Stock Code: 5258

Castles Technology Co., Ltd.

2022

Annual Report

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Market Observation Post System: http://mops.twse.com.tw
Company website: http://www.castlestech.com

I. Spokesperson and Acting Spokesperson of the Company

Spokesperson

Name: Huang, Chia-Hua
Title: Chief Operating Officer

TEL: (02)8913-1771

Email: spokesperson@castech.com.tw

Acting Spokesperson

Name: Tu Mei-Yun
Job title: Assistant Vice President, Administration Department

TEL: (02)8913-1771

Email: spokesperson@castech.com.tw

II. Address and telephone number of head office, branch and plant

Main office: 6F, No. 207-5, Section 3, Beixin Road, Xindian District, New Taipei City

TEL: (02)8913-1771

Plant: None

III. Stock Transfer Agency

Name: Registrar of Taishin Securities Co., Ltd.

Address: B1, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei City

Website: http://www.tssco.com.tw

TEL: (02)2504-8125

IV. CPAs for the Latest Annual Financial Statements

CPA: Huang Shih-Chun, Yeh Tsui-Miao

CPA firm: PricewaterhouseCoopers, Taiwan

Address: 27F, No. 333, Section 1, Jilong Road, Taipei City

Website: https://www.pwc.tw

TEL: (02)2729-6666

V. The name of any exchanges where the Company’s securities are listed offshore and the method by which to access information on the offshore securities: None

VI. Company website: http://www.castlestech.com

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One. Letter to Shareholders

I. 2022 Business Results

(I) Business Plan Implementation Results

1. Domestic market:

Due to the impact of pandemic, many domestic projects have been postponed. As the advantage of electronic ticket in field of contactless payment went on in 2022, the Company continued cooperation with ticketing companies and won partial tender programs, including self-service gasoline station, self-service ticket machine UPT for High Speed Rail and metro, and self-service payment machine in large hospitals.

2. Overseas market:

With the reopening from the pandemic, orders from Europe and the U.S. came back. With the business performance in Europe and Northern America for 2022, there was still a small growth in overall export sales, especially customers in Northern America, Spain and Italy of Europe. Sales and market shares in other areas were pretty good as well. There was multiple growth in business performance of subsidiary in the U.S. Besides, both of the gradually enhancing reputation in main global market and sales of new type Android terminal devices with multi-function were the main reason for an increase in sales performance. Also, as a result of core advantage of development and software customization, the Company will continue dedicate in sales channels, software development and service. Increasing the percentage of software service revenue, with the continual launch of cloud service products, the Company looks forward to transforming from an equipment manufacturer to a resolution provider, improving overseas maintenance and service centers, and creating a win-win situation with our customers.

The Company's operating revenue for 2022 was NT$6,159,886 thousand, increasing by NT$2,656,877 thousand compared with that for 2021 of NT$3,503,009 thousand; net income after tax for 2022 was NT$761,273 thousand, increasing by NT$537,357 thousand compared with that for 2021 of NT$222,916 thousand.

(II) Budget Implementation Status

Unit: NTD thousand

Item	2022 Actual Amount	2021 Estimated Amount	Fulfillment rate
Operating revenue	7, 399, 996	Financial forecasts yet to be disclosed	Not applicable
Operating costs	(5, 082, 436)		
Gross profit	2, 317, 560		
Operating expenses	(1, 290, 484)		
Net operating profits	1, 027, 076		
Non-operating income and expenses	(6, 954)		
Profit before income tax	1, 020, 122		
Income tax expense	(214, 807)		
Profit for the year	805, 315		

(III) Financial Income, Expenditure and Profitability Analysis

Analysis item \ Year			2022	2021
Financial structure (%)	Debt to assets ratio		53.75	63.21
	Ratio of long-term capital to fixed assets		955.69	586.40
Solvency (%)	Current ratio		182.36	149.31
	Quick ratio		104.30	81.56
	Interest coverage multiplier		43.44	17.48
Profitability	Return on assets (%)		15.02	6.07
	Return on shareholder equity (%)		34.70	14.71
	Ratio in paid-in capital (%)	Operating profit	103.17	36.60
		Net profit before tax	102.48	31.12
	Net profit margin (%)		10.88	5.29
	Earnings per share (NT$)		8.19	2.51

(IV) Research and Development Status

1. Trend in industrial development

(1) While the post-pandemic era approaches, inflation and basic wage surge and stores are turning conservative about investment in equipment and hiring. Compared to one-time equipment investment expenditure, monthly service platforms where resources are integrated and manpower is reduced are catching attention of these stores. Smart terminals themselves are capable of integrating the payment feature. Leading manufacturers, including Castles Technology Co., Ltd., are providing cloud software service, too, in order to satisfy new types of service and drive shipment efficacy.

(2) The introduction of generative AI, such as ChatGPT, will bring about revolutionary changes for the retail service sector. The integration between AI service and smart terminals will combine the quick surge on the global unmanned self-service market and change the ecosystem of the retail business. Keeping track of local needs and reflecting the user experiences of local consumers are keys to success of unmanned payment service. Therefore, the ability to cooperate with local service operators is crucial to the sector's success.

(3) Castles' unmanned self-service products have been adopted by well-known customers domestically and internationally. Taking advantages of the ability to sell and deploy throughout the global network and advanced cultivation in respective regions, it helps one keep track of emerging opportunities in new sales applications and welcome more significant revenue growths.

2. New opportunities in the sector

(1) Mature Android hardware and software eco-service system

As equipment supporting the Android system is getting more and more popular, business software developers are willing to devote more resources to the Android platform to facilitate the development of business software. It differs from the ordinary APP in that business software developers are focus on providing vertically integrated solutions to a specific sector. Therefore, they are more demanding in terms of the specifications and efficacy of hardware. In order to cope with such a trend, equipment suppliers must provide more diversified customized services to satisfy customers with higher demand on the efficacy of hardware.

(2) SoftPOS

As the MPoC certification regulations of the new generation were announced by PCI at the end of 2022, the rules of games on the SoftPOS market are generally finalized. Due to the fact that SoftPOS needs to combine equipment with a built-in contactless card-reading features. Therefore, besides the mobile phone service provider, many industrial computer equipment providers are also watching closely the impacts of SoftPOS on industries. It is also hoped that taking advantages of the opportunities brought about by the SoftPOS service, users will start to replace their existing devices again.

(3) Charging station

Although discrepancies remain regarding the issue of banned sale of fuel vehicles in respective regions around the world, it is undeniable that the electric vehicle era has arrived. The sales of electric vehicles over the past decade have surged. In order to popularize electric vehicles, the demand for deploying charging stations is also quickly growing. About the public fast-charging device relevant to terminal payment products, prior charging station operators adopted the close system for payment collection. Due to the fact that it is required in Europe and America that charging stations need to support the open-ended payment collection model to make it a pre-requisite for the synthesis of the charging station and the terminal. It also turns a new page for the terminal payment sector. Due to the different acquiring ways in respective countries, charging station operators must select terminal collaborators capable of processing cross-national orders in order to facilitate expansion of the overseas business.

II. Overview of 2023 Business Plan

(I) Operational Policy

As a result of the successive integration of competitors in the industry, the market shares of the overall industry have changed, and the market shares in various regions of the Castles have increased gradually. According to the professional research report of Nilson Report, the market shares ranking of Castles in the U.S. and Europe for 2020 have increased to No.4 and No.5, respectively. Despite the global pandemic, with the successive reopening in various countries and wishing to resume to normal business activities, the pulling power of the end-users enhanced. While the shortage of global supply chain still needs time for improvement, there is still a strong demand in the overall terminal market. Faced with such a quickly-changing environment, the Company's main operational policy is as follows:

1. Introduction and certification of new products:

   The Company has marketing and R&D teams in place to serve major markets. New needs and new business opportunities in respective areas around the world are kept track of now. Continuous efforts will be made to reinforce the R&D capabilities and project control ability of core technical teams in Taiwan and in Mainland China and work with R&D teams in respective regions to expedite local certifications and development of related applications and to accordingly quickly research and develop products meeting the needs on respective regional markets.

2. Reinforcement of logistic support management:

   With operational growths, the business organizational scale of Castles is quickly expanding, too. A sound management system will be created proactively to consolidate division of labor, to optimize organizational efficiency and human resources development, to effectively manage personnel management and distribution expenditure and to strengthen corporate composition.

3. Deployment of global sales channels and drivers of growth:

   The branches in the U.S., Europe, and Southeast Asia have been established and completed the relevant certification of local acquirers. For the operating revenue, the result of global arrangement became visible. It is predictable that with the application of unmanned self-service and the switch of Android terminal devices, there may be more significant growth in operating revenue.

(II) Expected Sales and Rationales

The Company forecasts its sales for 2023 reflective of the macroeconomic changes, developmental trends in the industry, and future business and product R&D plans: The sales of electronic financial trading terminals and personal financial applications are expected to be around 3,243 thousand sets while those of electronic cashier machines and peripheral equipment are expected to be around 64 thousand sets and those of other products around 32 thousand sets.

(III) Important Production and Distribution Policies

1. Broadened customer width: In order to enhance the share on primary markets and continue to work with customers in optimizing products and providing customized services, models are adjusted reflective of the distribution strategy. In addition, continuous efforts are made to secure approvals of new customers so that the distribution network can be constantly expanded.

2. Increase the procurement weight of existing customers: Unlike the past where hardware and software were sold, reinforced efforts will be made to promote the software service of the Company while at the same time enhancing the weight of income from software service.
3. Fully keep track of sources of important materials: In order to optimize the procurement cost, sharing of materials is being proactively planned, which helps not only bring down the production cost but also boost management efficiency
4. Quality and cost control: Contract processing plants are asked to pay attention to not only lowered cost but also protected quality while the production capacity is enhanced.
5. Reinforce engineering capability: As customization needs increase, continue to combine R&D and manufacturing and plan the optimal process ahead of time.
6. Talent development plan: R&D technical teams will continue to be created in respective regions in order to quickly and effectively support the needs of different customers around the world.

III. Company's future development strategy and the impact from competitive environment, regulatory environment and overall operating environment

(I) Future Development Strategy

As financial trading turns electronic around the world, financial payment tools will have significantly increased demand for software, including application services and trading security management. With optimum foundations, the Company will continue to help provide customers with software and cloud service and expect itself to become a leader in not only software but also in the integration of software and data security.

(II) Impact from External Competition, Regulatory Environment and Overall Operational Setting

Globalization and the rise of Mainland China competitors as well as the threat posed by the red supply chain, the competition among products in terms of quality and pricing is heating up the battle. Therefore, constant R&D and real-time response to customers' needs in addition to effective and quick production are the only ways to win out.

The Company has the global market in perspective. In the future, besides the sale of hardware and software, that of integrated software and service will be equally emphasized in order to bring up the overall competitive advantages of products and to reinforce the promotion of cloud customization. In addition, continuous efforts are made to deepen global deployment and provide overseas distribution sites with localized payment integration service. On the other hand, for the safety requirements for the trading environment and customized services are relatively enhanced, too. All of these bring about relatively competitive advantages for the Company that has been emphasizing devotion to R&D and certifications according to various standards over the long term. The Company will also closely watch external changes and the operational environment while adjusting its strategy and direction.

In the future, as the demand on the global consumer electronic product market continues to weaken and customers' inventory levels remain high, in addition to inflation and rate hike, the sales momentum will slow down. With the introduction of new Android products to the market, it is expected that a new wave of replacement business opportunities will be triggered. In addition, EV charging station applications are getting more and more mature, which will drive shipments to grow and a new growth momentum can be expected.

Thank you for your support and trust over the years and also our employees for their hard work.

I wish all of you good health and the best in all of your endeavors!

Chairman Hsin Hua-Hsi

Two. Company Profile

I. Date of Establishment

April 20, 1993

II. Company History

Time	Important Chronicle
1993	[Castles Automation Co., Ltd.] was approved to be established in Xizhi Township, Taipei County, with a capital size of NTD 12,000 thousand.
1997	Finished the development of the PIN-PAD CIT-7000-series of products of the first generation.
1998	Researched and developed the EDC terminal of the third generation; developed the PinPad card reader of the second generation; researched and developed the programmable contactless IPROX card reader.
2000	Became the first IC card-reader manufacturer certified by Microsoft in the country. Participated in the eCA and Hi-Card programs of Chunghwa Telecom and became one of the few domestic contractors. Participated in the IC-Card configuration program of the National Health Insurance Administration.
2001	The name was changed to [Castles Technology Co., Ltd.] and the company was related to Xindian City in Taipei County. The first PIN-PAD EMV-8000 was approved for EMV Level 1. And it is proactively planned to apply for and get approved for EMV Level 1 or PC/SC certifications for all products.
2002	Developed the chip credit card terminal (VEGA6000) of EMV Level I&II and get certified; EMV8000 PINPad Terminal was certified for EMV Level I. Developed the financial IC card operating system (including the business stored value card) and safety model (COS).
2003	Developed the exclusive chip safety module (SAM) for financial transactions, the contactless card OS, EFT POS card-reading terminal VEGA9000/9300 and HC3000 health insurance card reader.
2004	Researched and developed VISA Card COS.
2006	Researched and developed EZWAVE contactless card reader and 7-11 card reader.
2007	Researched and developed the EDC terminal of the third generation, the PinPad card reader of the second generation, and the programmable contactless IPROX card reader. Beijing Castles Technology was established, wholly-owned.
2008	Researched and developed the Vega 7000 desktop EFTPOS terminal and the Qpros series of contactless IC card readers; QP-1000 was approved for EasyCard stored-value/debit equipment information security management guidelines. Consolidated Castles Technology Co., Ltd.
2009	Researched and developed the PCI-100 password keyboard and bus ticket-checking machine.
2010	Researched and developed the Vega 5000 series EFTPOS hand-held terminal; worked with the MOTC in the multi-card pass project; researched and developed TS-2000 contactless card-reading modules; obtained exclusive dealership of the EPSON MINI Printer in Taiwan; researched and developed the SAM high-speed safety module of the third generation; officially activated nation-wide EasyCard small-amount payment, including the four major convenience stores, wholesale grocery stores, famous chain stores, that is, up to several tens of thousands of stores in total.

Time	Important Chronicle
2011	Researched and developed the Vega5000 series of the EFTPOS desktop terminal, adoption of the contactless card reader and related modules by Kaohsiung MRT, researched and developed the self-service fuel dispenser payment equipment that has been extensively applied to Formosa and CPC gas stations.
2012	Researched and developed the Vega5000S series of EFTPOS desktop terminal. The brokered Epson MINI printer, thanks to the implementation of the e-invoice policy of the government, has been widely applied to large retail stores. It is adopted by the iBon machine of President Chain Store Corporation. The contactless card reader and related modules, after they were adopted for Kaohsiung MRT, have been comprehensively applied to convenience stores and related automation equipment in the southern part of Taiwan.
2013	Researched and developed Vega3000 series of the EFTPOS hand-held terminal. The contactless card reader and related modules were qualified to supply to the Yuan Hsin Digital Payment Co., Ltd. within the Far Eastern Group and have been adopted by large retail channels (Carrefour and Costco). Dealers in regions such as Japan, the US, Canada and Europe were approached to introduce them to the Company and helped to obtain local certifications to become exports supporting sites. Invested in the United States I-POS Systems, LLC (Dejavoo).
2014	Researched and developed the Vega3000 series of EFTPOS and obtained certifications with multiple international organizations and sales began; the contactless card reader was adopted by the National Credit Card Center. Related contactless read reader modules were adopted by the KIOSK in convenience stores, such as iBon. Large tenders were secured in Europe, Asia, and South America and shipments began. In addition, the subsidiary in Singapore was established in order to maximize the sales to the greater Southeast Asia region.
2015	To go with the mobile payment trend, researched and developed MPOS MP200 and had it certified with international organizations; it has been adopted by domestic and international acquiring organizations. All of the card-reading equipment of the Company has been adopted by the four major ticking companies in the nation. The brokered EPSON printer was approved as airport ticket-printing equipment. Successfully explored the overseas market. Overseas revenue significantly grew. Subsidiaries in Europe and the US were established to deepen the local markets further.
2016	To address the demand for self-service equipment in e-payment in the future, researched and developed the UPT series of unmanned self-service card-swiping machines that were certified with international organizations. They would be applied to self-service fuel dispensers and automated vending machines, among others. Meanwhile, expanded the product lines of the Company. The contactless card-reading equipment of the Company is adopted by Kaohsiung MRT. The device is located at respective entrances/exits and in respective stored-value equipment. The enhanced international publicity further drove up the overseas market share. The number of countries with a market share reached more than 50 and the international revenue grew significantly again. At the end of the year, the Company was approved to be listed at the Taiwan Stock Exchange.

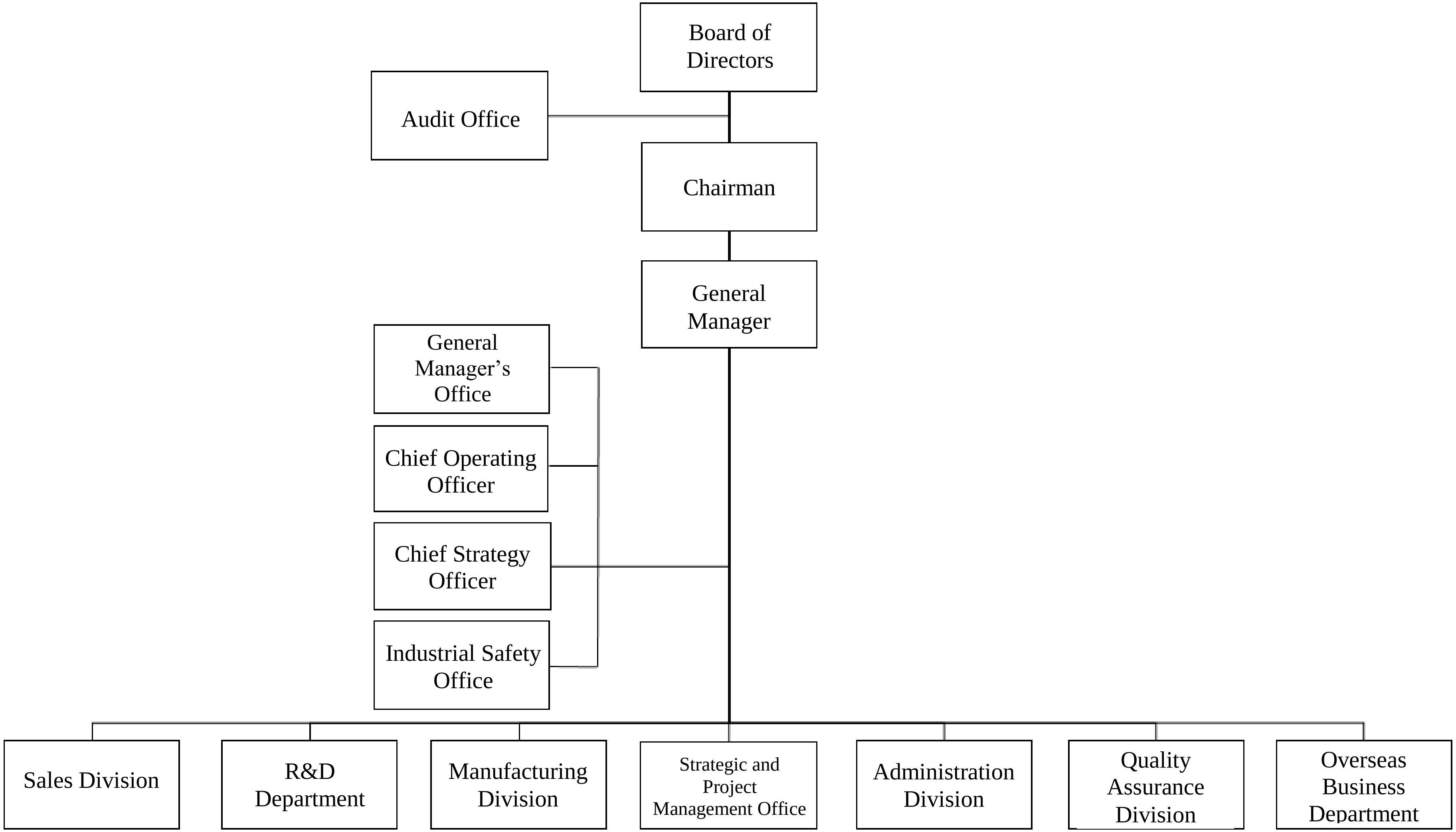
2017	In response to the EFTPOS fad, the Company devoted itself to the development of the Saturn1000 series of the Android payment solution, which was gradually certified for respective financial purposes and pre-promoted on markets. Developed the UPT1000 extension model and multiple international businesses approached the Company for possible collaboration in projects. Finished setting up the subsidiary in Spain to continue to deepen the promotion in Europe. In terms of domestic sales, VEGA3000P series of products was completed integrated and installed at the front office of 7-11. Meanwhile, integration of service and sales is reinforced. The subsidiary Casware System Technology Co., Ltd. was established to provide one-stop integration service to through its front-office financial equipment.
2018	The Saturn1000 series of the Android payment solution completed respective financial certifications and shipments started one after another. Overseas market: Continued to deepen the promotion and deployment in Europe. Shipments started for some projects, with the ratio of revenue increased. Finished setting up the subsidiary in Brazil to deepen the promotion and deployment in South America. In terms of domestic sales, obtained the CPC V3CB (desktop) tender and successfully integrated the credit card and card-checking features in the self-service payment machine UPT of Dodohome parking lots. Participated in the “cashless college town” project V3 (hand-held) of the Industrial Development Bureau, MOEA. OK Convenience Store OK MINI automated vending machine UPT, FORMOSA TAFFETA CO., LTD., DPS2000 self-service payment machine of Formosa Gas Station.
2019	Finished setting up the subsidiary in Japan to deepen the promotion and deployment locally. Overseas market: The Company’s products have been gradually adopted by well-known department stores, large discount chain stores, well-known retail garment chain distributors, and regional large banks throughout Japan. Major acquiring banks and other well-known banks in primary European countries, in Northern Europe and Southern Europe completed certifications and shipments began. In terms of domestic sales, continued to secure the CPS V3CB tender, FORMOSA TAFFETA CO., LTD. and Formosa Gas Station DPS2000 self-service fuel dispenser equipment, well-known wholesale groceries and convenience stores all-in-one card procurement, annual procurement of self-service payment machines in large healthcare facilities, post office i-BOX projects, among others. In addition, sales of the national NHI machines were better than expected.
2020	Finished setting up the subsidiary in the UK and Jordan to deepen the promotion in Northern Europe and in Africa. Finished the name change of the subsidiary in Beijing and located it to Suzhou; the name of the Company was changed to Suzhou Castech Limited. Overseas market: Certifications were completed one after another for primary customers in North America and shipments were expected to growth in 2021. Shipments began for customers in Italy and Spain, that is Southern Europe, which then became one of the driving forces for the business growth in Europe. Domestic sales: Continuous efforts were made to secure purchase orders for related payment equipment from primary convenience stores, retailers, and EASYCARD. The demand for self-payment machines in parking lots also grew significantly.

Time	Important Chronicle
2021	Overseas market: In the post-pandemic era, the promotion of cashless and contactless payments expedited. Unmanned self-service business opportunities continued to grow in North America to speed up customer product certifications and the revenue grew quickly. Big customers in Europe also started to place purchase orders and shipments began. Examples included the Northern Europe payment platform leader, the largest credit cooperative bank in France, large banks in Eastern Europe, among other related projects, all of which contributed to gradual growths. Domestic sales: Continued to secure domestic CPC, THSR, and Taipei MRT payment equipment procurement tenders in the country. In addition, the Company has been working on unmanned self-service card-swiping machine-related products (UPT). In the future, laws and regulations in respective countries will be turning consistent in the specifications of charging stations and demanding availability of payment platforms. The Company expects a promising future in related applications.
2022	In the overseas and domestic markets, due to the slowdown of the epidemic and the unblocking of various countries, the market demand has increased significantly. However, due to many unfavorable factors such as the Ukrainian-Russian War, inflation, shortage of materials, and rising shipping prices, the management team needs to spend more The time, cost and R&D resources to overcome the many difficulties in front of us and continue to supply to our customers. In terms of new products, the new generation of Android models and SoftPOS are continuing to be developed, and are expected to be put into mass production next year to generate revenue.

Three. Corporate Governance Report

I. Organizational System

(I) Organizational Structure



(II) Major Departments and Their Scope of Operation

Department	Main responsibilities
Audit Office	1. Establish and maintain the internal audit system, weigh the policy implementation efficiency, and provide advice for improvement. 2. Protect corporate assets to prevent against waste, frauds, and inefficiency. 3. Perform respective routine and project-based audits and inspect abnormalities. 4. Investigate and evaluate the soundness of the internal control system at each department and implementation of the annual audit plan. 5. Compose the audit report and review the corrective action. 6. Perform internal audits of respective internal control processes and periodically report to related parties the status of the audit.
General Manager's Office	1. Collect and provide operational and management intelligence. 2. Project planning and project improvement. 3. Plan, promote, and track operational matters and the operating procedure as a whole. 4. Coordinate and integrate tasks at respective departments.
Chief Operating Officer	Organize and coordinate the annual production and operation plans of the Company; organize and implement the Company's mid-term and long-term development plans; and prepare implementation countermeasures or solutions for the operation and development of the Company.
Chief Strategy Officer/Strategic Planning Office	1. Plan the overall operational goals and prepare strategies of the Company and product development directions, market positions, and ensure fulfillment of operational goals. 2. Prepare the core technical roadmap of the Company. 3. Plan and deploy the product line extension strategy. 4. Evaluate the development and introduction of new products. 5. Purchase and evaluate new equipment (including software). 6. Prepare the annual new product development plan.
Industrial Safety Office	1. Define the environmental safety and health policy and rules. 2. Define the environmental safety and health management plan. 3. Enforce the environmental safety and health educational training implementation plan. 4. Enforce the operating environment monitoring plan, monitoring results, and measures taken. 5. Enforce occupational disaster prevention, occupational hazard prevention and control, health management planning and communication. 6. Enforce the planning and communication of rules in the workplace. 7. Enforce environmental safety and health spontaneous inspections and audits. 8. Enforce preventive measures against mechanical, equivalent, or raw material/regular material hazards. 9. Investigate and address respective environmental safety and health accidents. 10. Evaluate field environmental safety and health management performance. 11. Manage environmental safety and health contractors. 12. Other applicable environmental safety and health management matters.
Administration Division	1. Define human resources development, management, and regulatory systems and plan and enforce educational training. 2. Calculate and distribute employee welfare, salary, and bonus. 3. Finance: Plan and review funds allocation, financial administration, and budget control. 4. Accounting: Handle respective accounts and taxes of the Company, review expenses and expenditure, prepare and analyze financial statements and management reports and help prepare annual budget, among others.

