted by resolution with a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted 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, same as the amounts recognized in the 2021 consolidated 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	$ 146,706	$ 83,894
Income tax liability of the current period – non-current	-	9,113
Income tax assets of the period	(3,617)	(230)
Income tax liabilities in previous years	(17,176)	(27,337)
Income tax assets in previous years	1,116	-
(Over-) underestimates of the income tax in previous years	(5,193)	(16,937)
Amounts of provisional tax payment and withheld tax	68,918	311
Levy on undistributed earnings	(6,479)	(6,237)
Total amount of income tax of the current period:	184,275	42,577
Deferred income tax:		
Origin and reversal of the temporary difference	24,965	(6,123)
Others:		
Levy on undistributed earnings	6,479	6,237
Net exchange difference	(912)	(112)
	5,567	6,125
Income tax expenses (income)	$ 214,807	$ 42,579

(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 Group in 2022 and 2021

2. Relationship between the income tax expense (income) and accounting profit

	2022	2021
Income tax calculated based on net profit before tax and statutory tax rate (Note)	$ 278,102	$ 66,951
(Over-) underestimates of the income tax in previous years	(5,193)	(16,937)
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)
Tax loss of unrecognized deferred tax assets	158	8,016
Effect on income of the investment credit	(7,808)	-
Change in realizability assessment of deferred tax assets	(3)	(10,146)
Others	(5,490)	513
Income tax expenses (income)	$ 214,807	$ 42,579

Note: The applicable tax rate is calculated based on the income tax rates of the related countries

3. Amount of each deferred tax asset and liability generated from temporary difference are as below:

	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	251	-	267
Subtotal	246,924	(9,858)	49	237,115
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	($ 24,965)	$ 49	$ 216,858

	2021			
	January 1	Recognized in (loss) and profit	Recognized in other comprehensive income	December 31
Deferred income tax assets:				
Limits exceeded on bad debt allowance	$ 190,966	($ 8,454)	$ -	$ 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	248,985	(2,096)	35	246,924
Deferred income tax liabilities:				
Unrealized gain on exchange	(13,369)	8,219	-	(5,150)
Total	$ 235,616	$ 6,123	$ 35	$ 241,774

4. The tax loss not yet used by the subsidiaries and the amounts not recognized as the deferred income tax assets are as below:

December 31, 2022				
Year of occurrence	Reported amount/assessed amount	Amount not credited	Amount not recognized as the deferred income tax assets	Last year credited
2016–2022	$ 175,155	$ 146,193	$ 146,193	2025–2041

December 31, 2021				
Year of occurrence	Reported amount/assessed amount	Amount not credited	Amount not recognized as the deferred income tax assets	Last year credited
2016–2021	$ 174,496	$ 145,504	$ 145,504	2025–2041

5. 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

6. The Group 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.

7. The profit-seeking enterprise income tax of the Company have been assessed by the tax collection authority up to 2020. The subsidiary Casware System Technology Co., Ltd. has the profit-seeking enterprise income tax assessed by the tax collection authority up to 2020.

8. 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 parent company's holders of common shares	$ 761,273	92,963	8.19
Diluted earnings per share			
Net profit of the current period attributable to the parent company's 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 parent company's 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 parent company's holders of common shares	$ 222,916	88,772	2.51
Diluted earnings per share			

Net profit of the current period attributable to the parent company's 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 parent company's 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)	Deposits received	Lease liabilities (current/non-current)
January 1	$ 908,386	$ 366,162	$ 519	$ 62,099
Borrowings borrowed	2,962,244	50,000	-	-
Borrowings repaid	(3,202,630)	(70,250)	-	-
Increase in deposits received	-	-	-	-
Repayment of principal for lease liabilities	-	-	-	(19,952)
Additional lease liabilities	-	-	-	96,930
Early termination of lease	-	-	-	(8,407)
Net exchange difference	-	-	57	2,049
December 31	$ 668,000	$ 345,912	$ 576	$ 132,719

2021	Short-term loans	Long-term loans (including due within one year)	Deposits received	Lease liabilities (current/non-current)
January 1	$ 735,796	$ 395,062	$ -	$ 39,943
Borrowings borrowed	2,523,648	10,000	-	-
Borrowings repaid	(2,351,058)	(38,900)	-	-
Increase in deposits received	-	-	519	-
Repayment of principal for lease liabilities	-	-	-	(20,154)
Additional lease liabilities	-	-	-	50,544
Early termination of lease	-	-	-	(5,499)
Net exchange difference	-	-	-	(2,735)
December 31	$ 908,386	$ 366,162	$ 519	$ 62,099

VII. Related-party transactions

(I) Names and relationships of related parties

Name of the related party	Relationship with 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 Group

(II) Material transactions with the related parties

Not applicable.