Department	Main responsibilities
	5. Management corporate income and expenditure, retain cash, notes, and securities, sign off receipts for income and expenditure, and keeps records. 6. Number fixed assets and review transfers. 7. Cooperate in audits performed by the CPAs. 8. Check and audit raw materials and regular materials, semi-finished products, and final products. 9. Stock affairs-related matters. 10. Assist in maintaining PCs and peripheral equipment, the ERP system, and the Mail system throughout the Company. 11. Manage and maintain computer software and hardware. 12. Back up IT systems and manage their security. 13. Plan and manage machine rooms throughout the Company.
Sales Division	1. Market survey and forecast analysis; marketing and customer service. 2. Process purchase orders, invoices, shipments, and accounts receivable. 3. Understand and address customer complaints.
R&D Department	1. Enforce development processes. 2. Design change. 3. Plan and archive lot numbers. 4. Plan and archive drawings and PCB wiring diagram and prepare and archive software (firmware) programs. 5. Trial production-related processes. 6. Technical support (FAE).
Manufacturing Division	1. Prepare, execute, and control production plans. 2. Plan and implement the production operating procedure. 3. Cost management and efficacy analysis. 4. Control the warehousing of materials/supplies and final products and manage shipments. 5. Select suppliers and manage related processes. 6. Procure and pay for production supplies, equipment, and factory affairs. 7. Manage and evaluate suppliers. 8. Manage importation and insurance coverage processes and quality of raw materials and regular materials. 9. Manage inventories. 10. Manage shipments and deliveries. 11. Control the yield and analyze abnormal quality reactions and enforce corrective action. 12. Acknowledge and trial produce parts and production technologies.
Quality Assurance Division	1. Ensure quality of products and verify the quality. 2. Analyze customer complaints and introduce solutions. 3. Provide advice on product technical issues and introduce solutions. 4. Evaluate and propose quality improvement solutions. 5. Introduce and implement quality engineering technology. 6. Simulate and analyze reliability (lifespan) experiments. 7. Enforce and record respective quality reliability experiments. 8. Promote and enforce safety regulations and laboratory testing. 9. Define quality assurance (QA) standards. 10. Educational training on quality approach. 11. Plan ISO9001 quality system and integrate and define the system. 12. Plan quality policies and goals. 13. Quality conceptualization educational training and communication. 14. Plan and enforce quality audits. 15. Evaluate and introduce the quality system required by customers.

Department	Main responsibilities
	16.Collect and introduce international products or quality laws and regulations. 17.Plan the introduction and application of quality (technical) tools. 18.Quality inspection and control. 19.Maintain and care, repair, and correct equipment and instruments.
Overseas Business Department	1. Track and coordinate overseas business and develop overseas markets, introduce overseas new products, among others. 2. Create a contact window with overseas contractors and maintain the relations. 3. Plan, evaluate, investigate, and operate on overseas markets.

II. Information on directors, supervisors, General managers, deputy general managers, assistant general managers, and officers of departments and branches

(I) Directors and Supervisors

April 22, 2023

Title	Nationality or place of registration	Name	Gender	Age	Date elected or inaugurated	Term of office	Date first elected or appointed	Shareholding when elected or appointed		Shareholding now		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second degree of kinship who are officers, directors or supervisors of the Company			Remarks
								Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Chairman	ROC	Hsin Hua-Hsi	Male	60 years old	August 24, 2021	3 years	February 15, 1995	2,682,962	3.00%	3,483,520	3.50%	47,876	0.05%	-	-	Department of Nuclear Engineering, National Tsing Hua University	(Note 5)	-	-	-	-
Directors	ROC	Huakang Investment Co., Ltd.	-	-	August 24, 2021	3 years	June 24, 2009	11,851,074	13.24%	12,985,577	13.05%	-	-	-	-	-	-	-	-	-	-
	ROC	Representative: Lin Hung-Chun	Male	48 years old	-	-	(Note 1)	-	-	879,818	0.88%	-	-	-	-	Department of Electronic Engineering, National Taiwan University of Science and Technology Assistant Engineer of SYSGRATION LTD. Research and Development Engineer of FOONGTONE TECHNOLOGY CO., LTD.	President and Head of R&D Department of the Company CASTLES TECHNOLOGY SINGAPORE PTE. LTD. Director CASTLES TECHNOLOGY UK & IRELAND LTD. Director Casware System Technology Co., Ltd. General Manager	-	-	-	-

Title	Nationality or place of registration	Name	Gender	Age	Date elected or inaugurated	Term of office	Date first elected or appointed	Shareholding when elected or appointed		Shareholding now		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second degree of kinship who are officers, directors or supervisors of the Company			Remarks
								Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Directors	ROC	Chuang Shih-Chin	Male	43 years old	August 24, 2021	3 years	May 26, 2016	-	-	-	-	-	-	-	-	Master, Graduate Institute of Law, National Chengchi University Master, Graduate Institute of Business Administration, Chang Jung Christian University Department of Accounting, Chang Jung Christian University/Side Major in Information Management CPA of Morton CPA & Co.	Director of Xiongxiongzan Co., Ltd.	-	-	-	-
Directors	ROC	Li Kun-Ming	Male	47 years old	August 24, 2021	3 years	August 24, 2021 (Note 2)	77,000	0.09%	77,000	0.09%	-	-	-	-	MBA, Tiffin University Department of Accounting, Tamkang University Associate Manager of Deloitte Taiwan	K&B CPAs Firm Partner TST Group Holding Ltd. Independent Director THE LEOFOO DEVELOPMENT CO., LTD. Independent Director	-	-	-	-

Title	Nationality or place of registration	Name	Gender	Age	Date elected or inaugurated	Term of office	Date first elected or appointed	Shareholding when elected or appointed: Number of Shares	Shareholding when elected or appointed: Ownership	Shareholding now: Number of Shares	Shareholding now: Ownership	Shareholding of spouse and minor children now: Number of Shares	Shareholding of spouse and minor children now: Ownership	Shareholding in the name of others: Number of Shares	Shareholding in the name of others: Ownership	Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second degree of kinship who are officers, directors or supervisors of the Company: Title	Spouse or relatives …: Name	Spouse or relatives …: Relationship with the endorser/guarantor	Remarks
Independent Director	ROC	Kung Hsi-Hsun	Male	60 years old	August 24, 2021	3 years	June 21, 2012 (Note 3)	-	-	-	-	-	-	-	-	Department of Business Administration, National Chengchi University The 26th Master Program on Entrepreneur Business Administration Department of Nuclear Engineering, National Tsing Hua University CIPHERLAB CO., LTD. General Manager CIPHERLAB CO., LTD. Chief Technology Officer	COS ENGINEERING CO., LTD. Chairman and General Manager TCC Information Co., Ltd. Supervisor	-	-	-	-
Independent Director	ROC	Kung Hsin-Kai	Male	49 years old	August 24, 2021	3 years	June 26, 2018	-	-	-	-	-	-	-	-	MBA, Tiffin University Department of Accounting, Tamkang University K&B CPAs Firm Partner Deloitte Taiwan Associate Manager at the Audit Department	Hsinkai CPAs Firm Partner Xinkai Management Consulting Co., Ltd. Directors FIRST STEAMSHIP COMPANY, LIMITED Independent Director	-	-	-	-

Title	Nationality or place of registration	Name	Gender	Age	Date elected or inaugurated	Term of office	Date first elected or appointed	Shareholding when elected or appointed		Shareholding now		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second degree of kinship who are officers, directors or supervisors of the Company			Remarks
								Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Independent Director	ROC	Huang Nai-Kuan	Male	70 years old	August 24, 2021	3 years	August 24, 2021 (Note 4)	-	-	-	-	-	-	-	-	PhD in Electrical and Mechanical Engineering, University of Southern California Master in Mathematics, Indiana State University Department of Mathematics, National Tsing Hua University Taiwan Stock Exchange Vice President Taiwan Ratings Chairman Taiwan Futures Exchange Vice President TAIWAN-CA Inc. Chairman	RFIC Technology Corporation Director Yuanta Futures Co. Ltd. Independent Director Everlasting Digital ESG Co., Ltd. Director				

Note 1: Lin Hung-Chun started to serve as the representative of Huakang Investment Co., Ltd. On May 12, 2011.

Note 2: Li Kun-Ming started to serve as the supervisor on June 21, 2012 and was elected as the director of the Board of the 8th term during the re-election that took place on August 24, 2019.

Note 3: Kung Hsi-Hsun was elected as the Independent Director for the Board of Directors of the fifth term on June 21, 2012 and resigned as Independent Director on November 7, 2016. Was elected as the Independent Director of the Board of the 7th term on June 26, 2018.

Note 4:Huang Nai kuan passed away unexpectedly on 2023.1.28 and resigned as an independent director of the eighth board of directors

Note 5: Chairman of the Company is also the head of the Sales Division and the Overseas Business Department, Chairman of Huakang Investment Co., Ltd., Director of Huabo Investment Co., Ltd., Director of Castech International Limited, Director of Castech International (H.K.) Limited, Executive Director of Suzhou Castech Limited, Director of Castles Technology Singapore Pte. Ltd., Director of Castles Technology Europe S.R.L, Director of Castles Technology International Corp., Director and President of Castles Technology Spain SL, Chairman of Casware System Technology Co., Ltd., Director of Castles Technology HK & Ireland Ltd., and Director of Castles Technology Jordan Private Shareholding Company.

(II) Major shareholders of corporate shareholders

April 22, 2023

Names of corporate shareholders	Major shareholders of corporate shareholders
Huakang Investment Co., Ltd.	Hsin Hua-Hsi (43%), Li Tsung-Hsi (24%), Li Ching-Chen (14%), Li Cheng-Chin (12%), Lin Hsiang-Yun (4%), and Hsin Hsien-Kai (3%)

(III) Primary shareholder of any of the major shareholders that is a corporation: No

(IV) Disclosure of Professionalism of Directors and Supervisors and Independence of Independent Directors

(1) Fulfillment of the diversification policy regarding the composition of the Board of Directors:

The overall composition of the Board of Directors should be taken into consideration in the selection of the Company’s directors. Diversification shall be taken into consideration for the composition of the Board of Directors and a suitable diversification policy is prepared reflective of its function, operational pattern, and developmental demand. It shall include, without limitation, the following two major criteria:

A. Basic requirements and values: Gender, age, nationality, culture, etc.

B. Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing and/or technology), professional skills, industry experience, etc.

All board members are being required to possess the knowledge, skills and characters needed to perform their duties. The capabilities expected of them as a whole are as follows:

(A) The ability to make judgments about operation;
(B) Accounting and financial analysis ability;
(C) Business management ability;
(D) Crisis management ability;
(E) Industry knowledge;
(F) International market perspective;
(G) Leadership;
(H) Decision-making ability.

Additional information on the implementation of diversification in the composition of the Board of Directors by individual directors

Core items of diversity / Directors	The ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Crisis management ability	Industry Knowledge	An international market perspective	Leadership ability	Decision-making ability
Director Hsin Hua-Hsi	V		V	V	V	V	V	V
Representative of corporate director Lin Hung-Chun	V		V	V	V	V	V	V
Director Chuang Shih-Chin	V	V	V	V		V	V	V
Director Li Kun-Ming	V	V	V	V		V	V	V
Independent Director Kung Hsi-Hsun	V	V	V	V	V	V	V	V
Independent Director Kung Hsin-Kai	V	V	V	V		V	V	V
Independent Director Huang Nai-Kuan	V	V	V	V	V	V	V	V

(2). Disclosure of Professionalism of Directors and Supervisors and Independence of Independent Directors:

Criteria / Name	Professionalism	Experience (Note 1)	Independence (fulfillment of Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
Hsin Hua-Hsi	With work experience in business, legal, financial, accounting or that required for the Company's business	Huakang Investment Co., Ltd. Chairman Huabao Investment Co., Ltd. Director Director of Multiple Subsidiaries of the Group	(6)(7)(8)(9)(10)(11)(12)	0
Huakang Investment Co., Ltd. Representative Lin Hung-Chun	With work experience in business, legal, financial, accounting or that required for the Company's business	Assistant Engineer of SYSGRATION LTD. Research and Development Engineer of FOONGTONE TECHNOLOGY CO., LTD. CASTLES TECHNOLOGY SINGAPORE PTE. LTD. Director CASTLES TECHNOLOGY UK & IRELAND LTD. Director Casware System Technology Co., Ltd. General Manager	(3)(6)(8)(9)(10)(11)	0
Chuang Shih-Chin	CPA and with work experience in commerce, legal affairs, finance, accounting or required for corporate	CPA of Morton CPA & Co. Director of Xiongxiongzan Co., Ltd.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0

	operations			
Li Kun-Ming	CPA and with work experience in commerce, legal affairs, finance, accounting or required for corporate operations	K&B CPAs Firm Partner TST Group Holding Ltd. Independent Director THE LEOFOO DEVELOPMENT CO., LTD. Independent Director	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	2
Kung Hsi-Hsun	With work experience in business, legal, financial, accounting or that required for the Company's business	CIPHERLAB CO., LTD. General Manager CIPHERLAB CO., LTD. Chief Technology Officer COS ENGINEERING CO., LTD. Chairman and General Manager TCC Information Co., Ltd. Supervisor	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0
Kung Hsin-Kai	CPA and with work experience in commerce, legal affairs, finance, accounting or required for corporate operations	K&B CPAs Firm Partner Deloitte Taiwan Associate Manager at the Audit Department Hsinkai CPAs Firm Partner Xinkai Management Consulting Co., Ltd. Director FIRST STEAMSHIP COMPANY, LIMITED Independent Director	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	1 (Note 3)
Huang Nai-Kuan	With work experience in business, legal, financial, accounting or that required for the Company's business	Taiwan Stock Exchange Vice President Taiwan Ratings Chairman Taiwan Futures Exchange Vice President TAIWAN-CA Inc. Chairman RFIC Technology Corporation Director Everlasting Digital ESG Co., Ltd. Director Yuanta Futures Co. Ltd. Independent Director	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	1

Note 1： None of the directors and independent directors above are found with the conditions indicated under Article 30 of the Company Act.

Note 2: Independence of directors for the two years prior to inauguration and throughout the tenure. (Only conforming ones are disclosed in the table above)

(1) Not an employee of the Company or its affiliates.

(2) Not a director or supervisor of the Company or its affiliates. (However, this restriction does not apply to independent directors of the Company, its parent or subsidiary elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country.)

(3) Not a natural-person shareholder holding more than 1% of the total number of issued shares or among the top 10 natural-person shareholders in the name of itself, its spouse, minor children or others.

(4) Not a managerial officer under (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship under (2), (3).

(5) Not a director, supervisor, or employee of a corporate shareholder directly holding 5% or more of the total number of issued shares of the Company, or among the top 5 in shareholdings, or designating its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)

(6) Not a director, supervisor, or employee of other company. If a majority of the Company's director seats or shares with voting rights and those of that other company are controlled by the same person: (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company or its parent company or subsidiary or a subsidiary of the same parent.)

(7) Not a director, supervisor or employee of the other company or institution who is or whose spouse is the chairman, general manager or equivalent positions of the Company. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)

(8) Not a director (executive), supervisor, officer or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (however, if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company; also, independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company, the parent or subsidiary company, or a subsidiary of the same parent, this restriction does not apply).
(9) Not a professional, sole proprietor, partner, owner of a company or institution, director, supervisor, managerial officer or its spouse that provides the Company or affiliates with commercial, legal, financial, accounting or related services with a cumulative amount of remuneration in the last two years exceeding NTD 500,000. This restriction does not apply, however, to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, which exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
(10) Not a person who has a spouse or relatives of the second degree of kinship with other directors.
(11) Not a person with any of the circumstances under Article 30 of the Company Act.
(12) Not a person elected in the capacity of the government, a corporation, or a representative as provided in Article 27 of the Company Act.

Note 3: Independent Director Kung Hsin-Kai resigned as the Independent Director of FIRST STEAMSHIP COMPANY, LIMITED on March 22, 2022, which took effect on May 16, 2022.

(V) Information of President, Vice President, Assistant Vice President and Respective Department Officers and Branch Officers

April 23, 2022

Title	Nationality	Name	Gender	Date inaugurated	Shareholding. Number of Shares	Shareholding. Ownership	Shareholding of spouse and minor children now Number of Shares	Shareholding of spouse and minor children now Ownership	Shareholding in the name of others Number of Shares	Shareholding in the name of others Ownership	Major Experience (Education)	Concurrent positions in other companies now	Manager with a spouse or relative within the second degree of kinship Title	Manager with a spouse or relative within the second degree of kinship Name	Manager with a spouse or relative within the second degree of kinship Relationship with the endorser/guarantor	Remarks
Chairman is also the head of the Sales Division and the Overseas Business Department	ROC	Hsin Hua-Hsi	Male	August 10, 1993	3,483,520	3.50%	47,876	0.05%	-	-	Department of Nuclear Engineering, National Tsing Hua University	(Note 1)	-	-	-	-
President is also the head of the R&D Department and the Manufacturing Department	ROC	Lin Hung-Chun	Male	September 10, 2001	879,818	0.88%	-	-	-	-	Department of Electronic Engineering, National Taiwan University of Science and Technology Assistant Engineer of SYSGRATION LTD. Research and Development Engineer of FOONGTONE TECHNOLOGY CO., LTD.	CASTLES TECHNOLOGY SINGAPORE PTE. LTD. Director CASTLES TECHNOLOGY UK & IRELAND LTD. Director Casware System Technology Co., Ltd. General Manager	-	-	-	-
Chief Operating Officer	ROC	Huang Chia-Hua	Female	October 3, 2019	-	-	-	-	-	-	Graduate Institute of Industrial Management, National Taiwan University of Science and Technology Allone Solution Co., Ltd. Director Wamtek Technology Co., Ltd. Manager	-	-	-	-	-

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th rowspan="2">Date inaugurated</th><th colspan="2">Shareholding.</th><th colspan="2">Shareholding of spouse and minor children now</th><th colspan="2">Shareholding in the name of others</th><th rowspan="2">Major Experience (Education)</th><th rowspan="2">Concurrent positions in other companies now</th><th colspan="3">Manager with a spouse or relative within the second degree of kinship</th><th rowspan="2">Remarks</th></tr>
<tr><th>Number of Shares</th><th>Ownership</th><th>Number of Shares</th><th>Ownership</th><th>Number of Shares</th><th>Ownership</th><th>Title</th><th>Name</th><th>Relationship with the endorser/guarantor</th></tr>
<tr><td>Chief Strategy Officer</td><td>United States</td><td>Feng Wen-Chieh</td><td>Male</td><td>March 26, 2015</td><td>182,057</td><td>0.18%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Saginaw Valley State University MI. Master Degree of Business Administration
Department of Economics, National Chung Hsing University
UNIFORM INDUSTRIAL CORP. Vice President
US Bankcard Services CSO (USA)
ACER INCORPORATED Vice President
Hypercom Corporation President</td><td>Castles Technology International Corp. Director and President</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Quality Assurance Department Vice President</td><td>ROC</td><td>Lin Chiao-Li</td><td>Male</td><td>March 1, 1999</td><td>1,047,337</td><td>1.05%</td><td>134,962</td><td>0.14%</td><td>-</td><td>-</td><td>Department of Automation Control, Feng Chia University
Chengbo Industry Co., Ltd. Manager
Zhuji Software Co., Ltd. Engineer</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Sales Division Vice President</td><td>ROC</td><td>Fang Yi-Min</td><td>Male</td><td>October 1, 2006</td><td>54,441</td><td>0.05%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Department of Electrical & Mechanical Engineering, Chung Yuan Christian University
Jingrong Network Technology Co., Ltd. Director
Jinye Co., Ltd. Manager</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Title	Nationality	Name	Gender	Date inaugurated	Shareholding.		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Manager with a spouse or relative within the second degree of kinship			Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Sales Division - Deputy General Manager	ROC	Chen Yu-Chun	Female	August 16, 1999	776,156	0.78%	-	-	-	-	Howard Payne University Lantion Computer Co., Ltd. Marketing Specialist	CASTLES TECHNOLOGY SINGAPORE PTE. LTD. Director	-	-	-	-
R&D office Deputy General Manager	ROC	Li You chang	Male	March 12, 2018	1, 155	0. 00%	-	-	-	-	Department of Electronics, Southern Taiwan University of Science and Technology Product Manager, Weltrend Electronics Co., Ltd.	-	-	-	-	-
R&D office Deputy General Manager	ROC	Li Qing huang	Male	September 1, 2022	-	-	-	-	-	-	Department of Electrical Engineering, National Chung Cheng University Quanta Computer Co., Ltd. XAC Automation Corporation Simply Charged					
Sales Division assistant general manager	ROC	Chuang Ta-Wei	Male	October 1, 2006	129, 013	0. 13%	-	-	-	-	Department of Mechanical Engineering, Tungnan University Jinye Co., Ltd. Sales Representative Jingrong Network Technology Co., Sales Manager	-	-	-	-	-
Sales Division assistant general manager	ROC	Luo Chen-Yu	Female	June 21, 2016	72,999	0.07%	-	-	-	-	University of Wollongong ABLEREX ELECTRONICS CO., LTD. Sales Representative	-	-	-	-	-

Title	Nationality	Name	Gender	Date inaugurated	Shareholding.		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Manager with a spouse or relative within the second degree of kinship			Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Sales Division assistant general manager	ROC	Kao Yi-Ching	Female	June 21, 2016	594	0.00%	-	-	-	-	Universidad Argentina de la Empresa Guowei Electronics Corporation Head of Sales Division	-	-	-	-	-
Sales Division assistant general manager	ROC	Chiang Cheng-Hsu	Male	January 17, 2017	-	-	-	-	-	-	Macquarie University ASBER ENTERPRISE CO., LTD. Overseas Sales Representative	-	-	-	-	-
Assistant Vice President at the R&D Department	ROC	Tung Ke-Lian	Male	December 15, 2003	215,935	0.22%	-	-	-	-	Department of Information Management, Chinese Culture University FOONGTONE TECHNOLOGY CO., LTD. Manager	-	-	-	-	-
Assistant Vice President at the R&D Department	ROC	Chen Shu-Chiang	Male	July 30, 2012	168,317	0.17%	-	-	-	-	Graduate Institute of Computer Science and Information Engineering, National Taiwan University Department of Computer Science and Information Engineering, National Taiwan University	-	-	-	-	-
Strategic and Project Management Office Assistant Vice President	ROC	Chen Chun-Yu	Male	November 2, 2017	50,235	0.05%	12,844	0.01%	-	-	Graduate Institute of Civil Engineering, National Chiao Tung University XAC AUTOMATION CORP. Product Manager	-	-	-	-	-

Title	Nationality	Name	Gender	Date inaugurated	Shareholding.		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Manager with a spouse or relative within the second degree of kinship			Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
											POSKITZ LTD. Senior Product manager					
Financial Supervisor	ROC	Tu Mei yun	Female	April 01, 2022	50,157	0.05%	–	–	–	–	Department of Accounting, University of Science and Technology of China Accounting Specialist of Bohong Media Co., Ltd. Lian Yang Certified Public Accountants Tax Auditor					
Audit Office Associate Manager	ROC	Liao Pei-Chun	Female	May 14, 2007	-	-	-	-	-	-	Department of Industrial Engineering and Administration, Nan Kai University of Technology Good Will Instrument Co., Ltd. Plant Assistant	-	-	-	-	-

Note 1: Chairman of the Company is also the head of the Sales Division and the Overseas Business Department, Chairman of Huakang Investment Co., Ltd., Director of Huabo Investment Co., Ltd., Director of Castech International Limited, Director of Castech International (H.K.) Limited, Executive Director of Suzhou Castech Limited, Director of Castles Technology Singapore Pte. Ltd., Director of Castles Technology Europe S.R.L, Director of Castles Technology International Corp., Director and President of Castles Technology Spain SL, Chairman of Casware System Technology Co., Ltd., Director of Castles Technology HK & Ireland Ltd., and Director of Castles Technology Jordan Private Shareholding Company.

(VI) Remuneration to Directors, Supervisors, President and Vice in the Most Recent Year (2022)

1. Remuneration to directors

April 22, 2023 Unit: NT$ thousand

Title	Name	Directors' remuneration								Ratio of sum of A, B, C and D to net profit after tax (Note 1)		Remuneration for a concurrent position as an employee								A, B, C, D, E, F and G as a % of the net profits after tax (Note 1)		Claim of remuneration from re-invested businesses other than subsidiaries
		Base remuneration (A)		Severance and pension (B)		Remuneration for directors (C)		Business execution expenses (D)				Salary, bonus, allowance (E)		Severance and pension (F)		Remuneration for employees (G)						
																The Company		All companies in the financial statements				
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies in the financial statements	
Chairman	Hsin Hua-Hsi	-	-	-	-	349	349	-	-	0.04%	0.04%	3,705	3,705	-	-	750	-	750	-	0.60%	0.60%	No
Directors	Huakang Investment Co., Ltd.	-	-	-	-	349	349	-	-	0.04%	0.04%	-	-	-	-	-	-	-	-	0.04%	0.04%	No
Representative of director	Lin Hung-Chun	-	-	-	-	-	-	-	-	-	-	4,110	4,110	-	-	1,020	-	1,020	-	0.64%	0.64%	No
Directors	Chuang Shih-Chin	-	-	-	-	349	349	40	40	0.05%	0.05%	-	-	-	-	-	-	-	-	0.05%	0.05%	No
Directors	Li Kun-Ming	-	-	-	-	349	349	50	50	0.05%	0.05%	-	-	-	-	-	-	-	-	0.05%	0.05%	No
Independent Director	Huang Nai-Kuan	213	213	-	-	-	-	85	85	0.09%	0.09%	-	-	-	-	-	-	-	-	0.09%	0.09%	No
Independent Director	Kung Hsi-Hsun	-	-	-	-	349	349	100	100	0.06%	0.06%	-	-	-	-	-	-	-	-	0.06%	0.06%	No
Independent Director	Kung Hsin-Kai	-	-	-	-	349	349	100	100	0.06%	0.06%	-	-	-	-	-	-	-	-	0.06%	0.06%	No

1. Please describe the payment policy, system, criteria, and structure of remuneration for independent directors and the association between factors such as responsibilities assigned, risks, and time spent, among others, and the value of the rewards paid:
   (1) Besides the NTD 10,000 to cover the transportation of independent directors for each meeting they attend, in light of their duties, the undertaken risk, and the time devoted, as is required by the Company's Articles of Incorporation, should there be any remainder of the profit before tax after the remuneration to employees and that to directors/supervisors is subtracted and prior deficits are offset, no more than 3% of the remainder may be distributed as the remuneration to directors/supervisors each year. It is to be reviewed by the Compensation and Remuneration Committee and brought forth to the Board of Directors for a final decision.
   (2) The duties and undertaken risks of independent directors include supervision over the adequate expression of the Company's financial statements, effective implementation of the Company's internal control, compliance with applicable laws and rules, and control over existing or potential risks, among others. The Company already has all independent directors covered by liability insurance. The Company's independent directors attend at least 4 Board of Directors meetings and 2 Compensation and Remuneration Committee meetings each year.
2. Except as disclosed above, the remuneration to directors of the Company for providing services to all companies in the financial statements (such as serving as a non-employee consultant, etc.) in the most recent year: None.

Note 1: Net profit after tax means that of the most recent year (2021) and the net profit attributable to the owner of the parent company as shown in the stand-alone and consolidated financial statements is consistently NTD 761,273 thousand.

2. Remuneration to supervisors

April 22, 2023 Unit: thousand

Title	Name	Remuneration to supervisors						Ratio of the sum of A, B and C to net profit after tax (Note 1)		Remuneration claimed from re-investees other than subsidiaries or the parent company
		Base remuneration (A)		Remuneration (B)		Operational expenditure (C)				
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	
Corporate supervisor	POWER SUFFICIENT INTERNATIONAL CO., LTD.	-	-	221	221	-	-	0.03%	0.03%	No
Representative of corporate supervisor	Lin Kun-Huang	-	-	-	-	-	-	-	-	No

Note 1: The net profit % of the Company for 2022 is NTD 761,273 thousand.

3. Remuneration to the President and Vice President

April 22, 2023 Unit: NTD thousand

Title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance (C) (Note 1)		Employee remuneration (D)(Note 2)				Ratio of the sum of A, B, C, and D to after-tax earnings (%) (Note 3)		Claim of remuneration from re-invested businesses other than subsidiaries
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman is also the head of the Sales Division and the Overseas Business Department	Hsin Hua-Hsi	16,917	22,497	-	-	5,528	10,178	4,018	-	4,018	-	3.77%	5.12%	No
President is also the head of the R&D Department	Lin Hung-Chun													
Chief Operating Officer	Huang Chia-Hua													
Chief Strategy Officer	Feng Wen-Chieh													
Deputy General Manager	Li You chang													
Deputy General Manager	Li Qing huang													
Deputy General Manager	Lin Chiao-Li													
Deputy General Manager	Fang Yi-Min													
Deputy General Manager	Chen Yu-Chun													

Note 1: The year-end bonus distribution was approved by the Board of Directors on January 10, 2023.
Note 2: The remuneration to employees for 2022 was approved by the Board of Directors on March 28, 2023.
Note 3: The net profit % of the Company for 2022 is NTD 761,273 thousand.

Remuneration ranges

Remuneration ranges for the general managers and deputy general managers of the Company	Name of general manager or deputy general manager	
	The Company	All companies in the financial statements
Less than NT$1,000,000	Feng Wen-Chieh	-
NT$1,000,000 (inclusive) ~ NT$2,000,000 (exclusive)	Lin Chiao-Li, Fang Yi-Min	Lin Chiao-Li, Fang Yi-Min
NT$2,000,000 (inclusive) ~ NT$3,500,000 (exclusive)	Huang Chia-Hua, Chen Yu-Chun, Li You chang	Huang Chia-Hua, Chen Yu-Chun, Li You chang
NT$3,500,000 (inclusive) ~ NT$5,000,000 (exclusive)	Hsin Hua-Hsi, Li Qing huang	Hsin Hua-Hsi, Li Qing huang
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)	Lin Hung-Chun	Lin Hung-Chun
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)	-	-
More than NT$100,000,000	-	-
Total	9	9

4. Remuneration paid to the Top 5 department heads with the highest remuneration

April 22, 2023 Unit: NTD thousand

Title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance (C) (Note 1)		Remuneration for employees (D)				A, B, C and D as a % of the net profits after tax (%) (Note 2)		Claim of remuneration from re-invested businesses other than subsidiaries
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman is also the head of the Sales Division and the Overseas Business Department	Hsin Hua-Hsi	2,820	2,820	-	-	885	885	750	-	750	-	0.59%	0.59%	No
President is also the head of the R&D Department	Lin Hung-Chun	2,850	2,850	-	-	1,250	1,250	1020	-	1020	-	0.67%	0.67%	No
Chief Operating Officer	Huang Chia-Hua	1,800	1,800	-	-	610	610	450	-	450	-	0.44%	0.44%	No
Chief Strategy Officer	Feng Wen-Chieh	387	5,967	-	-	10	4,660	-	-	-	-	0.11%	1.46%	No
Assistant Vice President at the R&D Department	Chen Shu-Chiang	2,000	2,000	-	-	435	435	425	-	425	-	0.38%	0.38%	No

Note 1: The year-end bonus distribution was approved by the Board of Directors on January 10, 2023.
Note 2: The net profit % of the Company for 2022 is NTD 761,273 thousand.

5. Names of managers assigned with employee remuneration and the distribution:

December 31, 2022; Unit: NTD Thousand

Item	Title	Name	Amount in stock (Note 1)	Amount in cash (Note 1)	Total	Ratio of total amount to net profit after tax (Note 2)
Managerial Officer	Chairman is also the head of the Sales Division and the Overseas Business Department	Hsin Hua-Hsi	-	6,180	6,180	0.77%
	President is also the head of the R&D Department	Lin Hung-Chun				
	Chief Operating Officer	Huang Chia-Hua				
	Chief Strategy Officer	Feng Wen-Chieh				
	Quality Assurance Department Vice President	Lin Chiao-Li				
	Sales Division - Deputy General Manager	Fang Yi-Min				
	Sales Division - Deputy General Manager	Chen Yu-Chun				
	Deputy General Manager of R&D Department	Li Qing huang				
	Deputy General Manager of R&D Department	Li You chang				
	Sales Division assistant general manager	Chuang Ta-Wei				
	Sales Division assistant general manager	Luo Chen-Yu				
	Sales Division assistant general manager	Kao Yi-Ching				
	Sales Division assistant general manager	Chiang Cheng-Hsu				
	Assistant Vice President at the R&D Department	Tung Ke-Lian				
	Assistant Vice President at the R&D Department	Chen Shu-Chiang				
	Financial Supervisor	Tu Mei yun				
	Strategic and Project Management Office Assistant Vice President	Chen Chun-Yu				

Note 1: The net profit % of the Company for 2022 is NTD 761,273 thousand.

(VII) Compare and describe the total remuneration paid to directors, supervisors, President, Vice Presidents in the most recent 2 years by the Company and all companies in the consolidated financial statements as a % of the net profits after tax, and explain the policies, criteria, combination, the procedures for determining remuneration and the correlation to operating performances and future risks.

1. Analysis of ratios of total remunerations paid to directors/supervisors, the President, and

the Vice President of the Company for the past two years to the after-tax net profit

Unit: %

Title	2021		2022	
	The Company	Consolidated Company	The Company	Consolidated Company
Director (Note)	4.39	4.39	1.59	1.59
Supervisor	0.22	0.22	0.03	0.03
President and Vice President	8.28	10.80	6.44	7.79

Note: Including the remuneration claimed by someone who is also an employee

2. Correlation among policies, standards, and their combinations on the remuneration paid to directors/supervisors, President, and Vice Presidents, remuneration establishment procedures, and management efficacy and risks in the future:

The remuneration to the directors/supervisors, President, and Vice Presidents of the Company is all based on the Articles of Incorporation and is presented during the shareholders' meeting after it is approved by the Board of Directors. The remuneration to the President and Vice Presidents of the Company is paid taking into consideration the salary level in the industry, the scope of responsibilities associated with the position, and their contribution to the fulfillment of corporate operation goals for the year.

III. Status of Corporate Governance

(I) Board of Directors

The Board met 6 times in total throughout 2022. The attendance (seating) of directors/supervisors in the meetings is as follows:

Title	Name	Actual attendance (seated) frequency (B)	Number of attendance by proxy	Ratio of Actual Attendance (%) (B/A)	Remarks
Chairman	Hsin Hua-Hsi	6	0	100%	Succeeded upon re-election on 8/24/2021.
Directors	Huakang Investment Co., Ltd. Representative: Li Hung-Chun	6	0	100%	Succeeded upon re-election on 8/24/2021.
Directors	Chuang Shih-Chin	4	5	66.67%	Succeeded upon re-election on 8/24/2021.
Directors	Li Kun-Ming	5	1	83.33%	Newly elected on 8/24/2021.
Independent Director	Kung Hsi-Hsun	6	0	100%	Succeeded upon re-election on 8/24/2021.
Independent Director	Kung Hsin-Kai	6	0	100%	Succeeded upon re-election on 8/24/2021.
Independent Director	Huang Nai-Kuan	6	0	100%	Newly elected on 8/24/2021.

Other matters required to be recorded.

I. If the operation of the Board of Directors is under any of the following circumstances, the date, period, proposal content, all independent directors' opinions and the Company's handling of their opinions should be described:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act.

Date of the meeting (Term)	Motion content	Opinions from all independent directors and how the Company addressed them
January 18, 2022 (8th term - 3th meeting)	1. Approved and handled the 2022 cash capital increase and issuance of new shares	Approved by all independent directors as is unanimously.
March 28, 2022 (8th term - 4th meeting)	1. Approval of the no need to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as of December 31, 2021 as the funds lent. 2. Approved the revision of some provisions of the "Procedures for Acquisition or Disposal of Assets". 3. Approval of the company's personnel change case . 4. Approve the company to revise part of the text of the "Internal Control System" and "Internal Audit Implementation Rules".	
May 10, 2022 (8th term - 5st meeting)	1. Approval of the no need to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as of March 31, 2022 as the funds lent. 2. Appointment and remuneration of certified certified accountants	
June 14, 2022 (8th term - 6st meeting)	Approval of matters related to the company's cash capital increase and issuance of new shares.	
August 12, 2022 (8th term - 7 st meeting)	1. Approval of the no need to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as of June 30, 2022 as the funds lent. 2. Approved that the company will not continue to handle the 2021 cash capital increase private placement common stock case	
November 8, 2022 (8th term - 8 st meeting)	1. Approval of the no need to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as of September 30, 2022 as the funds lent. 2. Approved the company's 112-year certification accountant appointment and independence and suitability assessment review case 3. Approved the revision of "Internal Control System" and "Internal Audit Implementation Rules". 4. Approve the company's acquisition of assets.	

(II) Besides the foregoing, other resolutions reached in Board of Directors' meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements rectors in a written statement: None.

II. In the implementation of a director's recusal for being an interested party in a proposal, the director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated:

(I) 8th term - 3th meeting:

Review of the compensation and remuneration performance evaluation of directors/supervisors and managers of 2020; the two directors Hsin Hua-Hsi and Lin Hung-Chun, the COO Huang Chia-Hua, and Vice President Lin Shu-Liang excused themselves as they were stakeholders. Independent Director Kung Hsi-Hsun chaired the review and it was approved as is unanimously by all attending directors following inquiries by the chair.

(II) 8th term - 4th meeting

Review of the compensation and remuneration structure and criteria of directors/supervisors and managers of 2022; the two directors Hsin Hua-Hsi and Lin Hung-Chun, the COO Huang Chia-Hua, and Vice President Lin Shu-Liang excused themselves as they were stakeholders. Independent Director Kung Hsi-Hsun chaired the review and it was approved as is unanimously by all attending directors following inquiries by the chair.

(III) 8th term - 6th meeting

Intended adjustment of the compensation and remuneration criteria of directors/supervisors and managers of 2022; the two directors Hsin Hua-Hsi and Ling Hung-Chun and Vice President Lin Shu-Liang excused themselves as they were stakeholders. Independent Director Kung Hsi-Hsun chaired the review and it was approved as is unanimously by all attending directors following inquiries by the chair.

(IV) 8th term - 7th meeting

Intended adjustment of the compensation and remuneration criteria of directors/supervisors and managers of 2022; the two directors Hsin Hua-Hsi and Ling Hung-Chun and Vice President Lin Shu-Liang excused themselves as they were stakeholders. Independent Director Kung Hsi-Hsun chaired the review and it was approved as is unanimously by all attending directors following inquiries by the chair.

(V) 8th term - 9th meeting

Intended adjustment of the compensation and remuneration criteria of directors/supervisors and managers of 2022; the two directors Hsin Hua-Hsi and Ling Hung-Chun and Vice President Lin Shu-Liang excused themselves as they were stakeholders. Independent Director Kung Hsi-Hsun chaired the review and it was approved as is unanimously by all attending directors following inquiries by the chair.

III. Evaluation of Board of Directors:

Evaluation frequency	Evaluation duration	Evaluation scope	Evaluation method	Evaluation content
Once a year	The performance of the Board of Directors from January 1, 2021 to December 31, 2021 was evaluated.	Overall performance evaluations of the Board of Directors, individual directors, and affiliated functional committees.	The internal self-assessment of the Board of Directors, the self-assessment of the members of the Board of Directors, the self-assessment of the functional committee.	(Note)

Note: The 2022 evaluation indicators are as follows:

Target of evaluation	Board of Directors	Members of Board of Directors	Compensation and Remuneration Committee
Evaluation Items	• Involvement in corporate operation • Improved decision-making quality of the Board of Directors. • Composition and structure of Board of Directors • Election of its directors and continuing education for them • • Internal control	• Keeping track of corporate goals and missions • Awareness of duties as a director • Involvement in corporate operation • Management of internal relations and communication • Director's professionalism and continuing education • • Internal control	• Involvement in corporate operation • Awareness of duties of the Audit Committee • Improved decision-making quality of committees • Composition and member appointment of committees. • • Internal control

Evaluation options: from very good to very bad 5, 4, 3, 2, and 1 points, respectively.
The Board of Directors scored in the 2022 performance evaluation between 5 (very good) and 4 (good). Most of the directors believed that the Board functioned very well in each of the indicators being evaluated and determined that the Board of Directors and each of the functional committees worked optimally as a whole and fulfilled corporate governance requirements and managed to effectively reinforce the functions of the Board of Directors and to protect the rights of shareholders.

IV. Reinforced assessments of functional objectives (such as setting up the Audit Committee, promoting information transparency, etc.) of the Board of Directors and implementation status of the objectives of the specific year and the most recent year:

(I) Improve information transparency: In order to enforce corporate governance, the Company fully discloses related information in the Market Observation Post System and the Annual Report for enhanced information transparency.

(II) The Compensation and Remuneration Committee was set up as required by the Securities and Exchange Act on August 24, 2021. The professionalism, the duties, and related requirements to be followed by the members are based on applicable requirements.

(II) Operational Status of the Audit Committee and Participation of Supervisors in the Operations of the Board of Directors:

The Audit Committee met 5 time (A) in total in 2022 and seating in the meetings is as follows:

Title	Name	Actual attendance (seated) frequency (B)	Ratio of Actual Attendance (%) (B/A)	Remarks
Independent Director	Kung Hsi-Hsun	5	100%	
Independent Director	Kung Hsin-Kai	5	100%	
Independent Director	Huang Nai-Kuan	5	100%	

Other matters required to be recorded.

I. If the operation of the Audit Committee is under any of the following circumstances, the date, term, proposal content, all independent directors' dissented opinions, qualified opinion, or material suggestion content, the resolution of the Audit Committee, and the Company's handling their opinions should be described:

(I) Matters listed in Article 14-5 of the Securities and Exchange Act:

Date	Term	Motion content	Resolutions of the Audit Committee	The Company's handling of the Audit Committee members' opinions
January 18, 2022	1st term - 2st meeting	The company handled the 2022 cash capital increase and the issuance of new shares	The proposal was approved as is by all attending members unanimously and was brought forth to the Board of Directors for a final decision	No
March 28, 2022	1st term - 3st meeting	1. The company amended some of the texts of the "Procedures for Acquisition or Disposal of Assets". 2. The company revised some articles of the "Internal Control System" and "Internal Audit Implementation Rules". 3. The company's accounting and financial supervisor was changed	The proposal was approved as is by all attending members unanimously and was brought forth to the Board of Directors for a final decision	No

		to Ms. Tu Meiyun, the assistant manager of the management office.		
May 10 2022	1st term - 4st meeting	1. Approval of the no need to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as of March 31, 2022 as the funds lent. 2. Appointment and remuneration of certified certified accountants	The proposal was approved as is by all attending members unanimously and was brought forth to the Board of Directors for a final decision	No
August 12 2022	1st term - 5st meeting	1. Approval of the no need to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as of June 30, 2022 as the funds lent. 2. It is approved that the company will not continue to handle the 2022 cash capital increase private placement common stock case.	The proposal was approved as is by all attending members unanimously and was brought forth to the Board of Directors for a final decision	No
November 08 2022	1st term - 6st meeting	1. Approval of the no need to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as of September 30, 2022 as the funds lent.	The proposal was approved as is by all attending members unanimously and was brought forth to the Board of Directors for a final decision	No

		2. Approve the company's revision of some articles of the "Internal Control System" and "Internal Audit Implementation Rules".		

(II) Besides those mentioned in the foregoing, other resolutions with approval by two-thirds and more of all directors despite the failure to be approved by the Audit Committee: None.

II. In the implementation of an independent director's recusal for being an interested party in a proposal, the independent director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated: No such situation.

III. Communication between independent directors and the Internal Audit Officer and CPAs:

Date	Details	Result	Independent Director Recommendation
March 28, 2022	1. Communication upon completion of the audit of 2021 financial statements 2. Internal Control System Declaration 3. Internal audit operations	No opinions from independent directors	No opinion
August 12, 2022	1. Communication upon completion of the audit of financial statements for the first half of 2022 2. Internal audit operations	No opinions from independent directors	No opinion

(III) The operation of corporate governance and the difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
I. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies"?		V	The Company is yet to define its "Corporate Governance Best Practice Principles" yet the fulfillment of functions by directors, independent directors, and supervisors, and implementation of the internal control system are consistently based on the essence of the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies".	They will be defined in the future in compliance with the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies".
II. The Company's equity structure and shareholder equity				
(I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes, litigations, and implemented them according to the procedures?	V		(I) There are spokespersons, acting spokespersons, and people in charge of stock affairs to address shareholder advice or disputes, among others.	Applicable requirements of the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" are followed. There is no difference.
(II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?	V		(II) The Company has signed a contract with the stock affairs agency to authorize it as an independent operator and manager of shares held by major shareholders and to announce and declare changes in the shares held by insiders (directors, supervisors, managers, and major shareholders holding at least 10% of all shares) on a monthly basis as required by Article 25 of the Securities and Exchange Act.	
(III) Has the Company established and implemented risk management and firewall mechanisms with its associated enterprises?	V		(III) There are already systems and regulations such as the "Operating Procedure for Transactions Involving Specific Companies, Group Businesses, and Related Parties", the "Procedure for the Acquisition or Disposal of Assets", and the "Operating Procedure for Lending to Others" and suitable risk control and firewall, among other measures, in place.	
(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	V		(IV) The Company has defined its Operating Procedure for Handling Major Internal Information in order to govern the confidentiality of major internal information and it is periodically communicated that no one may trade the Company's shares taking advantage of information yet to be disclosed.	
III. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors formulate diversified policies, and specific management	V		(I) In honor of the diversification policy regarding the composition of the Board of Directors, two independent directors were elected during the 2012	Related mechanisms will be created in the future as required by the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
objectives and implementation?			shareholders' meeting to be involved in corporate operation.	Companies".
(II) Does the Company voluntarily establish functional committees other than the Compensation and Remuneration Committee and the Audit Committee?	V		(II) The Company has set up the Compensation and Remuneration Committee and the Audit Committee as is required by law and no other functional committees are available at present.	
(III) Has the Company established standards and method for evaluating the performance of the Board of Directors and does the Company implement the performance evaluation periodically and submit results of the performance evaluation to the Board of Directors and use them for reference while deciding compensation and rewards for individual directors and nominating them for a second term in office?	V		(III)The Company has established the Board of Directors' Performance Evaluation Measures and defined the evaluation method.	
(IV) Does the Company regularly evaluate the independence of the CPAs?	V		(IV) The CPAs are hired by the Board of Directors and has fulfilled the independence requirement before or after the appointment.	
IV. For TWSE/TPEx-listed companies, is there competent corporate governance staff and is the number of such employees suitable and a corporate governance officer assigned to take charge of corporate governance-related affairs (including, without limitation, providing directors/supervisors with the required materials for them to perform their duties, assisting directors/supervisors in complying with laws and regulations, addressing matters concerning the Board of Directors meeting and		V	The Company has the responsible corporate governance unit in place; it is the Personnel and Stock Affairs Department, which will take care of matters concerning corporate governance. The Corporate Governance Officer, however, is yet to be assigned.	Requirements of the competent authority will be followed in the future.

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
shareholders' meetings and preparing the Board of Directors and shareholders' meeting minutes)?				
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?	V		The Company has the spokesperson system in place and released related information as required so that stakeholders know the operational status of the Company and their rights may be protected. The Company has an exclusive section for stakeholders on its website.	Requirements of the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" are followed. There is no difference.
VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholder meetings?	V		The Company appointed a professional stock affairs agency to handle matters for shareholder meetings.	Requirements of the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" are followed. There is no difference.
VII. Information Disclosure				
(I) Has the Company set up a website to disclose finance and business matters and corporate governance information?	V		(I) Information on corporate finance, operations and corporate governance has been adequately disclosed on the Company's website.	Requirements of the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" are followed. There is no difference.
(II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?	V		(II) The Company's stock affairs department is responsible for collecting corporate information and disclosing significant matters and the spokesperson system is in place and related information is disclosed in the "Market Observation Post System" as required.	
(III) Does the Company announce and declare its annual financial report within two months after the end of the fiscal year and announce and declare the first, second and third quarter financial reports and the monthly operating situation as early as possible within		V	(III) The Company announces and declares its annual financial report by the required deadline and announces and declares the first, second, third quarter financial reports and monthly operational status by the required deadline.	All announcements have been made by the statutory deadline and no premature announcements or declarations have occurred.

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
the prescribed time limit?				
VIII. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, Implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	V		1. Employees' rights: The Company has a sound personnel system that governs the rights and obligations of its staff versus the Company and is meant to protect the rights of colleagues and to ensure normal corporate operations in principle. 2. Employee care: The Company follows applicable regulatory requirements such as the Labor Standards Act. For the care measures that are available, the Welfare Committee offers benefits such as travel subsidies, three-festival prizes, child birth condolences, family funeral condolences, among others. In terms of work, health, and life, there is the annual health exam that monitors the physical condition of each colleague and there are also group outdoor events from time to time to keep its people healthy at the recreational level, too. 3. Investor relations: The Company has the spokesperson system and the stock affairs department in place to address advice from shareholders. 4. Supplier relations: The Company maintains long-term stable collaborative relationships with respective suppliers. 5. Rights of stakeholders: The stakeholders may communicate with and advise the Company in order to protect the expected legal rights. 6. Continuing education of directors and supervisors: Continuing education courses were provided to all directors and supervisors in 2021. 7. Implementation of risk management policies and risk measurement standards: The Internal Audit Unit of the Company performs audits periodically in order to control possible operational risks. 8. Implementation of customer policies: The Company sells a series of products under its own brand and serves end users through dealers around the world and cooperates by providing the RMA service. Quick service is the mission in order to pursue greater customer satisfaction. 9. Purchase of liability insurance for directors and supervisors: The Company has had the directors and supervisors covered by liability insurance.	The requirements of the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies" are followed and related mechanisms will be established accordingly, too, in order to constantly reinforce the insufficiencies.

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">The State of Operations</th><th rowspan="2">The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td colspan="5">IX. Please explain the improvements already made by the Company according to the governance evaluation results released in the past year by the corporate governance center of Taiwan Stock Exchange and matters and measures to be prioritized. (Not required if not included in the evaluation):</td></tr>
</table>

Question No.	Corporate governance evaluation item	Correction and implementation
2.10	Does the Company have a conforming Audit Committee?	The Audit Committee was already set up in 2021.

(IV) Composition, Responsibilities, and Operation of the Compensation and Remuneration Committee:

1. Information on the members of the Compensation and Remuneration Committee

Criteria / Name	Professional qualification and experience	Independence (Fulfillment of Note 1)	Number of other public companies in which the individual is concurrently serving as an independent director
Kung Hsi-Hsun	CIPHERLAB CO., LTD. General Manager CIPHERLAB CO., LTD. Chief Technology Officer COS ENGINEERING CO., LTD. Chairman and General Manager TCC Information Co., Ltd. Supervisor	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	0
Kung Hsin-Kai	K&B CPAs Firm Partner Deloitte Taiwan Associate Manager at the Audit Department Hsinkai CPAs Firm Partner Xinkai Management Consulting Co., Ltd. Director FIRST STEAMSHIP COMPANY, LIMITED Independent Director	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	1
Fang Chih-Chiang	Associate Professor at the Department of Accounting, National Chung Cheng University SAGITTARIUS LIFE SCIENCE CORP. Independent Director	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	1

Note 1: For each member who has met the following criteria for the two years prior to their elections and during their tenure, please mark "✓" in the space below each criterion code.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or its affiliates. (However, this restriction does not apply to independent directors of the Company, its parent or subsidiary elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country.)

(3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all outstanding shares of the Company or is on the Top 10 shareholding list.

(4) Not a managerial officer under (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship under (2), (3).

(5) Not a director, supervisor, or employee of a corporate shareholder directly holding 5% or more of the total number of issued shares of the Company, or among the top 5 in shareholdings, or designating its representative to serve as a director or supervisor of the Company under Article 27,

Paragraph 1 or 2 of the Company Act. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)

(6) Not a director, supervisor, or employee of other company. If a majority of the Company's director seats or shares with voting rights and those of that other company are controlled by the same person: (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company or its parent or subsidiary or a subsidiary of the same parent.)

(7) Not a director, supervisor, or employee of the other company or institution who is or whose spouse is the chairman, general manager or equivalent positions of the Company. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)

(8) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company. (However, this restriction does not apply to independent directors elected in accordance with the Securities and Exchange Act or the laws and regulations of the local country, who concurrently serve as such at the Company and its parent or subsidiary or a subsidiary of the same parent and when the specific company or institution holds more than 20% of the Company's total issued shares but not more than 50%.)

(9) Not a professional, sole proprietor, partner, owner of a company or institution, director, supervisor, managerial officer or its spouse that provides the Company or affiliates with commercial, legal, financial, accounting or related services with a cumulative amount of remuneration in the last two years exceeding NTD 500,000. This restriction does not apply, however, to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, which exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not a person with any of the circumstances under Article 30 of the Company Act.

2. Duties of the Compensation and Remuneration Committee

With due diligence as good-will manager, it truthfully fulfills the following responsibilities and provides advice to the Board of Directors for discussion:

(1) Regularly review the organizational procedures of the Remuneration Committee and propose amendments.

(2) Formulate and regularly review the Company's policies, systems, standards and structures of annual and long-term performance targets and remuneration for directors, supervisors, and managers.

(3) Regularly evaluate the achievement of the performance goals of the company's directors, supervisors and managers, and determine the content and amount of their individual remuneration.

3. Information on the operations of the Remuneration Committee

(1) There are three members of the Remuneration Committee of the Company.