(III) Information on the remunerations of key management

	2022		2021	
Short-term employee benefits	$	79,237	$	52,350
Post-employment benefits		5,268		4,464
	$	84,505	$	56,814

VIII. Pledged asset

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

	Book value				
Asset item	December 31, 2022		December 31, 2021		Collateral purpose
Financial assets measured at amortized cost – current	$	9,300	$	83,301	Secure the short-term bank borrowings and right-of-use assets
Financial assets measured at amortized cost – non-current		242		500	Secure the long-term bank borrowings and right-of-use assets
Property, plant and equipment		232,787		234,941	Secure the long- and short-term bank borrowings
	$	242,329	$	318,742	

IX. Significant contingent liabilities and unrecognized contract commitments

(I) Significant contingent liabilities

Not applicable.

(II) 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

None.

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 Group'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 Group may adjust the dividend amount paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts. The Group monitor the capital via debt ratio, which is the total assets divided by total liabilities.

The strategy adopted by the Group 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 Group as of December 31, 2022 and 2021, please refer to the consolidated 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, 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, long-term borrowings (including due within one year), deposit received, and lease liability (current/none-current), please refer to the consolidated balance sheet and Note 6.

2. Risk management policy

(1) The daily operation of the Group 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 pursuant to the policies approved by the management. The Finance Department 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, GBP, EUR, CNY, PHP, and JOD. 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. Each company shall hedge the overall exchange rate risk via the Group's Finance Department.

(C) The business engaged in by the Group involves several non-functional currencies (the Company's function currency is TWD), and the functional currencies of the subsidiaries are USD, GBP, EUR, CNY, PHP, and JOD), 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
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	61,193	27.68	$ 1,693,815
EUR : TWD	8,278	31.32	259,270
JPY : TWD	1,318,160	0.24	317,018
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 Group 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%	$ 16,938	$ -
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 Group'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 domestic 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 $183 and $16.

C. Cash flow and fair value interest rate risk

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

(B) If the TWD interest rate of 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, 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 Group establishes the management for credit risk from the perspective of the Group. 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 Group 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 Group 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 Group 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 Group 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 Group uses the general method to for the long-term receivables in accounts.

F. The Group 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 Group will continue to proceed with the legal procedure of recourse to preserve the creditor's rights.

G. By referring to forward-looking considerations, the Group 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	1,859,077	112,559	40,327	27,303	44,146	2,083,412
Long-term notes and accounts receivable	6,490					6,490
Total	$ 1,873,200	$ 112,559	$ 40,327	$ 27,303	$ 44,146	$ 2,097,535
Loss allowance	($ 18,777)	($ 19,611)	($ 16,236)	($ 16,781)	($ 43,553)	($ 114,958)

	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%	
Other non-current assets – overdue accounts	$ -	$ -	$ 915,191	$ 915,191
Loss allowance	$ -	$ -	($ 915,191)	($ 915,191)

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	1,050,789	19,930	5,271	8,378	19,220	1,103,588
Long-term notes and accounts receivable	13,124					13,124
Total	$ 1,069,599	$ 19,930	$ 5,271	$ 8,378	$ 19,220	$ 1,122,398
Loss allowance	($ 17,809)	($ 4,024)	($ 1,417)	($ 4,463)	($ 18,495)	($ 46,208)

	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%	
Other non-current assets – overdue accounts	$ -	$ -	$ 915,191	$ 915,191
Loss allowance	$ -	$ -	($ 915,191)	($ 915,191)

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

Note: Sales customers are divided by the Group’s credit risk:

Group A: 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.

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

	2022			
	Notes receivable	Accounts receivable (long-term receivables included)	Overdue accounts	Total
January 1	$ 57	$ 46,151	$ 915,191	$ 961,399
Expected credit loss (profit)	19	64,499	-	64,518
Effects of changes in foreign exchange rates	-	4,232	-	4,232
December 31	$ 76	$ 114,882	$ 915,191	$ 1,030,149

	2021			
	Notes receivable	Accounts receivable (long-term receivables included)	Overdue accounts	Total
January 1	$ 62	$ 77,589	$ 935,381	$ 1,013,032
Expected credit loss (profit)	(5)	(28,674)	(20,190)	(48,869)
Effects of changes in foreign exchange rates	-	(2,764)	-	(2,764)
December 31	$ 57	$ 46,151	$ 915,191	$ 961,399

(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 Group. The Group’s Finance Department monitors the forecast of required liquidity of the Group, to ensure sufficient funds to support the operating demands, and always maintain the sufficient un-drawn borrowing commitment limit so that the Group will not breach the related borrowing limits or terms.

B. The Group’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 Group holds the money market position expected to generate cash flow instantly to manage the liquidity risk.