(2) Tenure of current members: Members of the Compensation and Remuneration Committee of the 2nd term will serve from August 24, 2021 to August 23, 2024. The Compensation and Remuneration Committee met 4 times (A) in total in the most recent year (2021) up to the date when the Prospectus was printed. Attendance of the members is as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	% of attendance in person (B/A) (Note)	Remarks
Convener	Kung Hsi-Hsun	4	0	100	Tenure expired on June 25, 2021 and the convener was re-elected and inaugurated on August 24, 2021.
Member	Kung Hsin-Kai	4	0	100	Tenure expired on June 25, 2021 and the convener was re-elected and inaugurated on August 24, 2021.
Member	Fang Chih-Chiang	4	0	100	Tenure expired on June 25, 2021 and the convener was re-elected and inaugurated on August 24, 2021.

Other matters required to be recorded.

I. Date of meeting, content of the proposals, results of the resolutions, and the Company's handling of the opinions of the Compensation and Remuneration Committee in 2021:

Remuneration Committee	Motion content	Resolution	How the Company addressed opinions from the Compensation and Remuneration Committee
2022/01/28	1. Review of the compensation and remuneration performance evaluation of directors/supervisors and managers of 2021.	The proposal was approved as is unanimously by all attending members.	It was submitted to the Board of Directors and approved by all attending directors.
2022/03/28	1. Preparation of the compensation and remuneration policy for directors/supervisors and managers of 2022. 2. Preparation of the compensation and remuneration structure and criteria of directors/supervisors and managers of 2022.	The proposal was approved as is unanimously by all attending members.	It was submitted to the Board of Directors and approved by all attending directors.
2022/06/14	1. Adjustment of the compensation and remuneration criteria for directors/supervisors and managers of 2022	The proposal was approved as is unanimously by all attending members.	It was submitted to the Board of Directors and approved by all attending directors.
2022/08/12	1. Adjustment of the compensation and remuneration criteria for directors/supervisors and managers of 2022.	The proposal was approved as is unanimously by all attending members.	It was submitted to the Board of Directors and approved by all attending directors.

II. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it should state the date, period, proposal content, resolution of the board, and its handling of the committee's opinions (if the remuneration approved by the board is better than the recommendation proposed by the committee, the difference and reasons should be stated): None.

III. For the proposals by the Remuneration Committee. If any members have objections or reservations with records or written statements, the date, period, proposal content, and opinions of all members, its handling of the members' opinions should be stated: None.

(V) Information of members of the Nomination Committee and its operational status: The Company does not have a Nomination Committee and hence it is not applicable.

(VI) The implementation of the sustainable development and its deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies" and the reasons

Promotion items	Status of implementation			Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons:
	Yes	No	Summary Description	
I. Has the Company established a governance structure to promote sustainable development, and designated a full-time (part-time) unit to promote sustainable development, which is to be handled by the senior management with the authorization of the Board of Directors, and the actual supervision of the Board of Directors?	✓		The Company already has the Sustainable Development Best Practice Principles in place and they will be enforced in the future.	The system was defined in 2015. The Company will create related mechanisms as required by the "Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies."
II. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		The Company periodically has the President to hold the "operational strategy meeting" where all managers are gathered to evaluate risks of related environmental, social, and corporate governance issues in corporate operation. If risk matters are determined to occurring, on the other hand, the "task force" will be formed to prepare related countermeasures.	No significant difference
III. Environmental Issues (I) Has the Company developed an appropriate environmental management system reflective of its distinctive characteristics? (II) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environment?	 ✓ ✓		 (I) The Company's products must meet EU RoHS standards and suppliers are asked to commit to cooperation. (II) The Company already combines the essence of resources utilization in product design and outsourced manufacture, among other stages in order to minimize environmental impacts.	 No significant difference No significant difference

Promotion items	Status of implementation			Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons:
	Yes	No	Summary Description	
(III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?	✓		(III) Employees are educated and communicated to and energy-saving and carbon reduction movement is promoted regarding illumination and the use of refrigerator equipment.	No significant difference
(IV) Does the Company tally greenhouse gas emissions, water consumption and the total weight of waste for the past two years and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	✓		(IV) The Company will follow the reference guidelines and applicable requirements released by the competent authority while continuing to monitor the fulfillment in GHG inventory checks and the verification disclosure timeline.	No significant difference
IV. Social issues				
(I) Does the Company formulate relevant management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company has followed applicable requirements of the Labor Standards Act and respects internationally acceptable basic human rights of workers while taking care of its employees and fulfilling its corporate social responsibilities.	No significant difference
(II) Does the Company define and enforce reasonable employee welfare measures (including compensation, leave, and other benefits, among others) and the operational performance or accomplishments are adequately reflected in the employees' compensation?	✓		(II) The Company has the Industrial Safety Office in place to take charge of employees' safety and health exams, environmental disinfection, employee travels, group pressure-relieving recreational activities, among other measures, are held periodically to help protect the health of its people.	No significant difference

Promotion items	Status of implementation			Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons:
	Yes	No	Summary Description	
(III) Does the Company provide a safe and healthy working environment for employees, and offer safety and health education for employees regularly?	✓		(III) The Company has the Industrial Safety Office in place to take charge of employees' safety and health exams, environmental disinfection, employee travels, group pressure-relieving recreational activities, among other measures, are held periodically to help protect the health of its people.	No significant difference
(IV) Has the Company established effective career development and training plans for its employees?	✓		(IV) The Company has defined the guidelines for rankings at work, occupational systems, and titles at work and potential employees are given related educational opportunities to prepare them for promotions in compliance with the guidelines.	No significant difference
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling issues of its products and services and established related consumer protection policies and grievance procedures?	✓		(V) The Company's products are sold around the world. Products are labeled in compliance with applicable domestic and international regulatory requirements. There is also the procedure in place for customers to reflect issues and for addressing the issues. All products are given a warranty period in order to provide consumers with maximum protection. Through RMA and the after-sales service department, all issues raised by customers are quickly resolved.	No significant difference

Promotion items	Status of implementation			Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons:
	Yes	No	Summary Description	
(VI) Does the Company define supplier management policies and require that suppliers follow applicable regulations in issues such as environmental protection, occupational safety and health, or human rights of workers and how are they implemented?	✓		(VI) The Company has defined its supplier evaluation system. For suppliers that violate applicable environmental laws and regulations, the Industrial Safety Unit will investigate and evaluate if the business relationship may be continued. The Company signs the Social Responsibility Commitment with each of its major suppliers or OEM facilities.	No significant difference
V. Does the Company prepare the Corporate Social Responsibility Report or other reports disclosing non-financial information of the Company by referring to international general principles or guidelines in the preparation of reports? Has the assurance or opinion from third-party certifying institutions been obtained for the aforementioned reports?			The Company adequately discloses the implementation status of corporate social responsibilities through the corporate website, its Annual Report, and the Market Observation Post System and hence no Corporate Social Responsibility Report is prepared.	No significant difference
VI. If the Company has the sustainable development best practice principles formulated in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies," please describe the differences between its operation and the principles. The Company already defined its Corporate Social Responsibility Best Practice Principles in 2015 and will enforce it in the future.				
VII. Other important information that helps understand the promotion of sustainable development (I) The Company properly fulfills its social responsibility in taking care of its employees. The unpaid leave has never occurred and additional manpower is hired through more job openings.				

(V) Fulfillment of Ethical Corporate Management and Measures Adopted:

Evaluation Items	The State of Operations			Deviation From the "Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Company" and the Reasons.
	Yes	No	Summary Description	
I. Establishment of ethical corporate management policy and proposal				
(I) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy?	V		(I) The Company has defined its "Code of Ethical Conduct", "Ethical Corporate Management Best Practice Principles", and "Procedure for Ethical Corporate Management and Behavioral Guide" that must be followed by all departments while they carry out related tasks and supervise the implementation and report to the Board of Directors.	Requirements of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" are followed. There is no difference.
(II) Has the Company established an evaluation mechanism for unethical behavioral risks that helps periodically analyze and evaluate operational activities of relatively high unethical behavioral risks within the scope of operation and defined a solution to prevent against unethical behaviors accordingly that covers at least the preventive measures against respective acts under Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies?	V		(II) The Company has defined its "Code of Ethical Conduct," "Ethical Corporate Management Best Practice Principles" and "Procedure for Ethical Corporate Management and Behavioral Guide" to govern unethical behavior and the procedure for handling illegitimate interest and plans to combine the policies in employee performance evaluation and define an explicit disciplinary system.	
(III) Has the Company specified the operating procedures, behavioral guide, punishment for violators, and the disciplinary and complaint-filing system in case of violation in the proposal to prevent against unethical behaviors, and enforced them, and periodically reflected upon and amended the foregoing solution?	V		(III) The Company has a valid internal control system and accounting system in place and reflects upon them from time to time to ensure that the design and the implementation continue to be valid and to prevent against unethical operating activities.	
II. Implementation of Ethical Corporate Management				
(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	V		(I) Before establishing a business relationship, the legitimacy, ethical corporate management policy, and whether there are records of unethical behavior of the counterpart will be evaluated first to ensure fair and transparent transactions. For those in an intensive mutual partnership, ethical behavior will be defined as one term in the contract as well.	Requirements of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" are followed. There is no difference.

Evaluation Items	The State of Operations			Deviation From the "Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Company" and the Reasons.
	Yes	No	Summary Description	
(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and regularly report (at least once a year) to the Board of Directors on its ethical corporate management policy and plan to prevent unethical conduct and monitor their implementation?	V		(II) The responsible unit is the Audit Office, which is responsible for revising, enforcing, communicating, and supervising applicable guidelines and for reporting to the Board of Directors.	
(III) Has the Company established policies to prevent against conflicts of interest, provided appropriate channels for filing related complaints and implemented the policies accordingly?	V		(III) The Company's directors, while discussing proposals in a Board meeting, shall excuse themselves if they or the corporate they represent is a stakeholder to harm the interest of the Company.	
(IV) Has the Company created effective accounting and internal control systems to consolidate ethical corporate management and does the internal audit unit stipulates related audit plans according to the evaluation results of unethical behavioral risks and inspect compliance with the solution to prevent against unethical behaviors or authorize the CPAs to perform inspections?	V		(IV) The Company's internal auditors periodically audit compliance with the accounting system and the internal control system and prepare the Audit Report, which is to be submitted to the Board of Directors. The operational status so far has been optimal.	
(V) Does the Company hold internal and external educational trainings on ethical management regularly?	V		(V) For newcomers, the Company has them read through applicable rules on ethical corporate management under guidance and related rules and regulations are available in the public computer area for review and will hold periodic educational trainings on ethical corporate management.	
III. The operation of the Company's whistleblower reporting system				
(I) Has the Company set up a specific whistleblowing and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?	V		(I) In the Company's "Procedure for Ethical Corporate Management and Behavioral Guide" are the whistleblowing and reward system and there is a responsible unit - the Administration Division - to take charge of enforcing it.	Requirements of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" are followed. There is no difference.
(II) Has the Company formulated standard operating procedures for the investigation of reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?	V		(II) In the Company's "Procedure for Ethical Corporate Management and Behavioral Guide" are the standard operating procedure for investigating reported items, subsequent measures, and related confidentiality mechanisms.	
(II) Has the Company established any standard operating procedures, subsequent	V		(III) The Company's "Procedure for Ethical Corporate Management and Behavioral Guide" specifies	

Evaluation Items	The State of Operations			Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Company” and the Reasons.
	Yes	No	Summary Description	
measures to be adopted after the investigation is completed, or confidentiality mechanisms for handling reported matters?			measures to protect whistleblowers against improper treatment as a result of whistleblowing.	
IV. Intensification of Disclosure				
(I) Has the Company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS?	V		The Company adequately discloses the implementation status of corporate social responsibilities through the corporate website, its Annual Report, and the Market Observation Post System.	Requirements of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies” are followed. There is no difference.
V. If the company has its own ethical corporate management principles established according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the defined principles: No significant differences were found.				
VI. Other important information that helps understand ethical corporate management of the Company: The Company defined its “Ethical Corporate Management Best-Practice Principles” in 2015 and revised the “Code of Ethical Conduct” and the “Procedure for Ethical Corporate Management and Behavioral Guide.”				

(VI) Has established Corporate Governance Principles and related regulations: The Company has defined a complete internal control system and internal audit system and has revised applicable rules in its Corporate Governance Best-Practice Principles and related rules and regulations shall be disclosed if they are in place, including the “Rules of Procedure for Shareholders’ Meetings,” the “Procedure for Election of Directors,” and the “Rules of Procedure for Board of Directors Meetings,” which are available on the Company’s website.

(VIII) Other important information that is sufficient to boost knowledge of corporate governance: None.

(IX) Implementation of Internal Control System

1. Internal Control Declaration

Castles Technology Co., Ltd.

Statement of internal control system

Date: March 28, 2023

For the Company's internal control system of 2022, it is hereby declared as follows according to self-assessment findings:

I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.

II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of the internal control system adopted in the "Regulations" are based on the process of managerial control and divide the internal control system into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.

IV. The Company has adopted the aforementioned criteria of the internal control system to evaluate the effectiveness of the design and implementation of its internal control system.

V. Based on the foregoing evaluation findings, the Company believes that its internal control system as Note 2 of December 31, 2022 (including its supervision and management of subsidiaries) was valid in terms of design and implementation as it could reasonably ensure fulfillment of the above-mentioned goals, including the knowledge of operational effectiveness and efficiency, fulfillment of goals, reliable, timely, and transparent reports, and compliance with applicable specifications and related laws and regulations.

VI. This statement will become the main content of the Company's annual report and prospectus and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.

VII. This Declaration was approved at the meeting of the Company's Board of Directors on March 28, 2023 with no directors expressing dissent out of the 7 Directors in attendance.

Castles Technology Co., Ltd.

Chairman's Signature 辛華熙

General Manager's Signature 林鴻鈞

Note 1: For the design and implementation of the internal control system of a public offering company, in cases of major deficiencies throughout the year, clarifications shall be added after Item IV of the Internal Control System Declaration, with major deficiencies discovered during self-assessments listed and explained and the corrective action and improvement required prior to the Balance Sheet date.

Note 2: The date of declaration is the “end date of a fiscal year.”

2. The review report of the CPAs should be disclosed if the internal control system is reviewed by the CPAs: None.

(X) During the most recent year and up to the date of printing of the annual report, the punishment of the Company and its insiders in accordance with the law, the Company's punishment on its insiders for violating the provisions of the internal control system, and the major deficiencies and improvement: None.

(XI) Important decisions reached in shareholders' meetings and made by the Board of Directors in the past year up to the date the Annual Report was printed:

1. Important resolutions reached in the shareholders' meeting

<table>
<tr><th>Meeting date</th><th colspan="2">Important resolutions</th><th>Status of implementation</th></tr>
<tr><td rowspan="5">2022.06.21
Regular shareholders' meeting</td><td rowspan="2">Proposed Resolutions</td><td>2021 Business Report and Financial Statements</td><td>Approved; the decision made in the shareholders' meeting is already followed for implementation.</td></tr>
<tr><td>The 2021 Earnings Distribution Proposal</td><td>Approved; the decision made in the shareholders' meeting is already followed for implementation.</td></tr>
<tr><td rowspan="3">Discussions</td><td>Revision of some articles of the Company's "Rules of Procedure for Shareholders Meetings"</td><td>Approved; the decision made in the shareholders' meeting is already followed for implementation.</td></tr>
<tr><td>Revision to some articles of the company's "Articles of Association"</td><td>Approved; the decision made in the shareholders' meeting is already followed for implementation.</td></tr>
<tr><td>Revision to some articles of the company's "Procedures for Acquisition or Disposal of Assets"</td><td>Approved; the decision made in the shareholders' meeting is already followed for implementation.</td></tr>
</table>

2. Important decisions of the Board of Directors

Meeting date	Important resolutions
2022.01.28	Approved the company's annual operating plan and budget of 2022 Approved the company's annual directors, supervisors and managers' salary performance evaluation review of 2022 Through the company's handling of the 2022 cash capital increase and issuance of new shares Approved the revision of the Company's Corporate Social Responsibility Code Approved the renewal of the bank line of the company
2022.03.25	Approval of the distribution of 2021 remuneration to employees and that to directors/supervisors Approval of the compensation and remuneration structure and criteria of directors/supervisors and managers of 2022. Approval of the evaluation over whether or not to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as the funds lent Approval of the Company's 2021 Business Report and Financial Statements Approval of the revision of some articles of the "Rules of Procedure for Shareholders' Meetings" Approval of the revision of some articles of the "Procedure for the Acquisition or Disposal of Assets"

Meeting date	Important resolutions
	Approval of matters on the convening of the 2022 general shareholders’ meeting. Approval of the Company’s 2021 “Internal Control System Declaration” Approval of the Company’s renewal of the line of credit with banks Approved the revision of some articles of the company's "Articles of Association" Approved the revision of some articles of the company's "internal control system" and "internal audit implementation rules" Approved the passed the company's personnel change case
2022.05.10	The Company’s 2021 earnings distribution proposal Approval of the Company’s Consolidated Financial Report for the first quarter of 2022 Approved the appointment and remuneration of the company's certified accountants Approval of the evaluation over whether or not to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as the funds lent
2022.06.14	Approved the renewal of the bank line of the company Approved the appointment of directors of subsidiaries Approved the company's annual director and manager salary standard proposal Approved the company to handle greenhouse gas inventory and verification operations Approved to the issuance of new shares through the company's cash capital increase
2022.08.12	Approval of the evaluation over whether or not to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as the funds lent Approval of the Company’s Consolidated Financial Report for the second quarter of 2021 Approved that the company will not continue to handle the cash capital increase private placement common stock case of 2021 Approved the company's annual director and manager salary standard proposal
2022.11.08	Approval of the evaluation over whether or not to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as the funds lent Approval of the Company’s Consolidated Financial Report for the third quarter of 2021 Approval the company's annual certification accountant appointment and independence, suitability assessment review case of 2023 Approved the revision of the company's "internal material information processing procedures" Approved the revision of the company's "internal control system" and "internal audit implementation rules" Approved the revision of some articles of the company's "Board of Directors' Rules of Procedure" Approved the revision of some articles of the company's "Board of Directors Appraisal Method" Approved the company's annual audit plan of 2023 Approved the company's bank line increase and renewal proposal Approved the company's acquisition of assets Approved the company's issuance of a letter of responsibility and a letter of commitment to the Monetary Authority of Singapore
2023.01.10	Approval the company's annual director and manager salary performance evaluation review case

Meeting date	Important resolutions
2022.03.28	Approval of the evaluation over whether or not to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as the funds lent Approval of the distribution of 2022 remuneration to employees and that to directors/supervisors Approval of Company's 2022 compensation and remuneration structure and criteria of directors/supervisors and managers Approval of the Company's 2022 Business Report and Financial Statements Approval of the Company's distribution of 2022 earnings Approval of the Company's turning surplus into capital increase and issuing new shares Approval of the Company's 2022 "Internal Control System Declaration" Approval of the nomination of directors and independent directors Approved the revision of some articles of the company's "Articles of Association" Approval of the revision of some articles of the "Rules of Procedure for Shareholders' Meetings" Approval of matters on the convening of the 2023 general shareholders' meeting Approved the company's 2023 operating plan and budget Approved the appointment of the company's governance supervisor Approved the company's bank line increase and renewal proposal Through the company and group subsidiaries to handle greenhouse gas inventory and verification schedule planning Approved the nomination of independent director candidates by the company Approval of the company's lifting of restrictions on new directors' competitive behavior
2023.05.11	Approval of the evaluation over whether or not to relist book-kept accounts receivable/other receivables/advance payment/refundable deposit that exceed the normal loan/transaction period by at least three months as the funds lent Approval of the Company's Consolidated Financial Report for the first quarter of 2023 Approval of the Company's personnel change case Approval of the Company's addition and renewal of its line of credit with banks

(XII) The main contents of any different opinions of directors or supervisors against the important resolutions passed in the meeting of the Board of Directors in the past fiscal year and as of the date when the Annual Report was printed: None.

(XIII) Summary of resignations and dismissals of the Company's Chairman, President, accounting heads, financial heads, internal audit heads, and R&D heads over the past year up to the date the Annual Report was printed:

Title	Name	Date Inaugurated	Date dismissed	Cause of resignation or dismissal
Financial Officer	Tu Mei-Yun	April 01, 2022	May 11, 2023	Duty adjustment
	HUNG YUN CHUNG	May 11, 2023	—	

IV. Public Expenditure on CPAs

CPA firm	CPA name		CPA audit period	Remarks
PricewaterhouseCoopers, Taiwan	Huang, Shih-Chun	Yeh, Tsui Miao	January 1, 2022 ~ December 31, 2022	-

(I) If the non-audit fees paid to the attesting CPA, the CPA firm and its affiliates account for at least one-fourth of the audit fees, the amount audit and non-audit fees and the content of non-audit services shall be disclosed:

Unit: Thousand NTD

CPA firm	CPA name	Audit fee	Non-audit fee					CPA audit period	Remarks
			System design	Business registration	Human resources	Others	Subtotal		
PricewaterhouseCoopers, Taiwan	Huang, Shih-Chun Yeh, Tsui Miao	4,400	0	0	0	1,230	1,230	January 1, 2022 - December 31, 2022	Note 1

Note 1: The Company does not have matters listed in Article 10 Sub-paragraph 5 Item 1 of the Regulations Governing Information to be Published in Annual Reports of Public Companies.

(II) When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the amount, ratio, and cause of the reduction in audit public expenditure shall be disclosed: None.

(III) Where the audit fee has decreased by 10% or more from the previous year, the amount, percentage and reasons should be disclosed: None.

V. Information on Replacement of CPAs: None.

VI. Disclosure of the name, position, and duration of service at firms or Others associated enterprises the past year of Company Chairman, President, and managers in charge of financial or accounting affairs: None.

VII. Conditions of share transfer and changes in equity pledge from directors, supervisors, managers, and shareholders who hold more than 10% of shares, in past years and as of the date of publication of the Annual Report:

(I) Changes in the Equity of Directors, Supervisors, Managers and Major Shareholders

Unit: share

Title	Name	2022		2023 As of April 23	
		Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Chairman is also the head of the Sales Division and the Overseas Business Department	Hsin Hua-Hsi	800,558	-	-	-
Director and shareholder holding at least 10% of shares	Huakang Investment Co., Ltd.	1,073,503	-	-	-
President is also the head of the R&D Department	Lin Hung-Chun	164,466	-	-	-
Directors	Chuang Shih-Chin	-	-	-	-
Directors	Li Kun-Ming	-	-	-	-
Independent Director	Kung Hsi-Hsun	-	-	-	-
Independent Director	Kung Hsin-Kai	-	-	-	-
Independent Director	Huang Nai-Kuan (Note 1)	-	-	Not applicable	Not applicable
Chief Operating Officer	Huang Chia-Hua	-	-	-	-
Chief Strategy Officer	Feng Wen-Chie	42,570	-	-	-
Quality Assurance Department Vice President	Lin Chiao-Li	(33,498)	-	(20,000)	-
Sales Division - Deputy General Manager	Fang Yi-Min	(66,622)	-	-	-
Sales Division - Deputy General Manager	Chen Yu-Chun	78,718-	-	-	-
Senior Vice President of R&D	Li Qing huang	-	-	-	-
Senior Vice President of R&D	Li You chang	(9,078)	-	-	-
Sales Division assistant general manager	Chuang Ta-Wei	(29,012)	-	-	-
Sales Division assistant general manager	Luo Chen-Yu	(56,734)	-	(3,000)	-
Sales Division assistant general manager	Kao Yi-Ching	(12,745)	-	(1,000)	-
Sales Division assistant general manager	Chiang Cheng-Hsu	-	-	-	-
Assistant Vice President at the R&D Department	Tung Ke-Lian	10,421	-	(10,000)	-
Assistant Vice President at the R&D Department	Chen Shu-Chiang	-	-	-	-
Strategic and Project Management Office Assistant Vice President	Chen Chun-Yu	(5,765)	-	-	-
Financial Accounting Department Manager	Tu Mei Yun	20,741	-	(3,000)	-
Audit Office Associate Manager	Liao Pei-Chun	(1,050)	-	-	-

Note 1: Huang Nai-Kuan was dismissed on January 28, 2023, and the changes in the number of shares in were counted until the date of dismissal.

(II) Is the counterpart of the equity transfer is a related party? None.

(III) Is the counterpart of the equity pledge is a related party? None.

VIII. Shareholders ranked at top ten in terms of shareholding ratio, who are related to each other or have spouse or a relative relation within the second degree of kinship with each other

April 22, 2023 Unit; Share; %

Name	Shareholdings of the Principal		Shareholding of spouse and minor children now		Shares held in the name of others		The title or names and relationships of the top-ten shareholders who are related parties, spouse, and relatives within the second degree of kinship as defined in the R.O.C. Financial Accounting Standards No. 6 should be disclosed.		Remarks
	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Title or name	Relationship with the endorser/guarantor	
Huakang Investment Co., Ltd.	12,985,577	13.04%	-	-	-	-	Hsin Hua-Hsi	Chairman	-
Hsin Hua-Hsi	3,483,520	3.50%	47,876	0.05%	-	-	Huakang Investment Co., Ltd. Huabo Investment Co., Ltd. Hsin-Kuang Feng-Hsin Li Ching-Yao	Person in charge Person in charge Mother and son In-laws	-
Cai Zhi wen	1,906,136	1.91%	-	-	-	-	-	-	-
Huabo Investment Co., Ltd.	1,284,677	1.43%	-	-	-	-	Hsin Hua-Hsi	Chairman	-
Lin Qiaoli	1,047,337	1.05%	134,962	0.14%					
Cai Xing juan	1,046,243	1.05%	-	-	-	-	-	-	-
Cai Cheng han	1,009,926	1.01%	-	-	-	-	-	-	-
HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted to keep the investment account of Morgan Stanley International Co., Ltd.	915,471	0.92%	-	-	-	-	-	-	-
Li Zongxi	893,434	0.90%	-	-	-	-	-	-	-
Lin Hong jun	879,818	0.88%	-	-	-	-	-	-	-

IX. The total number of shares and the consolidated equity stake percentage held in any single reinvested enterprise by the Company, its directors, supervisors, managerial officers or any companies controlled either directly or indirectly by the Company

Combined shareholding ratio

Invested enterprises	The Company's investment		Investment of the directors, supervisors, managers and business under direct or indirect control		Total investments	
	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership
CASTECH INTERNATIONAL LIMITED	1,700,000	100.00	-	-	1,700,000	100.00
CASTECH INTERNATIONAL (H.K.) LIMITED	-	-	13,252,000	100.00	13,252,000	100.00
Suzhou Castech Limited	-	-	Note 1	100.00	Note 1	100.00
CASTLES TECHNOLOGY SINGAPORE PTE. LTD.	730,000	54.89	-	-	730,000	54.89
CASTLES TECHNOLOGY EUROPE S.R.L.	Note 1	100.00	-	-	Note 1	100.00
CASTLES TECHNOLOGY INTERNATIONAL CORP.	3,000,000	100.00	-	-	3,000,000	100.00
CASTLES INT'L TECHNOLOGY AND SERVICES PHILIPPINES, INC.	-	-	22,999,997	100.00	22,999,997	100.00
Casware System Technology Co., Ltd.	3,200,000	100.00	-	-	3,200,000	100.00
CASTLES TECHNOLOGY SPAIN SL	2,233,006	100.00	-	-	2,233,006	100.00
CASTLES TECHNOLOGY UK & IRELAND LTD.	1,779,839	100.00	-	-	1,779,839	100.00
Castles Technology Japan Limited Liability Company	Note 1	100.00	-	-	Note 1	100.00
CASTLES TECHNOLOGY JORDAN PRIVATE SHAREHOLDING COMPANY	463,392	90.00	-	-	463,392	90.00

Note 1: No shares issued.