C. Details of the Group’s undrawn borrowing limit

	December 31, 2022	December 31, 2021
Floating interest rate		
Due within one year	$ 772,485	$ 185,637

D. The Group 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 consolidated balance sheet, and the disclosed contractual cash flow amounts are undiscounted amounts

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	$ 28,048	$ 23,648	$ 94,923	$ 146,619
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	$ 19,857	$ 13,525	$ 32,183	$ 65,565
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 Group 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 Group has no financial or non-financial instrument related to this Level.

   Level 3: the unobservable inputs of assets or liabilities. The Company's investments in equity instruments without active market belong to the category.

2. Financial instruments not measured at fair value

   The Group's financial assets not measured at fair value include cash and cash equivalents, financial assets at amortized costs – current, notes receivable, accounts receivable, other receivables, financial assets at amortized costs – non-current, financial assets at amortized costs – current and non-current, long-term notes and accounts receivable, refundable deposit short-term borrowing, notes payable, accounts payable, other payable, long-term borrowings (including due within one year), deposit received, and lease liability (current/none-current), and deposit received with carrying amount of the reasonable approximate value.

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

(1) The Group 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 at fair value through other comprehensive profit or loss	$ -	$ -	$ 18,263	$ 18,263

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Repetitive fair value				
Financial assets at fair value through other comprehensive profit or loss	$ -	$ -	$ 1,577	$ 1,577

(2) The equity securities held by the Group without active market are evaluated by using the market method or the net asset value method 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 demonstrates the changes in Level 3 during 2021 and 2020:

	2022	2021
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	$ 1,577	$ 2,647
Income and loss recognized under profit or loss	16,573	(748)
Effects of changes in foreign exchange rates	113	(322)
December 31	$ 18,263	$ 1,577

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 Group selects 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	$ 18,263	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	$ 1,577	Net asset value method	Not applicable	-	Not applicable

(IV) Other matters

Due to the COVID-19 pandemic, the Group accommodated the governmental pandemic containment measures, and some employees worked from home during the period. The normal operation has been resumed, without material effects on the Group's 2022 consolidated 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.

XIV. Information of operating departments

(I) General information

The Group only operates a single industry, and the Group's operational decision-makers evaluate performance and allocate resources based on the Group as a whole. After identification, the Group is a single reportable department.

(II) Measurement of information on department

The Group's operational decision-makers evaluate the performance of the operating department based on operating (loss) and profit; the measurement indicators, including revenue achievement rate, gross profit achievement rate, and operating profit (loss) achievement rate are adopted for comprehensive evaluations

(III) Information on departmental profit and loss, assets and liabilities

The Group has only one single reportable department, and the department's profit and loss, assets and liabilities are consistent with those disclosed in the consolidated balance sheet and consolidated statement of comprehensive income. The accounting policies and accounting estimates of the reportable department are identical to these summarized key accounting policies, as well as the key accounting estimates and assumptions described in Notes 4 and 5.

(IV) Information of department profit and loss reconciliation

Sales between departments are carried out based on the principle of arm's length transactions. External revenue reported to the key operating decision-makers is measured in a consistent way as revenues in the consolidated statement of comprehensive income. The reconciliation between income (loss) of reportable department and net (loss) income before tax of the continuing operations is as follows:

	2022	2021
Income (loss) of the reportable department	$ 1,027,076	$ 327,737
Interest income	3,368	745
Other income	18,295	32,609
Other gains and losses	(4,582)	(65,502)
Finance cost	(24,035)	(16,914)
Income (loss) before tax of the continuing operations	$ 1,020,122	$ 278,675

The amount of total assets provided to the key operating decision-makers is measured in a consistent way as the assets in the balance sheet, and the assets of the Group's reportable department are equal to total assets, not requiring reconciliation.

(V) Information by product and service

The detailed composition of the Group's income balance by product is as follows:

	2022	2021
Revenue from product sales	$ 7,177,036	$ 4,256,651
Revenue from maintenance	162,028	153,493
Others	60,932	45,172
	$ 7,399,996	$ 4,455,316

(VI) Information by region

The Group's revenues from external customers are classified by the country where the external customers are located, and the non-current assets are classified by the location of the assets. The information by region is as follows:

	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 323,179	$ 460,234	$ 286,852	$ 427,244
Asia (ex-Taiwan)	2,116,785	58,649	1,252,997	50,387
Americas	2,515,501	62,127	1,453,660	11,787
Europe	2,442,180	59,401	1,421,219	82,936
Others	2,351	-	40,588	-

$ 7,399,996	$ 640,411	$ 4,455,316	$ 572,354

Note: Non-current assets do not include financial assets and deferred income tax assets.

(VII) Information on key customers

The Group is a single operating department, and the details of key customers whose revenues account for more than 10% of the net operating revenue on the consolidated comprehensive income statement as a single customer within the department are as follows:

	2022	2021
Customer I	$ 463,424	$ 324,143
Customer G	310,710	455,966
Customer C	757,082	205,483
	$ 1,531,216	$ 985,592