Four. Capital raising

I. Capital and Shares

(I) Source of Share Capital

Unit: NTD thousand/ 1,000 shares

Year/Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of share capital	Using property other than cash as payment of shares	Others
1993.02	10	1,200	12,000	1,200	12,000	Starting capital	-	Note 1
2001.02	10	3,000	30,000	3,000	30,000	Capital increase in cash worth NTD 18,000 thousand	-	Note 2
2001.06	10	4,000	40,000	4,000	40,000	Capital increase in cash worth NTD 10,000 thousand	-	Note 3
2002.08	10	5,000	50,000	5,000	50,000	Capital increase in cash worth NTD 10,000 thousand	-	Note 4
2003.02	10	8,000	80,000	8,000	80,000	Capital increase in cash worth NTD 30,000 thousand Issued at a premium of NTD 25 per share	-	Note 5
2003.09	10	8,630	86,300	8,630	86,300	Dividends and bonus-transferred capital increase worth NTD 6,300 thousand	-	Note 6
2004.09	10	16,700	167,000	10,663	106,630	Dividends and bonus-transferred capital increase worth NTD 11,700 thousand Capital reserve transferred capital increase worth NTD 8,630 thousand	-	Note 7
2005.08	10	16,700	167,000	13,130	131,300	Dividends and bonus-transferred capital increase worth NTD 24,670 thousand	-	Note 8
2006.10	10	30,000	300,000	18,763	187,623	Dividends and bonus-transferred capital increase worth NTD 56,325 thousand	-	Note 9
2007.09	10	30,000	300,000	26,060	260,603	Dividends and bonus-transferred capital increase worth NTD 37,328 thousand Capital reserve transferred capital increase worth NTD 35,649 thousand	-	Note 10
2008.09	10	60,000	600,000	31,475	314,747	Dividends and bonus-transferred capital increase worth NTD 54,144 thousand	-	Note 11
2008.10	10	60,000	600,000	32,198	321,983	Consolidated capital increase worth NTD 7,236 thousand	-	Note 12
2009.09	10	60,000	600,000	34,732	347,322	Dividends and bonus-transferred capital increase worth NTD 25,339 thousand	-	Note 13
2010.01	10	60,000	600,000	35,682	356,822	Employee stock option-converted shares worth NTD 9,500 thousand	-	Note 14
2010.09	10	60,000	600,000	37,676	376,763	Dividends and bonus-transferred capital increase worth NTD 19,941 thousand	-	Note 15
2011.07	10	60,000	600,000	45,911	459,114	Dividends and bonus-transferred capital increase worth NTD 82,352 thousand	-	Note 16
2012.09	10	60,000	600,000	53,298	532,982	Dividends and bonus-transferred capital increase worth NTD 73,867 thousand	-	Note 17
2013.09	10	60,000	600,000	56,265	562,649	Dividends and bonus-transferred capital increase worth NTD 29,667 thousand	-	Note 18
2014.09	10	80,000	800,000	60,400	604,000	Dividends and bonus-transferred capital increase worth NTD 41,351 thousand	-	Note 19
2015.10	10	80,000	800,000	62,478	624,780	Dividends and bonus-transferred	-	Note 20

						capital increase worth NTD 20,780 thousand		
2016.09	10	80,000	800,000	65,870	658,704	Dividends and bonus-transferred capital increase worth NTD 33,924 thousand	-	Note 21
2017.02	10	80,000	800,000	74,105	741,054	Capital increase in cash worth NTD 82,350 thousand Issued at a premium of NTD 39.45 per share	-	Note 22
2017.10	10	80,000	800,000	74,543	745,426	Employee remuneration-transferred capital increase worth NTD 4,372 thousand	-	Note 23
2019.01	10	100,000	1,000,000	89,543	895,426	Capital increase in cash worth NTD 150,000 thousand Issued at a premium of NTD 13 per share	-	Note 24
2019.04	10	160,000	1,600,000	89,543	895,426	Revise the company's articles of association and set the total capital at 1.6 billion	-	Note 25
2022.08	10	160,000	1,600,000	99,543	995,426	Capital increase in cash worth NTD100,000 thousand	-	Note 26

Note 1: Approved through 1993 Jian-III-Ren-Zi No. 168227 dated February 20, 1993
Note 2: Approved through Jing (2001) Zhong-Zi-No. 09031681000 dated February 9, 2001.
Note 3: Approved through Jing (2001) Zhong-Zi-No. 09032323480 dated June 14, 2001.
Note 4: Approved through Jing-Shou-Zhong-Zi No. 09132644250 dated August 30, 2002.
Note 5: Approved through Jing-Shou-Zhong-Zi No. 09231645590 dated February 7, 2003.
Note 6: Approved through Jing-Shou-Zhong-Zi No. 09232668090 dated September 16, 2003.
Note 7: Approved through Jing-Shou-Zhong-Zi No. 09332743470 dated September 22, 2004.
Note 8: Approved through Jing-Shou-Zhong-Zi No. 0943260847 dated August 9, 2005.
Note 9: Approved through Jing-Shou-Zhong-Zi No. 09532959360 dated October 11, 2006.
Note 10: Approved through Jing-Shou-Zhong-Zi No. 09632785820 dated September 19, 2007.
Note 11: Approved through Jing-Shou-Zhong-Zi No. 09733062860 dated September 11, 2008.
Note 12: Approved through Jing-Shou-Zhong-Zi No. 09733334160 dated October 31, 2008.
Note 13: Approved through Jing-Shou-Zhong-Zi No. 09833122130 dated September 28, 2009
Note 14: Approved through Bei-Fu-Jing-Deng-Zi-No. 09930265000 dated January 22, 2010.
Note 15: Approved through Bei-Fu-Jing-Deng-Zi-No. 0993154536 dated September 9, 2010.
Note 16: Approved through Bei-Fu-Jing-Deng-Zi-No. 1005045717 dated July 25, 2011.
Note 17: Approved through Jing-Shou-Shang-Zi No. 10101189360 dated September 13, 2012
Note 18: Approved through Jing-Shou-Shang-Zi No. 10201188570 dated September 12, 2013.
Note 19: Approved through Jing-Shou-Shang-Zi No. 10301198740 dated September 24, 2014.
Note 20: Approved through Jing-Shou-Shang-Zi No. 10401226860 dated October 30, 2015.
Note 21: Approved through Jing-Shou-Shang-Zi No. 10501216980 dated September 12, 2016.
Note 22: Approved through Jing-Shou-Shang-Zi No. 10601017120 dated February 9, 2017.
Note 23: Approved through Jing-Shou-Shang-Zi No. 10601142630 dated October 17, 2017.
Note 24: Approved through Jing-Shou-Shang-Zi No. 10801002880 dated January 22, 2019.
Note 25: Approved through Jing-Shou-Shang-Zi No. 10801044790 dated April 22, 2019.
Note 26: Approved through Jing-Shou-Shang-Zi No. 11101162630 dated August 30, 2022.

April 22, 2023; Unit: Share

Type of share	Authorized capital			Remarks
	Outstanding shares	Shares yet to be issued	Total	
Registered common stock	99,542,579	60,457,421	160,000,000	Main board stock

(II) Shareholder structure

April 22, 2023; Unit: Person; Share

Shareholder structure / Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of people	0	17	50	17,575	49	17,691
Number of Shares Held	0	1,651,794	16,904,943	76,487,868	4,497,974	99,542,579
Ownership	0	1.66%	16.98%	76.84%	4.52%	100.00%

(III) Equity dispersion profile

April 22, 2023; Unit: Person; Share

Shareholding classification	Number of shareholders	Number of Shares Held	Ownership
1~999	3,266	4,054,530	0.14%
1,000~5,000	12,347	221,426,660	8.62%
5,001~10,000	1,084	86,441,570	4.31%
10,001~15,000	297	38,283,090	2.56%
15,001~20,000	174	32,461,400	2.88%
20,001~30,000	150	39,062,130	2.50%
30,001~40,000	121	48,897,270	1.94%
40,001~50,000	69	49,976,040	1.70%
50,001~100,000	38	52,357,300	6.22%
100,001~200,000	15	45,092,070	9.77%
200,001~400,000	3	13,473,910	7.69%
400,001~600,000	3	22,088,570	4.27%
600,001~800,000	3	26,332,520	9.64%
800,001~1,000,000	5	84,931,620	5.17%
More than 1,000,001	17,575	764,878,680	32.59%
Total	3,266	4,054,530	100.00%

(IV) List of major shareholders

April 22, 2023 Unit: Share

Names of major shareholders \ Shares	Number of shares held (share)	Shareholding ratio (%)
Huakang Investment Co., Ltd.	12,985,577	13.04%
Hsin Hua-Hsi	3,483,520	3.50%
Cai Zhi wen	1,906,136	1.91%
Huabo Investment Co., Ltd.	1,284,677	1.29%
Lin Qiaoli	1,047,337	1.05%
Cai Xing juan	1,046,243	1.05%
Cai Cheng han	1,009,926	1.01%
HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted to keep the investment account of Morgan Stanley International Co., Ltd.	915,471	0.92%
Li Zongxi	893,434	0.90%
Lin Hong jun	879,818	0.88%

(V) Information on market price, net worth, earnings, dividend per share for the most recent two years

Unit: NTD

Item \ Year			2021	2022	The current year up to March 31, 2023
Market Price Per Share	Highest		43.70	86.10	102.00
	Lowest		17.80	33.30	62.50
	Average		25.90	53.74	82.25
Net worth per share	Before distribution		18.19	29.92	-
	After distribution		17.59	(Note 1)	-
Earnings per share	Weighted average number of shares (thousand shares)		88,772	92,963	98,772
	Earnings per share		2.51	8.19	1.59
Dividends Per Share	cash dividends		0.60	0.80 (Note 1)	-
	Stock dividends	Stock dividends from earnings	-	0.50(Note 1)	-
		Stock dividends from capital surplus	-	-	-
	Cumulative unpaid dividend		-	-	
Analysis of return on investment	Price to earnings ratio		10.32	6.56	-
	Price to dividends ratio		43.17	Yet to be distributed	-
	Cash dividends yield		2.32%	Yet to be distributed	-

Note 1: The Earnings Distribution Proposal is pending a decision through the shareholders' meeting on June 20, 2023.

(VI) Company dividend policy and implementation

1. Dividend policy defined in the Articles of Incorporation:

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. Distribution of dividends intended to be proposed and discussed during the current shareholders' meeting:

The Company's 2022 Earnings Distribution Proposal was approved by the Board of Directors on March 28, 2023 as follows:

The undistributed surplus at the beginning of the period was NT$258,837,029, net profit after tax was NT$761,272,594. The adjustment to retained earnings is NT$197,133, and the balance available for distribution this year is NT$1,019,912,490 Proposed profit distribution statement distribution . The balance available for distribution this year, in accordance with the "Company Law" and the company's "Articles of Association": set aside 10% of the statutory reserve of 76,107,546 and reverse the special surplus reserve of 9,110,362 , and plan to distribute shareholder dividends of 128,403,053, including cash dividends of 79,017,263 (0.8 per share), and stock dividends of 49,385,790 (0.5 per share)..

Castles Technology Co., Ltd.
2022 Earnings Distribution Table

Unit: In New Taiwan Dollars

Item	Amount	Explanation
Beginning unappropriated retained earnings	258,837,029	(1)
Adjustment to retained earnings	(197,133)	(2)
Plus: Net profit after tax of 2022	761,272,594	
Unappropriated retained earnings after adjustment	1,019,912,490	
Less: 10% legal reserve appropriated	(76,107,546)	
Add: Reversal of special reserve	29,110,362	(3)
Total earnings available for distribution	972,915,306	
Distribution Items:		
Shareholders' dividends- shares ($0.5 per share)	(49,385,790)	
Shareholders' dividends- cash ($0.8 per share)	(79,017,263)	
Ending unappropriated retained earnings	844,512,253	

Explanation:

(1) It is the retained earnings after 2021 earnings distribution approved by Shareholders' Meeting in 2022.

(2) The retained earnings were adjusted due to accounting treatment of actuarial valuation of pension funds.

(3) In accordance with Article 41, paragraph 1 of Securities and Exchange Act, gains and loss on the exchange differences resulting from translating the financial statements in foreign operations shall be recognized as a deduction of other equity, and a special reserve shall be set aside.

3. Clarifications if major changes are expected on the dividend policy: None.

(VII) The effect of the proposed stock dividends of shares at the shareholders' meeting on the Company's operating results and earnings per share: None.

(VIII) Remuneration for employees, directors and supervisors

1. Percentage or range of remuneration for employees and directors/supervisors as stated in the Company's Articles of Incorporation:

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) Below 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. Accounting measures adopted in case of any difference between the basis for estimating the amount of remuneration for employees, directors, and supervisors, basis for calculating the number of shares included in the distribution of remuneration for employees, and the actual value distributed and their estimates of the current term: Not applicable.

3. Approval of distribution of remuneration by the Board of Directors:

(1) Profit before tax of the Company for 2022 was NT$876,268,366. It is proposed to appropriate NT$66,312,201 as employees' remuneration, of which NT$33,312,201 is to be distributed in the form of cash and NT$33,000,000 is to be distributed inform of shares. Employee bonus stocks to be issued shall be calculated based on the closing price one day before the resolution of board of directors, NT$91.00, with a total of 362,637 shares to be issued. Employees' remuneration of NT$33, which is less than one share, is to be paid in cash. In addition, directors' remuneration of NT$4,736,586 is to be distributed in the form of cash.

(2) Ratio of employee bonus in shares to Net Profit After Tax in current individual financial statements and total employee bonus: Not applicable.

4. When there is difference between the actual distributed amount of remunerations for employees, directors, and supervisors (including the number, value, and price of shares distributed) and the recognized remunerations for employees, directors, and supervisors

in the preceding year, the difference, cause for the difference, and how it is handled shall also be specified:

	2022		
	Resolution of the Board of Directors	Actual Amount	
		Amount	Number of Shares
Remuneration to employees (distributed in cash)	NT$ 19,244,754	NT$ 19,244,754	—
Remuneration to employees (distributed according to the market value in shares)	—	—	—
Remuneration to directors	NT$ 2,749,251	NT$ 2,749,251	—
Total	NT$ 21,994,005	NT$ 21,994,005	—

(IX) Repurchase of the Company's shares:

March 31, 2023

No. of buyback	1
Purpose of buyback	Assignment of shares to employees
Buyback period	3/27/2020 through 5/26/2020
Buyback price range	NT$13 to NT$34 per share
Type and quantity of shares already bought back	771,000 common stock shares
Value of shares already bought back	NT$ 18,064,279
Number of shares bought back/Number of shares expected to be bought back (%)	51.40%
Quantity of shares already written off and assigned	0
Cumulative quantity of shares of the Company held	771,000 shares
Ratio of cumulative quantity of shares of the Company held to the total number of shares already issued （%）	0.86%

II. Corporate Bonds (Including Overseas Corporate Bonds): None.

III. Preferred Stock: None.

IV. Global Depositary Receipt: None.

V. Employee Share Subscription Warrant: None.

VI. Restricted Stock Award: None.

VII. Issuance of New Stock upon M&A or Assignment of Shares from Other Companies: None.

VIII. Implementation of Capital Utilization Plan, Including the Contents and the

Implementation Status:

Up to the quarter preceding the date when the Annual Report was printed, securities issued or placed privately were yet to be completed or were completed within the past three years and the efficacy is yet to show: For the private placement of common stock shares for capital increase in cash as approved through the general shareholders' meeting on August 24, 2021, the Board of Directors was authorized to begin the private placement of common stock shares, not to exceed 50,000,000 shares, for capital increase in cash when the time is right, reflective of the contemporary market condition and it may be done in three separate efforts within a year following the date when a decision was made in the general shareholders' meeting. In light of the circumstances on the capital market, as of the date when the Annual Report was printed, the case was yet to be enforced and hence it is not applicable.

Five. Operational Overview

I. Business activities

(I) Scope of Operations

1. Main scope of operation:
   - (1) I301010 Information software service.
   - (2) I501010 Product design.
   - (3) F113070 Wholesale of telecommunications devices.
   - (4) F119010 Wholesale of electronic materials.
   - (5) F213060 Retail sale of telecommunications devices.
   - (6) F401010 International trade.
   - (7) F401021 Imports of controlled telecommunications radio-frequency devices.
   - (8) CC01080 Manufacture of electronic parts and components.
   - (9) CC01101 Manufacture of controlled telecommunications radio-frequency devices
   - (10) CC01110 Manufacture of computer and peripheral equipment
   - (11) E605010 Computer equipment installation.
   - (12) F113050 Wholesale of computing and business machinery equipment
   - (13) F118010 Wholesale of computer software.
   - (14) J304010 Book publishing
   - (15) JA02010 Electric appliance and electronic products repairs
   - (16) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Operational weight

Unit: NTD thousand; %

Year / Item	2021		2022	
	Amount	Ratio in revenue	Amount	Ratio in revenue
Electronic financial transaction terminal	3,634,418	81.57	5,988,348	80.92
Personal financial application product	36,198	0.81	24,942	0.34
Electronic cashier and peripheral equipment	128,576	2.89	135,266	1.83
Others	656,124	14.73	1,251,440	16.91
Total	4,455,316	100.00	7,399,996	100.00

3. Current products (services) of the Company

The main scope of operation for the Company is electronic financial transaction terminal (POS) and related product design, development, and distribution. Such terminal machines, once certified by international organizations and qualified through the local acquirer anywhere in the world, can be used in stores. The Company’s products are now available in more than 50 countries around the world and opportunities are being proactively explored in new countries.

The Company’s products can now support respective payment methods, including the contactless card, the chip card, the magnetic strip card, and the emerging QR Code and fingerprint-based payment. The Company generally divides products into electronic financial transaction terminals, personal financial application products, electronic cashiers and peripheral equipment, among others.

4. New products (services) to be developed

(1) Electronic financial transaction terminal

a. The Secure Android Payment Terminal product line is expanded to provide diversified types of products and to satisfy the needs of different customers. It is planned to introduce new products this year such as Saturn1000F2, Saturn1000E2, Saturn1000 Mini, and Saturn1000 Multilane. In addition, more thorough software solutions are provided, including CTMS, Marketplace, among others. In addition, to address the efficacy demand of Android, we concurrently develop more high-performance processors that can support newer Android specifications and the application needs of different types of software.

b. For Vega3000 series of products that are big sellers now, the safety specifications are increased to PCI PTS 6.0. Meanwhile, reflective of market feedback, cost and appearance are slightly modified to make the product more electricity-saving and more competitive.

c. For feedback from the market, continuous efforts are made to develop multi-purpose card-reading equipment that can be applied to automated vending machines, self-service fuel dispensers, self-service laundry machines, self-service auto-wash, and charging stations, among others. MDB and DEX, among other commonly used communication protocols, are now successfully integrated to products and are qualified by well-known customers in Europe and America. It is believed that the sales of unmanned self-service products in the future will be enhanced significantly. In addition, for some customers that demand higher-performance products, we are also planning Android UPT of the new generation, which, along with high-performance processors can support ad-playing and more diversified payment applications in an unmanned self-service setting.

d. Continue to improve the ability to develop payment application software and help customers in regions around the world develop and integrate local diversified payment applications. The software that has been autonomously developed so far has been cleared by banks in multiple countries for connection. Through tenders secured locally, distribution of such software is allowed.

e. Continue to enhance the castles terminal management system (CTMS). The goal this year is to finish developing its applications in Marketplace and others. Besides the existing remote software updating and maintenance, the service similar to Android APP subscription is provided so that banks can create their own software application ecosystem through our system and start a new operational model.

(2) Electronic cashier and peripheral equipment

Develop modularized electronic cashier equipment of the new generation, which, along with the trading terminals and ticket readers, among other related products, can be complete payment hardware solutions to domestic customers. Meanwhile, we discussed with European and American customers during exhibitions their needs for such integrated products. Hopefully, the integrated application solutions can reach out to international markets.

(II) Industrial Overview

1. Current status and development of industry

(1) World electronic financial trading (POS) terminal shipments

The global shipments throughout 2020 of IC and/or magnetic strip-integrated POS terminal manufacturers that have been authorized by card issuers around the world totaled around 135 million sets, a growth of around 7.9% from 2019. Such terminals include desktop, hand-held, and multi-channel terminals. They have PCI-DSS-approved chips plus push buttons or chips plus the signature feature and are connected through bluetooth or a USB port. Such devices, however, do not include smart phones, tablet computers (or those that come with a Dongless card reader), electronic cashiers (ECRs), personal computer POS terminals (or ECRs or POS terminals connected to a magnetic strip card reader). Shipments of POS terminals in 2020 around the world were the highest on the Asia/Pacific market where 92.1 million units were sold, a growth of 5.7%, followed by the Latin America market where 19.0 million units were sold, a growth of 19.2%, and then the European market where 9.9 million units were sold, a growth of 9.4%. The statistics of shipments in respective regions throughout 2020 (Table 1) are shown below.

Table 1. Statistics of shipments of POS terminals around the world

Unit: Million sets

Region	2021	Growth rate (%)	Global ratio (%)
Asia/Pacific	81.9	-6.3	60.22
Latin America	25.1	32.9	18.46
Europe	12.6	13.0	9.28
United States	8.9	35.7	6.52
Middle East/Africa	7.0	18.9	5.16
Canada	0.5	0.0	0.36
Total	136.0	4.3	100

Source: Nilson Report of October 2022

(2) Changes in personal consumption and spending pattern favors industrial developments in the future

The US consumer spending system model prepared by the United State Department of Commerce’s Bureau of Economic Analysis covered by Nilson Report is used to analyze the composition and ratios of 11 types of personal consumption expenditures (PCEs) and is the basis for measuring consumer behavior.

Such analysis is closely correlated to the POS industry. In 2020, personal consumption expenditures in the US totaled around USD 14.048 trillion, among which 76.3% (about USD10.714 trillion) is spent on goods and services while the remaining 23.7% (about USD 3.334 trillion) was spent on non-purchase transactions. The forecast shows that the expenditures on goods and services are expected to grow from USD 10.714 trillion in 2020 to USD 15.350 trillion in 2025 (See Table 2 for details); the five-year growth rate is about 43%.

The forecast shows that for the coming five years, among the payment methods adopted by US consumers to purchase goods and services, the ratio of paper-based one will gradually drop, from 13.78% in 2020 to only 7.74% in 2025 and the decline in the trading value would be around 20%. The ratio of cards, on the other hand, will grow from 72.71% in 2020 to 81.90% in 2025 and the growth in the trading value would be around 61%. The ratio of e-payments will drop from 13.51% in 2020 to 10.37% in 2025; nevertheless, the trading value still shows a growth of 10%. As far as the variance in the trading value of different payment methods, between 2020 and 2025, it is estimated that credit cards will grow 63.4%, topping the list, followed by cash cards of 63.1%; pre-paid cards, on the other hand, will grow 36%.

The US market is leading the world in technological advancement. The shift in the payment method adopted by consumers in the US decides where global consumers will go. The above-said data show foreseeable growing trends in paying with cards over the long term. A practitioner in this regard, the Company hence is quite optimistic about the future. The research also shows sluggishness in growths of e-payments that have emerged over the past few years in the future.

Table 2 Trends of payment methods utilized by US consumers in the purchases of goods and services

Unit: USD billion

Payment method	2021		2026		Variance for the coming 5 years %
	Trading value	%	Trading value	%	
Paper	1,329.46	10.71%	1,162.93	6.97%	–13%
Cash (Note 1)	869.58	7.00%	802.00	4.81%	–8%
Checking (Note 2)	413.25	3.33%	320.48	1.92%	–22%
Money order	36.10	0.29%	34.30	0.21%	–5%
Official checking (Note 3)	9.94	0.08%	5.87	0.04%	–41%

Traveler’s check	0.60	<0.01%	0.28	<0.01%	-53%
Card	9,617.01	77.46%	13,908.99	83.41%	45%
Credit card	4,612.15	37.15%	7,449.08	44.67%	62%
Cash card	4,536.49	36.54%	5,821.53	34.91%	28%
Pre-paid card (Note 4)	328.73	2.65%	427.58	2.56%	30%
Benefit card	139.64	1.12%	210.80	1.26%	51%
Electronic	1,469.49	11.84%	1,603.24	9.61%	9%
Pre-authorization (Note 5)	770.11	6.20%	849.06	5.09%	10%
Remote payment (Note 6)	699.38	5.63%	754.18	4.52%	8%
Total	12,415.96	100%	16,675.16	100%	34%

Source: Nilson Report of December 2022

Note 1: Including cash accessed with a credit card and financial debit card and personal checking withdrawals for the sake of obtaining cash.

Note 2: Funds processed through a checking account with a financial institution that include only direct payments.

Note 3: Including promissory notes and certified checks.

Note 4: Phone cards, gift cards, among other general purpose debit cards.

Note 5: Payments are made online or through the computer by means of transfer inspection on the POS, ATM or cashier.

Note 6: Such service is provided by peer-to-peer automated clearing mechanism of a hand-held electronic device, including a phone company, telecommunication company, and TV channel.

2. Correlation among Upstream, Mid-stream, and Downstream of the Industry

All of the primary product electronic financial transaction terminals (POS terminals) of the Company are designed, researched, and developed independently by the Company. Once products are developed and purchase orders are taken, the Manufacturing Department purchases materials from related parts and components suppliers in the upstream. Such materials include semi-conductor ICs, FLASH, RF IC, among others, plastic circuit boards, covers, and wirings, among others and adapters, power supply devices and panels as peripheral parts. The purchased materials are usually sent directly to the manufacturing and assembly OEM plants to facilitate assembly, testing, packaging and warehousing. Most of the customers in the downstream are system integrators or dealers in respective regions. These customers must help financial institutions, terminal merchants or stores complete the connection between the products and the main computer system in order for the product to make the best of its features. Small card readers can be connected through the USB to a computer and be used accordingly and hence can be sold directly to individuals through distributors.

Upstream	Midstream	Downstream
Semi-conductors, circuit boards, adapters, covers, wirings, panels, keyboards, power supply devices, dies, software, manufacturing/assembly OEM	Design and distribution of electronic financial transaction terminals (POS terminals) and related products	System integrators, distributors, dealers, financial institutions, terminal merchants, stores, individual users

3. Various trends of product development

(1) Chip card has replaced magnetic strip card to become mainstream pay card

Statistics in Nilson Report of December 2020 show that shipments on the global market of cards meant for payment purpose that are highly safe and functional (including credit cards issued by global brands and regional brands such as MasterCard, Visa, UnionPay, American Express, Diners Club, Discover, JCB, RuPay, Maestro, ATM cards, cash cards, and pre-paid cards, abbreviated as pay cards) in 2020 were around 4.260 billion cards (including chip and magnetic strip ones). 3.53 billion chip cards were shipped, accounting for 82.9% and 696 million magnetic strip cards were shipped, accounting for 16.3%. The shipment size of other cards came to include 31 million cards, accounting for 0.8%. Thales (France) continued to top shipments around the world in 2020. The market share of the global pay card shipments reached 24.2%. The market shares of Idemia (France), G&D (Germany), Perfect Plastic (U.S.), CPI Card Group (U.S.), and GoldPac (HongKong) were 17.5%, 10.8%, 8.4%, 6.7%, and 4.5%, respectively, ranking 2 to 6th (refer to Table 3 for details). A total of 3.07 billion cards were shipped by these six major manufacturers combined in 2020, a reduction of 10.4% from 2019. The shipment size of chip cards, in particular, consisted of 2.47 billion cards while that of magnetic strip cards 586 million. Chip cards accounted for 80.45% of all shipments, higher than 78.57% in 2019.

Chip cards work better and safer than magnetic strip ones and hence can be used as credit cards, phone cards, pre-paid cards, stored value cards, and ATM cards. As the network gets more and more popular, chips with the microprocessor feature can also be used as drivers' licenses, ID cards, NHI cards, TV cards, and game cards, etc. Both the features and scope of utilization are growing. As chip cards becoming the mainstream, it is foreseeable that, on the future POS terminal market, prior replacement of magnetic strip POS terminals by chip POS terminals will be gradually adjusted. POS terminal manufacturers must not only be capable of designing fine and delicate chip POS terminals but also combine chip cards with biological identification and digital password features. Only being capable of designing POS terminals with multiple combined features can one compete on the POS terminal market with counterparts.

Table 3 Rankings of pay cards around the world in 2021 by the shipment size

Unit: Million cards

Ranking	Manufacturer/Country	Chip cards	Magnetic strip cards	Total	Ratio of chip cards (%)
1	Thales(France)	989.0	-	1,014.0	97.5%
2	Idemia(France)	697.0	39.0	736.0	94.7%
3	G&D(Germany)	450.0	13.0	463.0	97.2%
4	Perfect Plastic(U.S.)	133.1	188.4	361.0	36.9%
5	CPI Card Group(U.S.)	91.4	195.6	287.0	31.8%
6	GoldPac(HongKong)	140.1	46.9	187.1	74.9%
Others		Around 1,229	Around 132	Around 1,422	86.4%
Total		Around 3,730	Around 639	Around 4,470	83.4%

Source: Nilson Report of October 2022

(2) Mobile wallet payment system drives demand for various types of contactless terminals

The mobile wallet payment system is to combine the chip for credit card transactions in the mobile bracelet, mobile phone, and tablet computer, among other mobile carriers in order to replace ordinary credit cards and to pay for items bought and to facilitate cash remittance. It is a payment system that is safe and convenient for consumers. This change requires that mobile carrier providers build in the mobile carrier payment feature. Such technology is usually accomplished through the near-distance wireless telecommunication (NFC) chips built in mobile phones that transmit the user's credit card information. When paying at a store, the user only needs to place the mobile carrier close to the sensor of the POS terminal to complete the payment process. After this service was introduced by financial institutions around the world, major POS terminal manufacturers have mostly combined this application as part of their contactless POS terminal products.

(3) Emerging mobile payment terminal (mPOS) becomes new growth engine in the sector

The popularized electronic financial trading pattern has also gradually included small amounts of cash as part of the application. Over the past two years, shipments of mPOS terminals with both chip and keyboard safety control mechanisms or chip plus signature (mainly taking advantage of the bluetooth device or the USB adapter that is connected to a desktop or tablet computer) have become business opportunities that respective manufacturers fight for. Among the 1.35 million sets of POS terminals shipped in 2020 were 39.2 million (around 29.0%) mPOS terminals. In 2020, shipments of mPOS terminals dropped by around 20 million, possibly because of the COVID-19 pandemic. Top 10 manufacturers of such terminals are shown in Table 4 below. Except for Worldline and Verifone, all the others were manufacturers in Mainland China.

Table 4 Rankings of global mPOS terminals shipped in 2020

Ranking	Manufacturer/Country	Shipment size (set)
1	Newland(China)	6,930,813
2	PAX(China)	6,080,816
3	Itron(China)	4,123,600
4	Dspread(China)	3,927,300
5	Worldline(France)	2,605,000
6	Xinguodu(China)	2,073,020
7	Tianyu(China)	1,359,480
8	Vastone(China)	1,322,000
9	Verifone(USA)	1,202,000
10	Wiseasy(China)	1,072,880
Others		8,503,239
Total		39,200,148

Source: Nilson Report of September 2021

(4) Emerging third-party payment gradually changes consumers' payment habit

On an emerging market, a third-party payment mobile network is already able to provide all required financial services and plays multiple roles, such as the mobile network operator, the financial institution, the payment service provider, among others. The service software combines consumers' mobile wallet and mobile payment at the point of sale as well as domestic and international funds remittance and mobile banking. Consumers are able to buy things or wire money within the network through any type of mobile device. To avoid concerns from consumers, third-party payment service providers are not completely abandoning POS terminals as a means of payment. Instead, both network-based payment and POS payment are adopted. This enables POS terminal manufacturers to still receive purchase orders from third-party payment service providers; their business is not obviously impacted.

(5) New technology in terminal life cycle

POS terminals, as is needed for the safety mechanism, have to be certified once produced in order to be sold to markets in respective regions. Product R&D and certification are time-consuming processes and the cost of certification is very high. This, therefore, has become a barrier for new competitors to enter this market segment. Products that have been certified at least have a life cycle in sales of five years, which is longer than that of ordinary electronic products. Over the past few years, new technologies have been applied to POS terminals faster and faster, which also required that the manufacturers catch up in their production speed. Contactless POS terminals, for example, have a gradually reduced R&D and certification cycle. Given this trend, small-to-medium-sized businesses, with limited resources during the stage of development and the lack of sufficient sales to support their operations once products are developed, are being eliminated one after another. It is foreseeable now that: To come up with a POS terminal with features such as built in QR Code, fingerprint identification, and 3D human face identification, among other diversified payment and certification features as well as a POS terminal that is applied to the block-chain currency (such as Bitcoin) payment transaction, manufacturers will need to invest in more R&D and certification resources and products' life cycle will be reduced as features are being introduced at a fast pace.

4. Competition

The Company's main product is the electronic financial transaction terminal, particularly the card authorization terminal, which is processing cash flows for consumption made in stores by consumers. The POS terminal transmits the information of the pay card held by the consumer to the issuing bank while the funds transfer and payment are processed between the consumer and the store. Such POS terminals are mostly standalone machines. According to the applicable type of card, there are the mag-strip terminals and the chip terminals. As far as the current use of POS terminals on the global market is concerned, mag-strip ones will be gradually eliminated and replaced by chip ones mainly because of the insufficient safety of mag-strip terminals, which makes them susceptible to theft. In other words, chip cards are gradually taking over mag-strip ones to become the mainstream and POS terminals are going through a new wave of replacement. Chip pay cards, according to their features, can also be divided into microprocessor, memory, contactless, and dual ones. To reflect the change in card features, by the same token, manufacturers must develop terminals with different features. Observers have found that over the past two years, contactless terminals are becoming more and more popular. Due to the fact that replacement takes lots of budget, and that consumers are yet to evolve from their habit of using a physical card, however, it is yet for contactless terminals to completely replace contact terminals. This why, at a point of sale, usually both terminals are available. Existing major manufacturers in Europe and America in the global pay card authorization terminal sector Ingenico(France) and VeriFone(U.S.) are suffering defeats in the price war wedged by emerging manufacturers from Mainland China such as Tianyu, Newland, PAX Technology, and Xinguodu.

(III) Technical and Research and Development Overview

1. Research and development expenses over the most recent year up to the date the Annual Report was printed

Unit: NTD thousand

Item \ Year	2022	As of the first quarter of 2023
Research and development expenses	588,236	158,935
Net revenue	7,399,996	1,727,019
Ratio in net revenue (%)	7.95%	9.20%

2. Successfully developed technologies or products

(1) Successfully developed product series:

Product series	Name of machine
PC/SC Reader	EZ100, EZMini, Pisces, EZM100, EZM211, EZPAD
Hybrid Reader	EZ710, EZM710
CL Reader	EZProx, iProx, QP1000, QP2000, QP3000, TS1000, TS2000
PinPad	PCI100, EMV8800, EMV8900, PCI3000, MP200, MP10, VEGA 3000P, VEGA3000 Ultra Lite
EFTPOS	VEGA6000, VEGA9000, VEGA7000, VEGA5000, VEGA3000
Card	FVCCV2, FSAMV3, FXML, EZCombi8, FNCC4, FNCC8
IC solution	EZR0020, EZU0030, CA630, CA730, CA8005
Android EFTPOS	Saturn1000F, Saturn1000E, Saturn1000L, Saturn1000F2, Saturn1000Multilane, Saturn7000
Unattended Payment Terminal (UPT)	UPT1000K, UPT1000F, UPT1000L, UPT1000B, UPT1000M UPT2000, UPT2000 Lite,Saturn1000UPT
Cash Register	A600, A330, A520

(2) Successful patent application:

Country	Type of patent	Name of patent
Mainland China	Invention	An improved head spring structure
Mainland China	Invention	Hybrid chip card structure with a safety protection interface and control method
Mainland China	Invention	Financial transaction device with wireless sensing element
Mainland China	Invention	Safety protection design of financial transaction device

Mainland China	Invention	Improved electronic element protection structure
Mainland China	Invention	Shift system that prevents against cajole by erroneous information
ROC	Invention	Improved electronic element protection structure
ROC	Invention	Hybrid chip card with a safety protection interface and control method
ROC	Invention	Shift system that prevents against cajole by erroneous information
ROC	Invention	An improved head spring structure
ROC	Invention	An improved card-reading device
ROC	Invention	Financial transaction device with safety protection
ROC	Invention	Financial transaction device with wireless sensing element
ROC	Invention	Status-detecting device and system
ROC	Invention	Password input method, portable electronic device, and non-transient storage media
United States	Invention	Contactless Sensing Device
United States	Invention	A Composite Chip Card with A Security Protection Interface and A Method for Controlling the Same
United States	Invention	Electronic Card Connector
United States	Invention	Safety Cover Design for Financial Transaction Device
United States	Invention	CARD READER DEVICE
Germany	Invention	A Composite Chip Card with A Security Protection Interface and A Method for Controlling the Same
Germany	Invention	Safety Cover Design for Financial Transaction Device
Brazil	Invention	Improved Card-reading Device
Brazil	Invention	MELHORAMENTO EM ESTRUTURA DE MEMBRO ELASTICO DE CABECA MAGNETICA (a type of improved head spring structure)

(IV) Long/Short-Term Business Development Plan

1. Introduction and certification of new products

The Company has marketing and R&D teams in place to serve respective regional markets. New needs and new business opportunities in respective areas around the world are kept track of now. Emphasis will be placed this year on reinforced R&D capabilities and project control ability of core technical teams in Taiwan and in Mainland China and work with R&D teams in respective regions to expedite local certifications and development of related applications and to accordingly quickly research and develop products meeting the needs on respective regional markets.

2. Reinforcement of logistic support management

At present, there are exchange rate changes and the price war. Despite the somewhat increased market shares in most regions, the revenue and profitability did not increase as such; instead, they dropped. In other words, logistic procurement, production, and finance all need to be reinforced. As far as procurement is concerned, supplier management will be reinforced to keep cost under control. For production, higher yield will be demanded of OEM plants and lead time will be controlled and the inventory level will be reduced. Financially, control over accounts receivable will be reinforced.

3. Business expansion

The Company now has subsidiaries in the US, Europe, Spain, Singapore, and the UK and has managed to deepen its presence on respective regional markets. Efforts will continue this year to expand new sites in order to build a global sales network.

II. Market and Production/Distribution Overview

(I) Market Analysis

1. Where the products are primarily sold or provided

Sales information of the Company's parent company and its subsidiaries by the region in 2021 and 2022 is as follows:

Unit: NTD thousand; %

Item \ Year		2021		2022	
		Amount	%	Amount	%
Domestic sales		286,852	6.44	323,179	4.37
Export sales	Asia	1,252,997	28.12	2,116,785	28.61
	Americas	1,453,660	32.63	2,515,501	33.99
	Europe	1,421,219	31.90	2,442,180	33.00
	Others	40,588	0.91	2,351	0.03
Total		3,734,514	100.00	7,399,996	100.00

2. Market share

Statistics as of September 2021 of Nilson Report show that, among POS terminal manufacturers around the world in 2020 (including mPOS ones that are not connected through a smart device), Worldline (merged with France Ingenico) resumed its leading position as a global manufacturer and had a market share of around 10.31% (versus 11.35% in 2019). The Company ranks first in Europe and Canada, second in the US, second in Latin America, fifth in Asia/Pacific, and tenth in the Middle East/Africa. The world's second largest manufacturer New POS in Mainland China, climbed significantly from the fourth ranking in the preceding year and had a market share of around 8.60% (versus 6.84% in 2019). They managed to become the world's second largest manufacturer mainly due to the significant growths in Asia/Pacific as the Company ranked second in Asia/Pacific (primarily in Mainland China, India, and Dominican Republic, etc.) and other markets such as Columbia and Nigeria. The world's third largest manufacturer MoreFun in Mainland China had a market share of around 8.54% (versus 6.08% in 2019). The Company ranked first in Asia/Pacific, with a growth in the shipment size of around 51.3% from 2019 and focused mainly in China. The world's fourth largest manufacturer Tianyu in Mainland China had a market share of around 8.44% (versus 10.59% in 2019). The Company ranked third on the Asia/Pacific market. The world's fifth largest manufacturer PAX in Mainland China had a market share of around 8.13% (versus 8.81% in 2019). The Company ranked first in Latin America, sixth in the US, second in Middle East/Africa, and fourth in Europe. The world's sixth, seventh, eighth, ninth, and tenth manufacturers are Newland, Verifone, Centerm, Vastone and Xinguodu, all of which are Mainland China manufacturers. The market share of the Top 10 manufacturers in the world account for about 71.45% combined; it is a oligopoly sector. The Company had a market share of around 2.48% and ranked 15th in the world. There were eight manufacturers from Mainland China on the list of the world's Top 10 manufacturers in terms of their market share in 2020 because of the protective nature on the market in Mainland China and also because of the fact that Mainland China has always been a major competitor in this sector.

Table 5 Rankings of global POS terminals shipped in 2021

Ranking	Manufacturer/Country	Shipment size (set)	Market share%
1	Worldline(France)	14,132,702	10.67
2	MoreFun(China)	12,018,101	8.84
3	New POS(China)	11,235,000	8.26
4	Tianyu(China)	10,540,384	7.75
5	PAX Technology(China)	8,779,324	6.46
Others		79,276,070	64.42
Total		135,981,581	100.00

Source: Nilson Report of October 2022

3. Future Supply and Demand and Growth in the Market

The number of transactions completed with general purpose pay cards of global brands (including highly safe credit cards, ATM cards, and debit cards issued by brands such as Visa, MasterCard, American Express, JCB, Discover, Diners Club, UnionPay, and Maestro), including credit cards, cash cards, pre-paid cards, among others, to pay for goods and services in 2021 reached around 551 (1 billion times). It is estimated by Nilson Report that it will reach around 800.41 (1 billion times) by 2026. The accumulated growth rate over five years is about 45.2% (that is, around 7.7% a year). Among them were transactions completed through other media that required or did not require a card (such as the use of NFC chips or QR codes on the mobile phone). Details are provided in Table 6. Such statistics, however, do not include the number of transactions completed by 95 regional pay card brands used in a single country.

The developments in the number transactions completed with global brand cards impact the supply and demand of POS terminals the most. Due to the fact that the trading value of global brand cards will still show steady growths at a mean annual rate of 7.7% before 2026, it is expected that the global demand for POS terminals will steadily climb at the same time, too. By the ratio of the number of transactions completed with respective global brand cards to the global trading value, that in Asia/Pacific will rise to 43% by 2026 while that in the US will drop to 21%. The ratio in Europe, on the other hand, will remain at 23%. By the growth rate in the number of transactions completed with global brand cards in respective regions, on the other hand, between 2021 and 2026, the Middle East/Africa will see the highest growths, with an accumulated growth rate of up to 113.8%, followed by Latin America (72.9%) and then Asia/Pacific (47.3%).

Table 6 Growth estimates in the number of transactions completed with ordinary pay cards around the world

Unit: 1 billion times

Region	2022		2027		Accumulated growth rate %
	Frequency	Ratio %	Frequency	Ratio %	
Asia/Pacific	287.96	45.97	437.10	49.05	8.7
United States	140.09	22.36	176.46	19.80	4.7
Europe	122.44	19.55	146.78	16.47	3.7
Latin America	46.87	7.48	75.73	8.50	10.1
Middle East/Africa	19.94	3.18	43.57	4.89	16.9
Canada	9.14	1.46	11.57	1.30	4.8
Total	626.44	100.00	891.21	100.00	-

Source: Nilson Report of January 2022

4. Competitive advantage

(1) Robust R&D team capable of innovation

All of the primary products of the Company are researched and developed independently. The R&D team needs to deal with challenges on the market directly. Therefore, innovative R&D capabilities are the key for the Company to compete with other practitioners. As far as the market for POS terminals is concerned, mass production or OEM products are no longer of any profit. Better profits are only possible by taking the lead to develop brand new products reflective of customer demand. In other words, the R&D team must not only have both software and hardware capabilities but also bear the stress in developing new technologies upon emergence of new trends or new applications. The Company’s R&D team needs to be young, ambitious, work as hard as possible, complain as little as possible, and value teamwork so that a certain accomplishment is possible within a short period of time with any new technology. This is why customers approach the Company first whenever they have new technologies to be developed. The Company’s R&D team is fearless of challenges and hence has managed to accomplish missions as expected by customers. It is also well reputed in the sector for its innovation capability as such.

(2) Operating system focusing on branding

The Company has R&D and marketing at its core. The Company created its own POS terminal brand. Its R&D capabilities are unquestionable. The sales of POS terminals of the self-owned have been climbing over the past few years and become a main contributor to the constant growing performance of the Company as a whole. POS terminals of the self-owned brand are researched and developed independently by the Company. Materials are purchased and assembly is outsourced before products are available to be shipped. The sales team helps markets the products to the world. CASTLES products are now available on multiple emerging markets and the number of purchase orders has gradually stabilized. Subsequent operations are under control and are free of profit deprivation associated with a brand owned by another party. The operational experience on the markets in these different countries, similarly, is of high reference value on the new market being developed by the Company. One can even enhance the implementation efficiency of the operating system in the future to ensure developments of the Company over the long term.

(3) Service support from regional system integration operator

Given the differences on respective markets, before a product is sold on any market around the world, it will be introduced to the market in Taiwan in most cases because, compared to the global market, the local market in Taiwan is relatively mature as far as POS terminals are concerned and a lot of product marketing experience obtained can usually be applied to other regions. For a system integration operator in a region yet too be mature, the Company can help save lots of trials and errors and for a regional system integration operator, on the other hand, the emphasis of the Company on service support, provided products will meet customized requirements wherever possible. In other words, all of these become the cornerstone for regional system integration operators while they secure sales and will help boost their competitive advantages.

Moreover, for overseas operators, in the sale of any model of POS terminal, besides quality of the product, whether the technical capability to facilitate generational alternation of new products in the future is available is the key to long-term business cooperation and also a crucial factor considered in the establishment of a business relationship. The self-made products of the Company now enjoy good word-of-mouth in terms of service. Therefore, while developing new customers in subsequent collaboration with regional system integration operators, it has been well received. This is the strength brought about by optimal service.

5. Advantageous and disadvantageous factors of development prospect and countermeasures

(1) Advantageous factors

A. Continuous popularization of the network and fast-updates of technologies have contributed to the constantly increasing demand for electronic financial transaction terminals (POS terminals) and related products. The introduction of mPOS, Pin-Pad and QR Code, fingerprint identification, and 3D human face identification technologies is growing the market constantly.

B. Speedy growth opportunities have been available domestically and internationally over the past few years in the global E-PAYMENT sector. The shipment model of module product also gives the Company’s products more opportunities.

C. For a manufacturer with its own brand in terms of electronic financial transaction terminal (POS terminals), once brand awareness is established on respective markets, it is like the ticket to the global market is secured and products will be given access to greater markets.

D. Manufacturers in Taiwan, South Korea, and Mainland China where electronic financial transaction settings are mature have the strengths of leading technology and lower cost compared to emerging markets.

E. Outstanding R&D team to control core competencies of self-developed products.

F. Products have been received well on both domestic and international markets and the fundamental capability to gain approval while seeking collaboration with international customers is in place.

G. Sound deployment of the international operation network and experience is being accumulated in marketing to constantly bring about new profits

(2) Disadvantageous Factors and Countermeasures

A. Limited domestic market scale subject to restriction when competing with other heavyweights

Taiwan, given its small territories and the limited room for the population to grow, is of a limited market scale for electronic financial transaction terminals (POS terminals) and related products. Meanwhile, there are numerous practitioners to compete with one another fiercely on products requiring lower technical levels. In other words, manufacturers need to be capable of quick R&D and continue to develop new technologies; otherwise, sufficient profits are impossible and it is relatively disadvantageous if they want to compete with international heavyweights.

Countermeasure

To constantly expand the operational scale and increase the revenue, besides introducing new products of self-owned brands each year to keep its leading position in terms of technology on the local market, the Company is proactively exploring markets around the world to maximize overseas distribution opportunities. Recent examples include emerging markets such as Asia, the Middle East, and Latin America as well as Europe and America. They are all prioritized regions to keep track of market dynamics and to maximize the market share.

B. Uneasy talent recruitment

Since the sector that the Company is in is not one that is prioritized by the government, freshmen primarily choose semi-conductor or LCD sectors that are prioritized domestically. Meanwhile, due to the fact that it is uneasy to nurture design and R&D talent for electronic financial transaction-related products, R&D staff tends to give up in the half way when faced with setbacks and switches to another sector. Meanwhile, competitors are capable heavyweights that are known for their intensive R&D capabilities. Therefore, success is determined reflective of the R&D capabilities. It is uneasy for the Company to recruit outstanding R&D talent and the supply is often short of meeting the demand.

Countermeasure

(A) New products and new technologies will continue to be introduced in order to create an optimal R&D image of the Company and to gain approval among outstanding talent in the country so that they will join the Company.

(B) By building a strategic partnership and taking advantage of the R&D manpower in respective countries around the world, R&D localization is handed over to the strategic partner in each region.

(C) By constantly establishing new products or increasing overseas markets, newcomers are provided with the most direct practical experience and it helps quickly boost their professional attainments and technical levels.

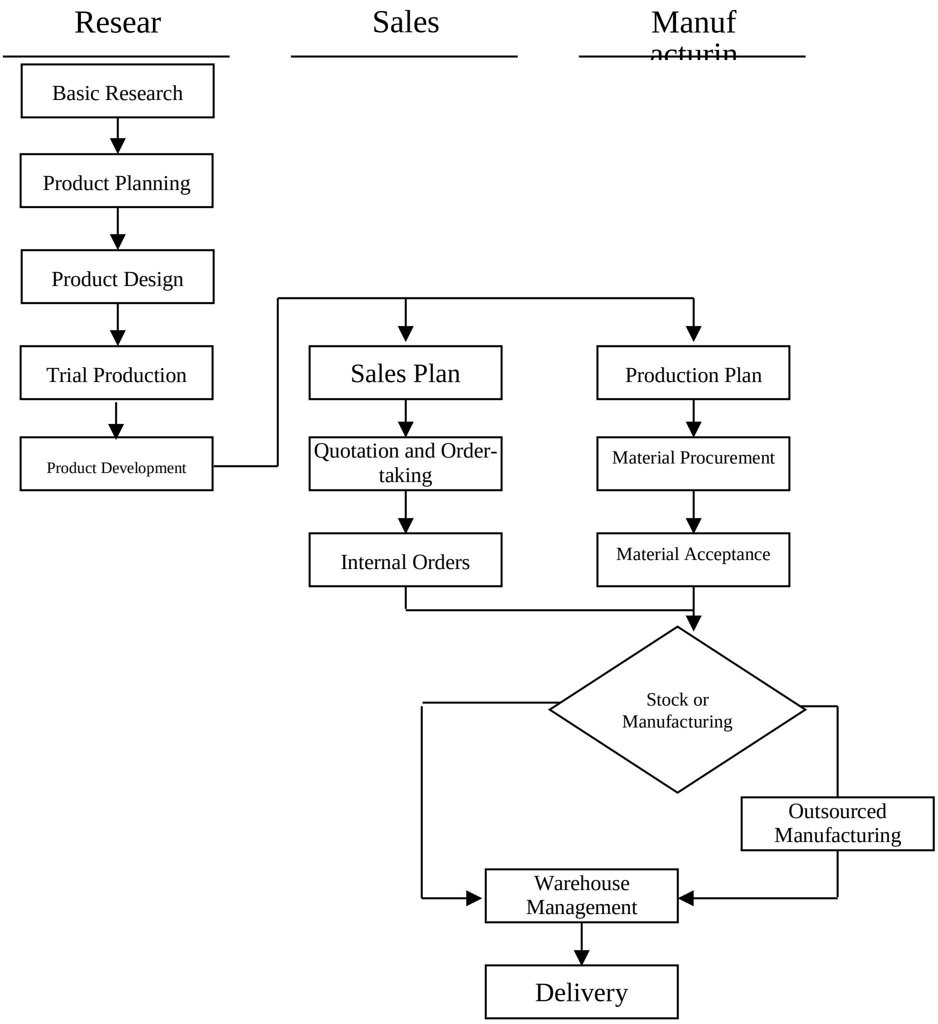
(D) Employees are provided with an optimal workplace and a sound welfare system and the reward system is defined. Meanwhile, reflective of employees' professionalism and properties, they are given suitable positions in order to increase solidarity and reduce the turnover rate.

(II) Important applications and production processes of main products

1. Important applications of main products

Main product	Representative product	Important application or feature
Electronic financial transaction terminal	EFT-POS (pay terminal) PIN-PAD (password keyboard) mPOS (mobile payment collection terminal)	Credit card, membership card shopping and installments, among other transactions and for entering the password
Personal financial application product	PS/CS Reader (small card reader)	Online ATM, shopping, remittance, among other transactions or membership information log-in and inquiry
Electronic cashier and peripheral equipment	Contactless reader (Contactless chip card read-write equipment) Cashier peripheral equipment	For transaction, shopping, access control, identification, issuance of invoices or receipts
Others	Cashier consumables and service parts Self-service fuel dispensers Automotive contactless chip card read-write equipment	Cashier consuming material and ribbon, paper roll, self-service fuel dispensing, payment equipment, bus ticket-checking machines

2. Production process



(III) Supply of main raw materials

Main raw material	Status of supply
Motherboards, passive IC, PCBs, cashier peripherals, memory, panels, covers, PRINT movements, others	Good

In terms of sources of primary raw materials and regular materials, the Company deals with multiple suppliers and has safety inventory levels in place. Therefore, in both pricing or decentralization of procurements, it is free of missing materials or confinement to one specific supplier and all the suppliers have been steady long-term partners. Supply of materials has been stable; few supply issues that result in disrupted shipments have occurred. It is hence determined that the procurement risk is insignificant.

(IV) List of main purchase and sales customers over the past two years

1. Profiles of main suppliers accounting for 10% or more of the total purchases in any of the most recent 2 years: None.

2. Profiles of main sales customers accounting for 10% or more of the total sales in any of

the most recent two years: Information of important customers of the Company and its subsidiaries is as follows:

Unit: NTD thousand

Item	2021				2022				2023 as of the end of the first quarter			
	Name	Amount	Ratio to the net sales throughout the year (%)	Relationship with the Issuer	Name	Amount	Ratio to the net sales throughout the year (%)	Relationship with the Issuer	Name	Amount	Ratio to the net sales throughout the year (%)	Relationship with the Issuer
1	G	455,966	10.23	-	C	757,082	10.23	-	A	222,116	12.86	-
2	-	-	-	-	-			-				-
-	Others	3,999,350	89.77	-	Others	6,542,914	89.77	-	Others	1,504,903	87.14	-
-	Net sales	4,455,316	100.00	-	Net sales	7,399.996	100.00	-	Net sales	1,727,019	100.00	-

Information on the changes (increase/decrease):

Areas of growths in the revenue for 2022 mainly came from Europe and America. The changes in main customers were mainly due to the surfacing efficacy of customer decentralization.

(V) Production value table and change analysis of the most recent two years: The Company's operations are focused on the design, development, and distribution of POS terminals and related products. All products are outsourced for processing. There are no self-owned production lines and hence no production quantities/amounts are available.

(VI) Sales volumes/values over the past two years and variation analysis

Unit: thousand units/sets/PCs; NTD thousand

Year / Sales quantity and amount / Main product	2021				2022			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Electronic financial transaction terminal	34	120,636	1,284	3,513,782	39	121,538	1,259	5,866,810
Personal financial application product	830	33,930	14	2,268	289	24,942	0	0
Electronic cashier and peripheral equipment	23	95,676	20	32,900	27	135,266	0	0
Others	182	35,437	24,794	620,687	165	41,433	35,441	1,210,007
Total	1,069	285,679	26,112	4,169,637	520	313,487	36,700	7,086,509

Analysis of changes in sales quantities/amounts:

The biggest types of products in terms of the sales amounts in 2021 and 2022 are electronic financial transaction terminals. Due to successful expansion of such products on emerging markets, exports have been steadily growing. Introduction of new products will be a key factor of growth for the coming years. The unit price of each machine sold can also be kept at a reasonable level. Personal financial application products and electronic cashier and peripheral equipment are more focused on the domestic market and hence growths are relatively limited.

III. Number of employees of the most recent two years

Unit: Person; %

Year		2021	2022	2023 (as of March 31)
Number of employees	Director labor	64	109	142
	Indirect labor	550	624	632
	Total	614	733	774
Mean age (year old)		38.77	41.93	41.47
Mean number of years in service (year)		3.82	3.75	3.75
Education distribution ratio %	PhD	-	0.1	0.1
	Master's	14	12.8	13.3
	University or college	57	59.9	59.4
	Senior high school	15	17.0	17.5
	Below senior high school	14	10.2	9.7

IV. Information on environmental protection expenditure

The Company mainly deals with the design, development, and sale of electronic financial transaction terminals (POS terminals) and related products; therefore, no operating activities such as production are engaged in and there should be free of concerns of pollution.

The total value of losses (including compensation) and dispositions over the most recent year up to the date the Annual Report was printed and description of future countermeasures (including improvement measures) and possible expenses (including estimated values of possible looses, dispositions, and compensation if no countermeasures were not adopted; if they cannot be reasonably estimated, descriptions of facts that they cannot be reasonably estimated should be provided): None.

V. Labor- Management Relations

(I) Company's employee welfare programs, continuing education, training, retirement systems and their implementation, as well as labor-management agreements and various employee rights protection measures:

1. Employee Benefits and Their Implementation Status:

The Company has the Employee Welfare Committee in place according to the Employee Welfare Fund Act to set aside the welfare fund and to take care of other related matters. The Company has also adhered to its beliefs such as respect people and care for employees and fully takes care of its people and protect their life so that they can serve the Company without worries. Existing welfare system items include:

(1) Three-festival bonus
(2) Periodic birthday celebrations and issuance of birthday gift money
(3) Employee travels from time to time
(4) Competitive salary structure
(5) Labor Insurance, Nation Health Insurance, pension fund
(6) Professional education and training course subsidies

In addition, statistics obtained through the "Employee Salary Survey" of the Directorate General of Budget, Accounting and Statistics, Executive Yuan show that the salary difference between men and women in 2019 was 14.2%. In terms of eliminating gender-based salary differences, the Company aims to fulfill the following in principle:

(1) Hire people reflective of their eligibility and ability and decide the salary accordingly. The salary paid to people of different rankings does not vary with gender. Same pay for same work will be followed in order to enforce gender equality in workplaces.
(2) Create more job openings and developmental opportunities for women. Gender diversity is sought when the list of candidates recruited or hired is finalized to ensure absence of gender bias throughout the hiring process.
(3) Satisfy colleagues' needs for flexible working hours in order to support men and women in striking a balance between work and family.
(4) Provide guidance to employees who have finished their maternity leaves and ensure that administrators are fully prepared for each stage before and after the maternity leave.

(2) Continuing education, training, and the implementation status:

To boost the quality of human resources and gain developmental strengths, the Company has defined its Operating Procedure for Educational Trainings and Evaluations. It will help boost professional skills of employees. Employees are encouraged to attend continuing education and are evaluated for promotion and their performance through the systematic position/role system and levels. Evaluations take place once every six months and the findings will be followed in promotions and in the release of the year-end performance bonus.

3. Retirement System and its Implementation：

The Labor Pension Act is enforced on July 1, 2005 and the defined contribution plan is adopted. After it was enforced, employees may choose to apply the requirements about the pension fund in the Labor Standards Act or the pension fund system that is applicable under the said Act and have the years having worked that are applicable under the Act. For employees to whom the said Act applies, the Company sets aside 6% of the monthly salary to be the labor pension fund and it is deposited in the personal pension fund account of each employee.

The Company determines the payment for the employee pension fund according to the Labor Standards Act reflective of basic years having served and it is calculated on the basis of the mean average salary for the six months prior to retirement. For those who have worked for less than 15 years, inclusive, two base points are given per year and for those who have worked for more than 15 years, 1 base point is given per year and the maximum number of base points is 45. The Company sets aside 2% of the total monthly salary as required by the Labor Standards Act to be the retirement reserve fund and it is deposited in the special account of the Bank of Taiwan in the name of the Pension Supervisory Commission. Before a year ends, moreover, the balance in the foregoing labor retirement reserve account will be estimated. If the balance is insufficient to pay the amount of the retirement fund calculated as mentioned above for employees who are expected to meet the retirement criteria within the coming year, the difference will be appropriated in a lump sum by the end of March of the coming year.

4. Labor-management agreement and measures taken to protect the rights of employees:

The labor-management relations of the Company are amicable. Meanwhile, the Company has been taking bilateral communications between employees and the management seriously in order to maintain optimal labor-management relations. No major labor-management disputes have occurred to date.

(II) Losses suffered by the Company as a result of labor-management disputes over the past two years up to the date when the Annual Report was printed; disclose also the estimated amounts and countermeasures now and those that occur in the future:

1. Losses suffered by the Company as a result of labor-management disputes over the past two years up to the date when Annual Report was printed: None.
2. Estimated amounts of losses borne in possible labor-management disputes in the futures and the countermeasures:

The Company has been honest, sincere, and responsible and devoting itself to employee welfare; the labor-management relations are amicable. Together they are working for the growths of the Company sparing no efforts so that the Company can perform better and better and it is expected that there shall be no concerns about losses as a result of labor-management disputes.

VI. Information security management

1. Information security risk management structure, information security policy, specific management plan, resources invested in the information security management, etc.

(1) Information and communication security risk management framework

The unit in charge of information security at the Company is the IT Department. The head of the Department is the responsible officer and takes charge of managing and planning the information security polity. Under the officer are two information security specialists that are responsible for addressing and reporting information security-related events.

(2) Information and Communication Security Policy

The Company has defined the "Information and Communication Security Inspection Control" process as part of its internal control system that aims to ensure that the Company's classified information is protected against hacking or computer viruses, to prevent important software assets and files against unauthorized utilization or theft, and to ensure that legal software is used correctly by the Company's staff.

(3) Substantial Management Solutions

In terms of information and security management and personal data protection-related practices, there is primarily the:

A. The Company adds the firewall to nodes that connect to the outside network in order to enhance internal network safety. The IT Department also periodically reflects upon and adjusts the settings of the firewall and tests it.
B. When not authorized by the responsible officer, it is prohibited that employees send related corporate information externally through email.
C. Important software and files, on the other hand, are protected by passwords or are encrypted.
D. Employees are educated on how to use the legal software correctly so that they are aware of the threats posed by computer viruses; it helps further enhance employees' awareness of information and communication security.
E. The IT Department performs a company-wide information security inspection periodically each year to ensure that related information security and personal data protection-related processes of the Company are enforced.

(4) Resources devoted to the management of information and communication security

The Company's products concern cash flow security and hence resources invested in the R&D and certification of information and communication security are consistently exceeding NTD 10 million each year. In other words, the information and communication security requirements of the systems used internally by the Company are of high specifications, too. Nevertheless, constant devotion of resources each year for further enhancement is the only way to stay against damage.

2. Losses due to material information and communication security incidents over the past two years up to the date the Prospectus was printed, their possible impacts, and countermeasures: None.

VII. Important Contracts

Contract nature	Parties involved	Contract starting and ending date	Main content	Restricted clauses
Mid-to-long-term borrowings	Jih Sun International Bank	2022/01/20~2024/01/20	Bank loan	No
Mid-to-long-term borrowings	First Commercial Bank	2020/06/30~2026/08/05	Bank loan	No
Long-term loans	Land Bank of Taiwan Co., Ltd.	2015/01/19~2035/01/19	Bank loan	No

Six. Financial Overview

I. Condensed Balance Sheet and Comprehensive Income Statement of the Most Recent Five Years

(I) Condensed Balance Sheet- International Financial Reporting Standard (Standalone)

Unit: NTD thousand

Item / Year		Financial information for the most recent 5 years (Note 1)					As of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		2,276,360	2,520,178	2,402,665	3,200,746	4,512,870	4,413,984
Property, plant and equipment		302,833	302,530	291,822	282,913	284,500	300,878
Intangible assets		-	-	42,834	34,122	25,410	23,232
Other assets		402,465	686,119	706,038	764,215	1,081,920	1,167,358
Total Assets		2,981,658	3,508,827	3,443,359	4,281,996	5,904,700	5,905,452
Current liabilities	Before distribution	1,574,927	2,086,451	1,607,172	2,322,409	2,736,448	2,551,785
	After distribution	1,574,927	2,086,451	1,660,435	2,269,146	(Note 2)	-
Non-current liabilities		129,164	138,721	372,596	344,145	338,657	309,068
Total liabilities	Before distribution	1,704,091	2,225,172	1,979,768	2,666,554	3,075,105	2,860,853
	After distribution	1,704,091	2,225,172	2,033,031	2,719,817	(Note 2)	-
Equity attributable to shareholders of the parent company		-	-	-	-	-	-
Share capital		895,426	895,426	895,426	895,426	995,426	995,426
Capital surplus		325,014	325,014	325,014	325,014	694,514	694,514
Retained earnings	Before distribution	57,323	74,378	272,653	442,164	1,149,977	1,365,714
	After distribution	57,323	74,378	219,390	388,901	(Note 2)	-
Other equity interests		(196)	(11,163)	(11,451)	(29,111)	7,729	6,997
Treasury shares			-	(18,051)	(18,051)	(18,051)	(18,051)
Non-controlling interest			-	-	-	-	-
Total equity	Before distribution	1,277,567	1,283,655	1,463,591	1,615,442	2,829,595	3,044,600
	After distribution	1,277,567	1,283,655	1,410,328	1,562,179	(Note 2)	-

Note 1: Financial Reports audited and certified by the CPAs for 2018 through 2021.

Note 2: The 2022 Earnings Distribution Proposal is yet to be finalized through the shareholders' meeting.

(II) Condensed Balance Sheet- International Financial Reporting Standard (Consolidated)

Unit: NTD thousand

Item \ Year		Financial information for the most recent 5 years (Note 1)					As of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		2,446,095	2,704,768	2,789,546	3,743,851	5,457,740	5,488,371
Property, plant and equipment		342,360	367,707	360,116	354,062	355,496	363,295
Intangible assets		30,002	27,688	64,514	65,683	47,113	43,821
Other assets		236,686	382,885	418,804	419,909	529,827	1,721,724
Total Assets		3,055,143	3,483,048	3,632,980	4,583,505	6,390,176	6,467,234
Current liabilities	Before distribution	1,612,406	1,991,851	1,714,827	2,507,272	2,992,724	2,899,191
	After distribution	1,612,406	1,991,851	1,768,090	2,560,535	(註2)	-
Non-current liabilities		112,518	156,380	395,118	390,367	442,451	409,763
Total liabilities	Before distribution	1,724,924	2,148,231	2,109,945	2,897,639	3,435,175	3,308,95
	After distribution	1,724,924	2,148,231	2,163,208	2,950,902	(註2)	-
Equity attributable to shareholders of the parent company		1,277,567	1,283,655	1,463,591	1,615,442	2,829,595	3,044,599
Share capital		895,426	895,426	895,426	895,426	995,426	995,426
Capital surplus		325,014	325,014	325,014	325,014	694,514	694,514
Retained earnings	Before distribution	57,323	74,378	272,653	442,164	1,149,977	1,365,713
	After distribution	57,323	74,378	219,390	388,901	(註2)	-
Other equity interests		(196)	(11,163)	(11,451)	(29,111)	7,729	6,997
Treasury shares		-	-	(18,051)	(18,051)	(18,051)	(18,051)
Non-controlling interest		52,652	51,162	59,444	70,424	125,406	113,681
Total equity	Before distribution	1,330,219	1,334,817	1,523,035	1,685,866	2,955,001	3,158,280
	After distribution	1,330,219	1,334,817	1,469,772	1,632,603	(註2)	-

Note 1: Financial Reports audited and certified by the CPAs for 2018 through 2021.

Note 2: The 2022 Earnings Distribution Proposal is yet to be finalized through the shareholders' meeting.

(III) Condensed Comprehensive Income Statement - International Financial Reporting Standard (Standalone)

Unit: Except for earnings per share that are indicated in the New Taiwan Dollar, all are indicated in NTD thousand

Item \ Year	Financial Data over the Past Five Years					As of March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenue	2,189,933	3,304,669	3,534,300	3,503,009	6,159,886	1,601,104
Gross profit	485,394	591,838	707,193	702,314	1,140,321	301,422
Operating profits or losses	(421,580)	(208,518)	253,624	237,855	599,666	157,063
Non-operating income and expenditure	(28,613)	177,780	3,659	15,076	276,603	105,727
Profit before income tax	(450,193)	(30,738)	257,283	252,931	876,269	262,791
Net profits for the period from continuing operations	(450,193)	(30,738)	257,283	252,931	876,269	262,791
Losses from discontinued operations	-	-	-	-	-	-
Net profits (losses) for the period	(372,348)	17,224	198,122	222,916	761,273	215,737
Other combined gains or losses for the period (After-tax net value)	1,357	(11,136)	(135)	(17,802)	36,643	-
Total comprehensive income for the year	(370,991)	6,088	197,987	205,114	797,916	-
Earnings per share (Note 1)	(4.97)	0.19	2.23	2.51	8.19	2.18

Note 1: For the earnings per share, calculations are done retroactively.

(IV) Condensed Comprehensive Income Statement - International Financial Reporting Standard (Consolidated)

Unit: Except for earnings per share that are indicated in the New Taiwan Dollar, all are indicated in NTD thousand

Item \ Year	Financial Data over the Past Five Years					As of March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenue	2,327,728	3,576,588	3,734,514	4,455,316	7,399,996	1,727,019
Gross profit	678,966	976,779	963,411	1,235,341	2,317,560	593,303
Operating profits or losses	(449,923)	(9,509)	223,281	327,737	1,027,076	272,888
Non-operating income and expenses	39,026	14,571	51,739	(49,062)	(6,954)	17,061
Profit before income tax	(410,897)	5,062	275,020	278,675	1,020,122	289,949
Net profits for the period from continuing operations	(345,074)	44,685	208,003	236,096	805,315	226,346
Losses from discontinued operations	-	-	-	-	-	-
Net profits (losses) for the period	(345,074)	44,685	208,003	236,096	805,315	226,346
Other comprehensive income for the period (net after tax)	1,768	(12,775)	(2,804)	(20,002)	46,505	(2,330)
Total comprehensive income for the year	(343,306)	31,910	205,199	216,094	851,820	224,016
Net profits attributable to shareholders of owners of the parent	(372,348)	17,224	198,122	222,916	761,273	215,736
Net profits attributable to non-controlling interests	27,274	27,461	9,881	13,180	44,042	10,610
Total comprehensive income attributable to shareholders of owners of the parent	(370,991)	6,088	197,987	205,114	797,916	215,004
Total comprehensive income attributable to non-controlling interests	27,685	25,822	7,212	10,980	53,904	9,012
Earnings per share (Note 1)	(4.97)	0.19	2.23	2.51	8.19	2.18

Note 1: For the earnings per share, calculations are done retroactively.

(V) Names of CPAs of the Past Five Years and Their Audit Feedback

Year	CPA firm	CPA name	Opinion
2018	PricewaterhouseCoopers, Taiwan	Huang Shih-Chun, Liang Hua-Ling	Unqualified opinion
2019	PricewaterhouseCoopers, Taiwan	Huang Shih-Chun, Liang Hua-Ling	Unqualified opinion
2020	PricewaterhouseCoopers, Taiwan	Huang Shih-Chun, Yeh Tsui-Miao	Unqualified opinion
2021	PricewaterhouseCoopers, Taiwan	Huang Shih-Chun, Yeh Tsui-Miao	Unqualified opinion
2022	PricewaterhouseCoopers, Taiwan	Huang Shih-Chun, Yeh Tsui-Miao	Unqualified opinion

II. Financial Analysis of the Most Recent Five Years

(I) Financial Analysis - IFRS (Standalone)

Analytical item (Note 2) / Year		Financial analysis for the most recent 5 years (Note 1)					As of March 31, 2023
		2018	2019	2020	2021	2022	
Financial Structure %	Debt to assets ratio	57.15	63.42	57.50	62.27	52.08	48.44
	Long-term capital to property, plant and equipment ratio	464.52	470.16	629.21	692.65	1113.62	1114.63
Solvency %	Current ratio	144.54	120.79	149.50	137.82	164.92	172.98
	Quick ratio	76.82	64.07	87.96	72.64	98.41	106.16
	Interest coverage multiplier	(20.62)	(0.45)	16.15	16.68	41.00	43.56
Operating performance	Accounts receivable turnover rate (times)	1.49	2.21	3.45	2.97	3.69	3.20
	Average collection days	245	165	106	123	99	114
	Inventory turnover rate (times)	1.71	2.15	2.15	1.87	2.63	2.60
	Accounts payable turnover rate (times)	2.51	3.76	3.68	3.34	3.82	3.62
	Average sales days	214	170	169	196	139	140
	Property, plant and equipment turnover rate (times)	7.21	10.92	11.89	12.19	21.71	21.88
	Total assets turnover rate (times)	0.72	1.02	1.02	0.91	1.21	1.08
Profitability	Return on assets (%)	(11.64)	1.05	6.09	6.11	15.29	14.95
	Return on equity (%)	(26.91)	1.34	14.42	14.48	34.25	29.38
	Net profit before tax to paid-in capital (%)	(50.28)	(3.43)	28.73	28.25	88.03	105.60
	Net profit margin (%)	(17.00)	0.52	5.61	6.36	12.36	13.47
	Earnings per share (NT$)	(4.97)	0.19	2.23	2.51	8.19	2.18
Cash flow	Cash flow ratio (%)	(24.43)	23.69	(21.01)	5.98	(3.19)	18.77
	Cash flow adequacy ratio (%)	(60.97)	(2.62)	(55.44)	(46.62)	2.24	N/A
	Cash reinvestment ratio (%)	(35.39)	52.77	(20.14)	4.64	(6.19)	N/A
Leverage	Operating leverage	(0.75)	(3.70)	4.65	4.83	3.62	3.65
	Financial leverage	0.95	0.91	1.07	1.07	1.04	1.04

Reasons for the changes in respective financial ratios over the past two years by more than 20%: (The analysis may be waived if the increase/decrease falls short of 20%)

(1) The ratio of long-term funds to real estate, plant and equipment: mainly due to the increase in the amount of shareholders' equity.
(2) Quick ratio: mainly due to the increase in current assets.
(3) Interest coverage ratio: mainly due to the increase in after-tax profit and loss.
(4) Accounts receivable turnover rate (times): mainly due to the increase in sales amount.
(5) Average cash collection days: mainly due to the increase in the turnover rate of accounts receivable.
(6) Inventory turnover (times): mainly due to the increase in cost of goods sold.
(7) Turnover rate of real estate, plant and equipment (times): mainly due to the increase in the amount of sales.
(8) Turnover rate of total assets (times): mainly due to the increase in sales amount.
(9) Return on assets (%): mainly due to the increase in after-tax profit and loss.
(10) Return on equity (%): mainly due to the increase in the amount of shareholders' equity.
(11) Ratio of pre-tax net profit to paid-in capital (%): mainly due to the increase in pre-tax profit.
(12) Profit rate (%): mainly due to the increase in after-tax profit and loss.
(13) Earnings per share (yuan): mainly due to the increase in after-tax profit and loss.
(14) Cash flow ratio (%): mainly due to the decrease in net cash flow from operating activities.
(15) Appropriate ratio of cash flow (%): mainly due to the decrease in net cash flow from operating activities.
(16) Cash reinvestment ratio (%): mainly due to the decrease in net cash flow from operating activities.
(17) Operating leverage: mainly due to the increase in sales revenue.

(II) Financial Analysis- International Financial Reporting Standard (Consolidated)

Analytical item (Note 2) / Year		Financial analysis for the most recent 5 years (Note 1) 2018	2019	2020	2021	2022	As of March 31, 2023
Financial Structure %	Debt to assets ratio	56.46	61.68	58.07	63.21	53.75	51.16
	Long-term capital to property, plant and equipment ratio	421.41	405.54	531.34	586.40	955.69	982.13
Solvency %	Current ratio	151.7	135.79	162.22	149.31	182.36	189.31
	Quick ratio	81.37	72.34	87.02	81.56	104.30	102.07
	Interest coverage multiplier	(17.47)	1.23	16.24	17.48	43.44	42.15
Operating performance	Accounts receivable turnover rate (times)	1.43	2.13	2.69	4.21	4.63	3.87
	Average collection days	255	171	136	86	79	94
	Inventory turnover rate (times)	1.59	1.94	1.85	1.85	2.25	1.73
	Accounts payable turnover rate (times)	2.4	3.54	3.53	3.69	3.73	3.00
	Average sales days	230	189	197	197	162	211
	Property, plant and equipment turnover rate (times)	6.92	10.07	10.26	12.47	20.85	19.22
	Total assets turnover rate (times)	0.74	1.09	1.04	1.08	1.34	1.07
Profitability	Return on assets (%)	(10.38)	1.91	6.25	6.07	15.02	14.43
	Return on equity (%)	(23.93)	3.35	14.55	14.71	34.70	29.62
	Net profit before tax to paid-in capital (%)	(45.89)	0.57	30.71	31.12	102.48	116.51
	Net profit margin (%)	(14.82)	1.25	5.56	5.29	10.88	13.11
	Earnings per share (NT$)	(4.97)	0.19	2.23	2.51	8.19	2.18
Cash flow	Cash flow ratio (%)	(24.76)	25.96	(17.46)	16.21	1.11	16.52
	Cash flow adequacy ratio (%)	(63.73)	(6.3)	(51.03)	(19.53)	13.38	N/A
	Cash reinvestment ratio (%)	(31.54)	39.40	(17.12)	18.02	(0.59)	N/A
Leverage	Operating leverage	(0.73)	(104.60)	5.40	4.52	2.73	2.49
	Financial leverage	0.95	0.30	1.08	1.05	1.02	1.03

Reasons for the changes in respective financial ratios over the past two years by more than 20%: (The analysis may be waived if the increase/decrease falls short of 20%)

(1)he ratio of long-term funds to real estate, plant and equipment: mainly due to the increase in the amount of shareholders' equity.
(2) Quick ratio: mainly due to the increase in current assets.
(3) Interest coverage ratio: mainly due to the increase in after-tax profit and loss.
(4) Inventory turnover (times): mainly due to the increase in cost of goods sold.
(5) Turnover rate of real estate, plant and equipment (times): mainly due to the increase in the amount of sales.
(6) Turnover rate of total assets (times): mainly due to the increase in sales amount.
(7) Return on assets (%): mainly due to the increase in after-tax profit and loss.
(8) Return on equity (%): mainly due to the increase in the amount of shareholders' equity.
(9) Ratio of pre-tax net profit to paid-in capital (%): mainly due to the increase in the amount of pre-tax profit.
(10) Profit rate (%): mainly due to the increase in after-tax profit and loss.
(11) Earnings per share (yuan): mainly due to the increase in after-tax profit and loss.
(12) Cash flow ratio (%): mainly due to the decrease in net cash flow from operating activities.
(13) Appropriate ratio of cash flow (%): mainly due to the decrease in net cash flow from operating activities.
(14) Cash reinvestment ratio (%): mainly due to the decrease in net cash flow from operating activities.
(15) Operating leverage: mainly due to the increase in sales reven

Note 1: Financial Reports audited and certified by the CPAs for 2019 through 2022.

Note 2. The financial ratio is calculated by the formula below:

1. Capital structure
   (1) Debt to assets ratio = total liabilities/total assets
   (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment
2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities
   (3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period
3. Operating performance
   (1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).
   (2) Average collection days = 365/accounts receivable turnover rate
   (3) Inventory turnover rate = costs of goods sold/average inventory
   (4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).
   (5) Average sales days = 365/inventory turnover rate
   (6) Real estate, plant, and equipment turnover ratio = net sales/average of real estate, plant and equipment
   (7) Total assets turnover rate = net sales/average total assets
4. Profitability
   (1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets
   (2) Return on equity = net profits after tax/average total equity
   (3) Net profit margin = net profits after tax/net sales
   (4) Earnings per share = (net profits attributable to shareholders of owners of the parent - preferred stock dividend)/ weighted average number of shares outstanding
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
   (2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals).
6. Leverage
   (1) Operating leverage ＝ (Net operating income － Change in operating costs and expenses)/Operating profit.
   (2) Financial leverage = operating profits / (operating profits - interest expense).

III. Audit Committee's Audit Report of Financial Statements of the Most Recent Year

Audit Committee's Audit Report

The Board of Directors prepared the Company's 2022 Business Report, Standalone and Consolidated Financial Statements. Among them, the Standalone and Consolidated Financial Statements have been audited by CPAs Huang Shi-Jun and Yeh Cuei-Miao of PwC Taiwan and the audit report has been issued by the CPAs.

The above Business Report, Standalone and Consolidated Financial Statements have been reviewed and determined to be correct and accurate by the Audit Committee members. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Sincerely,
2023 General Shareholders' Meeting of Castles Technology Co., Ltd.

Castles Technology Co., Ltd.

Convener of the Audit Committee: GONG,HSI-HSUN

March 28, 2023

IV. Financial Report of the Most Recent Year:

Refer to Pages 130 to 197.

V. Standalone Financial Report of the Company Having Been Audited and Certified by CPAs of the Most Recent Year.

Refer to Pages 198 to 274.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent year up to the date when the Annual Report was printed, specify their effects on the Company's financial status: None.

Seven. Review and Analysis of the Financial Status and Financial Performance and Risks

I. Financial Status

(I) Financial Standing Comparative Analysis Table

Unit: NTD thousand

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	5,457,740	3,743,851	1,713,889	45.78
Property, plant and equipment	355,496	354,062	1,434	0.41
Intangible assets	47,113	65,683	(18,570)	(28.27)
Other assets	529,827	419,909	109,918	26.18
Total Assets	6,390,176	4,583,505	1,806,671	39.42
Current liabilities	2,992,724	2,507,272	485,452	19.36
Non-current liabilities	442,451	390,367	52,084	13.34
Total liabilities	3,435,175	2,897,639	537,536	18.55
Share capital	995,426	895,426	100,000	11.17
Capital surplus	694,514	325,014	369,500	113.69
Retained earnings	1,149,977	442,164	707,813	160.08
Other equity interests	7,729	(29,111)	36,840	(126.55)
Treasury shares	(18,051)	(18,051)	0	0.00
Non-controlling interest	125,406	70,424	54,982	78.07
Total equity	2,955,001	1,685,866	1,269,135	75.28

Clarification of the analysis when the increase or decrease has reach 20% and the value involved has reached NTD 10 million:

Increase in current assets: mainly due to the increase in cash and cash equivalents, accounts receivable and inventories

2. Increase in other assets: mainly due to the increase in right-of-use assets
3. The increase in total assets: mainly due to the increase in cash and cash equivalents, accounts receivable and inventories
4. Increase in capital reserve: mainly due to the issue premium for cash capital increase

5. Increase in retained earnings: mainly due to the increase in net profit after tax in the current period 6. Increase in other interests: mainly due to the exchange difference in the translation of financial statements of foreign operating institutions. 7. Increase in non-controlling interests: mainly due to the increase in after-tax net profit of subsidiaries with non-controlling interests in the current period 8. Increase in total equity: mainly due to increase in share capital, capital reserves and retained earnings5. Increase in other equities: mainly due to the exchange difference from the conversion of financial statements of overseas operating entities.

(II) Future response plans shall be specified in cases of significant impacts: There are no significant impacts on the financial operations of the Company.

II. Financial Performance Analysis

(I) Management Outcome Comparative Analysis Table

Unit: NTD thousand

Item \ Year	2022	2021	Increased (decreased) amount	Change %
Net operating revenues	7,399,996	4,455,316	2,944,680	66.09
Operating costs	5,082,436	3,219,975	1,862,461	57.84
Gross profit before unrealized gross profit on sales to subsidiaries	2,317,560	1,235,341	1,082,219	87.60
Operating expenses	1,290,484	907,604	382,880	42.19
Net operating profit (Net loss)	1,027,076	327,737	699,339	213.38
Total non-operating income and expenses	(6,954)	(49,062)	42,108	(85.83)
Profit before income tax	1,020,122	278,675	741,447	266.06
Income tax profit (expense)	(214,807)	(42,579)	(172,228)	404.49
Profit for the year	805,315	236,096	569,219	241.10

Clarification of the analysis when the increase or decrease has reach 20% and the value involved has reached NTD 10 million:

1. Increase in operating income: mainly due to the increase in revenue in Europe and the United States.
2. Increase in operating costs: mainly due to the increase in revenue.
3. Increase in operating gross profit: mainly due to the increase in revenue.
4. Increase in operating expenses: mainly due to the increase in the amount of employee dividends due to the increase in net profit
5. Increase in operating net profit: mainly due to the increase in operating income.
6. Decrease in non-operating expenses: mainly due to foreign currency exchange losses in 2022

(II) Main reason for the major changes in the operating income, operating net profit, and net profit before tax over the past two years and the expected sales and the rationale: Based on the macroeconomic changes, the industrial developments and where the business and product R&D plans are headed in the future, the Company forecasts that the sales will hopefully grow for the coming year.

(III) Possible impacts on the Company’s future financial business and corresponding plan: None.

III. Cash Flow Analysis

(I) Analysis of changes in cash flows over the past year

Unit: %

Year / Item	2022	2021	Ratio of increase/decrease (%)
Cash flow ratio	1.11	16.21	(93%)
Cash flow adequacy ratio	13.88	(19.53)	(171%)
Cash re-investment ratio	(0.59)	18.02	(103%)
Information on the analysis of changes in the increase/decrease ratio: 1. Decrease in cash flow ratio: mainly due to decrease in net cash inflow from operating activities. 2. Increase in cash flow allowance ratio: mainly due to increase in net cash inflow from operating activities. 3. Decrease in cash reinvestment ratio: mainly due to decrease in net cash inflow from operating activities.			

(II) Improvement plan for insufficient liquidity: The Company has abundant funds and there is no issue of insufficient liquidity.

(III) Cash liquidity analysis for the coming year

Unit: NTD thousand

Cash balance at the beginning of the period①	Expected net cash flow from operating activities throughout the year②	Cash outflow throughout the year③	Estimated cash balance (shortfall)①＋②＋③	Remedy for expected cash shortage	
				Investment plan	Financing plan
1,020,234	6,511,996	(5,860,796)	1,671,434	-	-
1. Analysis of changes in cash flow for the coming year: (1) Net cash flow from operating activities throughout the year: mainly due to operating profit and the cash collected for accounts receivables (2) Net cash in-flow (out-flow) throughout the year: mainly due to purchases of materials, processing, and general payments 2. Expected cash deficit remedies and liquidity analysis: It is required to enrich the working capital when the cash level prior to funds-raising appears to be low. After the capital increase in cash in 2022, it shall be free of insufficiency.					

IV. Significant capital expenditures in the most recent year and the impact on finance and business matters: None

V. Investment policy of the most recent year, the main reasons for profit or loss, improvement plan and investment plan for the coming year:

(I) Re-investment policy of the most recent year:

In the reinvestment deployment over the past few years, the Company mainly targeted those that are directly related to, are superior or complementary to, and are capable of rendering synergistic effects on the R&D of the Company's products and the Company's operations. Investment evaluations need to be based on the requirements of the Company's "Procedure for the Acquisition or Disposal of Assets." Operation and management need to be based on the Company's "Operating Procedure for Transactions Involving Specific Companies, Group Businesses and Related Parties" and the "Subsidiaries Governance Regulations." In the lending of funds and while providing endorsements/guarantees, it is required to follow the requirements of the Company's "Operational Procedure for Lending of Funds and Endorsement/Guarantee." Meanwhile, the Company's Accounting Department periodically obtains the operational and financial data of respective reinvestees and analyze and evaluate their operational status and profitability in order to know their financial operations. The Company's Audit Department also audit the internal control status of respective reinvestees from time to time in order to ensure that the operation meets applicable requirements.

(II) Main reasons for the earnings or deficits of reinvestees and the improvement plan:

Unit: NTD thousand

Explanation / Item (Note 1)	Gains (Losses) from investment recognized for 2022	Main reasons for profits or losses	Improvement plan	Investment plans in the future
Suzhou Castech Limited	(9,500)	The operation has reached a profitable scale	Expanded the operational scale to enhance the operational efficiency	Depending on the operations
CASTLES TECHNOLOGY SINGAPORE PTE. LTD.	53,620	The operation has reached a profitable scale	Continue to expand the market to increase profitability	Depending on the operations
CASTLES TECHNOLOGY EUROPE S.R.L.	42,491	Real economy was impacted by the pandemic	Continue to expand the market to enhance the operational efficiency	Depending on the operations

Castles Technology International Corp.	111,552	The operation has reached a profitable scale	Continue to expand the market to enhance the operational efficiency	Depending on the operations
CASTLES TECHNOLOGY SPAIN SL	25,410	Real economy was impacted by the pandemic	Continue to expand the market to enhance the operational efficiency	Depending on the operations
Casware System Technology Co., Ltd.	14	The operation has reached a profitable scale	Expanded the operational scale to enhance the operational efficiency	Depending on the operations
CASTLES TECHNOLOGY UK & IRELAND LTD	22,263	The operation has reached a profitable scale	Expanded the operational scale to enhance the operational efficiency	Depending on the operations
CASTLES TECHNOLOGY Jordan Private Shareholding Company	(220)	Still at the early stage since establishment; the operation is yet to reach a profitable scale.	Continue to expand the market to increase profitability	Depending on the operations
Castles Technology Japan	89	The operation has reached a profitable scale	Expanded the operational scale to enhance the operational efficiency	Depending on the operations

Note 1: This table only shows reinvestments with actual operations and does not include holding companies that are invested in.

(III) Investment plan for the coming year:

Most of the primary competitors of the Company are global enterprises. In order for the Company to be capable of competing on respective regional markets with counterparts and to secure the operational efficiency, evaluations will continue regarding whether or not to set up subsidiaries or branch offices on respective markets around the world and will be presented to the Board of Directors according to the Company's "Procedure for the Acquisition or Disposal of Assets."

VI. Evaluation of Risk Matters of the Most Recent Year up to the Date When the Annual Report was Printed

(I) Impact of changes in interest rate, exchange rate change and inflation on the Company's gains or losses and countermeasures in the future:

1. Impacts of changes in interest rate on the Company's gains or losses and countermeasures in the future

Unit: NTD thousand; %

Item \ Year	2021	2022
Net operating revenues	4,455,316	7,399,996
Profit before income tax	278,675	1,020,122
Interest income	745	3,368
Ratio of interest income to net operating income	0.02%	0.05%
Ratio of interest income to net profit before tax	0.27%	0.33%
Interest expenditure	16,914	24,035
Ratio of interest expenditure to net operating income	0.38%	0.32%
Ratio of interest expenditure to net profit before tax	6.07%	2.36%

The Company is conservative yet robust in the utilization of funds. Funds generated from operations are kept as demand deposits and used to purchase bond-based funds. Due to the fact that the interest rate has been low over the past year, ratio of interest income from deposits is not high. Some of the positions held in bond-based funds are financial instruments of fixed interest rate. Despite the interest rate risk on the market, the Company decentralized its investment positions to minimize it. In addition, the Company's operational status is optimal now; it is estimated that borrowings that may be increased in NTD dollar or foreign currencies in the coming year will still be meant to meet short-term operational needs while long-term borrowings are financial instruments of floating interest rates. Despite the risk associated with floating interest rates, the ratio of impacts on gains or losses is not high. Therefore, there is no need for the time being to circumvent the risk of increased interest expenditure as a result of the climbing interest rate.

2. Impacts of changes in the exchange rate on the Company's gains or losses and countermeasures in the future

The current ratio of the Company's exports to operating income is 95.63% and accounts receivable in foreign currencies are most in the US Dollar. Therefore, the exchange rate versus the US Dollar is quite correlated to the changes in exchange gains or losses of the Company. The Company currently adopts primarily the natural hedging approach and accounts payable are adjusted to be valued in US Dollar. The positions exposed to the foreign currency risk is reduced taking advantage of the foreign currency assets-liabilities balance mechanism. Should there be significant fluctuations in foreign currencies in the future, however, the Company will circumvent risks associated with such fluctuations through forward foreign currency contracts. They will help reduce the impacts of exchange rate volatility on the Company's gains or losses.

3. Impacts of Inflation on the Company's Profits or Losses and Countermeasures in the Future:

Data of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan show that the mean consumer price index of January through March 2022 climbed by 2.35% mainly due to the COVID-19 pandemic that impacted the world in 2020. The global economy saw significant reductions. In 2021, economies around the world gradually recovered and hence the short-term price index rose. In the future, as countries resume their economic activities, incentive packages are introduced and they will help the global economy rid the impact of recession. Despite the possible inflation triggered by the economic incentive packages introduced in countries around the world, it is expected that impacts of the pandemic will remain for the coming two years and hence inflation is unlikely. Should there be inflation, however, the Company will adequately adjust the selling prices of new products in order to cope with changes on the market and to reduce the impacts of inflation on the Company's gains or losses to a minimum.

(II) Policies on high-risk, high-leverage investments, lending funds others, endorsement and guarantee and derivatives transactions, main reasons for profits or deficits and countermeasures in the future:

1. The Company has been focusing on its mainstream business and is not engaged in high-risk, high-leverage investments and in the trading of derivative financial instruments or providing external endorsements/guarantees.
2. The Company was not engaged in the lending of funds to others, endorsements/guarantees, and the trading of derivative financial instruments in 2021 and 2022 up to the date when the Prospectus was printed. In cases of lending of funds to others, endorsements/guarantees, and trading of derivative financial instruments in the future, the Company will follow related processes, such as the Company's "Procedure for Handling

Endorsement/Guarantee" and "Procedure for the Acquisition or Disposal of Assets" and announcements and declarations will be done as required by law.

(III) Future research and development plans and estimated research and development expenses:

The Company mainly deals with the design, development, and sale of POS terminals and related products and is marketing its own brands around the world. The development and the certification and maintenance of each model on respective markets mark the primary R&D investments. The primary R&D costs is the personnel cost, royalties and certification expenses for software used. The Company is gradually completing respective important products in terms of their model numbers. The quantities for new regions and markets will be adequately increased in the future reflective of the market demand and the available R&D staff or market certifications and maintenance will be outsourced to professional service providers in respective regions in order to enter the market in a time-effective way. The ratio of R&D expenditure to operating income will remain as is in the future and investments in R&D will be adjusted reflective of the market conditions in order for the Company to remain competitive on the market. Expected R&D expenditure to be devoted: The expected R&D expenditure to be devoted in 2023 is NTD 572,166 thousand.

(IV) The impact of important domestic and foreign policy and legal changes on the Company's finance and business and countermeasures:

All international operations of the Company comply with local regulatory requirements. There are specialists in respective regions to take care of the local markets and to pay attention to changes in policies and regulatory requirements in the specific country at all times in order to have business as usual and to keep track of various possible business opportunities. Domestically, on the other hand, related internal and external training programs are available reflective of the division of labor among respective departments in order to cope with domestic political and economic changes in real time. Over the most recent year up to the date when the Prospectus was printed, the Company did not experience material impact on its financial operations as a result of changes in important domestic policies and laws.

(V) The impact of technological changes (including information security risks) and industry changes on the Company's financial business and the countermeasures:

As the global POS terminal sector gradually turns from the growing phase to the maturing phase, the sector is known for its quite solid scale and foundation. Therefore, technological changes or industrial changes are providing opportunities to expand the market share for the Company. Taiwan leads a majority of other markets in the world in terms of the technological application and development of POS terminals. In other words, by adequately developing new applications, the Company has the opportunity to create more profits on other markets around the world. As far as the number of technicians having been nurtured accumulatively so far and the business response are concerned, the Company is equipped with the project management skills required for it to keep track of technologies and explore markets quickly, which, therefore, shall be positive impacts on the Company.

(VI) Impact of changes in the corporate image on the management of corporate risks and the countermeasures:

The Company is focused on its mainstream business and abides by respective governmental laws and regulations. At the operational level, it is robustly and steadily marching forward. Corporate operational crises that result from altered corporate image have not occurred yet. Once the Company goes public with issuance of shares in the future, it will be devoted to enforcing the respective corporate governance requirements specified by the competent authority and adequately adjust its composition and proactively reinforce internal management. A harmonious labor-management relationship as well optimal corporate image will be maintained to prevent the said risks from happening and their impacts on the Company’s crisis management.

(VII) Expected benefits and possible risks of mergers and acquisitions and countermeasures: None.

The Company had no plan to merge with or acquire other companies over the past year up to the date when the Annual Report was printed.

(VIII) Expected benefits, possible risks, and countermeasures of plant expansion:

The Company did not have major plans to expand its premises over the most recent year up to the date when the Annual Report was printed.

(IX) Risks of concentrations of purchases or sales and countermeasures:

1. Purchase

In terms of raw materials and regular materials, besides primary ICs, the Company has numerous service providers for the supply or OEM of other raw materials and regular materials. Therefore, no monopoly in purchases exists for the Company. Primary ICs, on the other hand, are mostly designed, researched, and developed by the Company and its manufacturers. Besides no concerns of disruption in the supply, safety inventory levels are available.

2. Sales

Domestically, the Company sells to financial institutions, distributors, ordinary businesses, public agencies, chain stores and small-to-medium-sized stores. The risk of focused sales is yet to appear in reality. Meanwhile, the Company has been in optimal partnerships with sales customers for years; therefore, the operational risk is not high. On international markets, medium-to-large-sized system integration service providers, financial institutions and distributors in respective countries are the main customers that the Company sells to. Over the past two years, due to the surges in sales in certain regions, increased concentration of customers has surfaced as a whole. The Company is devoted to exploring new regions and new customers, however and it is expected that focused sales will gradually be reduced.

(X) The impact on the Company and risks of the massive transfer or change of shares by directors, supervisors or major shareholders with 10% stake or more and countermeasures:

Over the past year up to the date when the Prospectus was printed, POWER QUOTIENT INTERNATIONAL CO., LTD., a major shareholder originally holding more than 10% of shares, gradually filed for assignment of held shares for financial considerations and such assignment was completed as of September 20, 2021. The shareholding following the assignment was 0%. The other directors and supervisors, on the other hand, transferred minimal equities as part of their personal investment and wealth management plan. Generally, the shareholding rate has remained stable and is yet to render material undesirable impact on corporate operations.

(XI) The impact on the Company and risks of change in management rights and countermeasures:

The management was not changed over past year up to the date when the Prospectus was printed.

(XII) Litigation or non-litigation events

1. For the most recent two years and the current year up to the date of publication of the annual report, if the Company has been convicted by final and binding judgments or is still bound by litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholder interests or securities prices: None.
2. For the most recent two years and up to the date of publication of the annual report, if the Company’s directors, supervisors, general managers, persons in charge of the Company, substantial shareholders holding more than 10 percent of the shares and affiliated companies have been convicted by final and binding judgments or is still bound by litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholder equity or securities prices: None.

(xiii) Other major risks and countermeasures: None.

Information on the evaluation and analysis of information security risk:

According to applicable regulatory requirements and to meet operational demand, the Company has defined its internal control computerized information processing cycle (including risk assessments, operating procedures, and highlights of control) to be followed by all employees.

Based on the above-mentioned internal control cycle, the undesirable impacts that the said information security risk has on corporate operations are confirmed. After evaluation, the information security control solutions are planned as follows:

1. Define functions of information processing departments and their responsibilities.
2. Control system development and program modification.
3. Prepare systems and control documentation.
4. Control programs and data access.
5. Control data imports/exports.
6. Control data processing.
7. Control the security of files and equipment.
8. Control the purchase, use, and maintenance of software and hardware.
9. Control the system recovery plan/system and testing procedure.
10. Control information and communication security inspections.
11. Control the filing of public information.

The Company's management enforces internal control and manages risk supervision reflective of their scope of responsibility applying the operational and management mechanism and the operating guidelines.

VII. Other important matters: None.

Eight. Special Notes

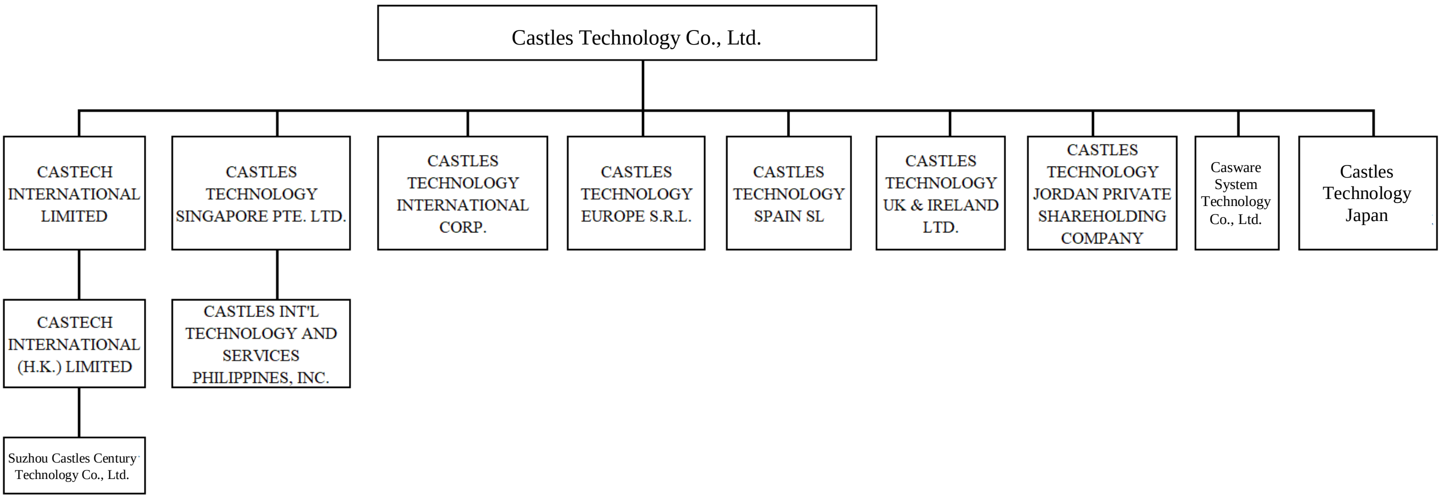
I. Information on affiliates

(I) Consolidated Business Report of Affiliates:

1. Overview of Affiliates

(1) Affiliate organizational chart

Date: December 31, 2022



(2) Profile of affiliates

December 31, 2022

Enterprise name	Date established	Address	Paid-in capital	Main business activities
CASTECH INTERNATIONAL LIMITED	2007.05.31	5348 Vegas Dr. Las Vegas City, Nevada 89108	USD 1,700 thousand	Various investments
CASTECH INTERNATIONAL (H.K.) LIMITED	2010.08.19	Suite 6, 16F of Workingbond Commercial Centre at 162-164 Prince Edward Road West, Prince Edward, Yau Tsim Mong, Kowloon	USD 1,700 thousand	Various investments
Suzhou Castech Limited	2007.12.12	Suite 1201-1209, Building 2, Science and Technology Innovation Center at 1566, Baodai West Road, High-tech Zone, Suzhou	USD 1,700 thousand	Distribution and software development of electronic financial transaction terminals
CASTLES TECHNOLOGY SINGAPORE PTE. LTD.	2014.02.25	1557 Keppel Road, Blk C#03-33A, Singapore 089066	USD 2,000 thousand	Distribution and software development of electronic financial transaction terminals
CASTLES TECHNOLOGY EUROPE S.R.L.	2015.09.07	Via Privata Viserba 20 Cap 20126 Milano (Italy)	EUR 2,426 thousand	Distribution and software development of electronic financial transaction terminals
Castles Technology International Corp.	2015.10.16	1065 Big Shanty Rd Suite 200, Kennesaw, GA 30144, USA	USD 4,500 thousand	Distribution and software development of electronic financial transaction terminals
CASTLES INT'L TECHNOLOGY AND SERVICES PHILIPPINES, INC.	2016.09.28	U616 City And Land Mega Plaza Bldg Adb Ave. Ortigas Center Brgy San Antonio Pasig City, Metro Manila, Philippines	USD 200 thousand	Distribution and software development of electronic financial transaction terminals
CASTLES TECHNOLOGY SPAIN SL	2014.02.13	C/ Retama, Nº 7, PL12, 28045 Madrid, Spain	EUR 1,075 thousand	Distribution and software development of electronic financial transaction terminals
Casware System Technology Co., Ltd.	2017.08.25	6F, No. 207-5, Section 3, Beixin Road, Xindian District, New Taipei City	NTD 32,000 thousand	Distribution and software development of electronic financial transaction terminals
CASTLES TECHNOLOGY UK & IRELAND LTD.	2020.08.16	Unit 3-6 Milford Trading Estate Blakey Road, Salisbury England SP1 2UD	GBP 1,780 thousand	Distribution and software development of electronic financial transaction terminals

Enterprise name	Date established	Address	Paid-in capital	Main business activities
CASTLES TECHNOLOGY JORDAN Private Shareholding Company	2020.10.22	Swefieh, Salah Al-Suheimat St., Park Plaza Center, Building No.24, Floor 8, Office#	JOD 514,880	Distribution and software development of electronic financial transaction terminals
Castles Technology Japan	2019.01.18	日本東京都中央区銀座六丁目6番1号銀座風月堂ビル5樓	JPY 3 million	Distribution and software development of electronic financial transaction terminals

(3) Data of common shareholders inferred to have control or to be in a subordinate relationship: None.

(4) Industries covered in the scope of operation of affiliated enterprises as a whole: electronics sector

Name	Main business activities	Division of labor
CASTECH INTERNATIONAL LIMITED	Various investments	Not applicable
CASTECH INTERNATIONAL (H.K.) LIMITED	Various investments	Not applicable
Suzhou Castech Limited	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market
CASTLES TECHNOLOGY SINGAPORE PTE. LTD.	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market
CASTLES TECHNOLOGY EUROPE S.R.L.	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market
Castles Technology International Corp.	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market
CASTLES INT'L TECHNOLOGY AND SERVICES PHILIPPINES, INC.	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market
CASTLES TECHNOLOGY SPAIN SL	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market
Casware System Technology Co., Ltd.	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market
CASTLES TECHNOLOGY UK & IRELAND LTD.	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market
CASTLES TECHNOLOGY JORDAN Private Shareholding Company	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market
Castles Technology Japan	Distribution and software development of electronic financial transaction terminals	Distribution and R&D on the assigned regional market

(5) Names of directors, supervisors and presidents of affiliates:

December 31, 2021

<table>
<tr><th rowspan="2">Enterprise name</th><th rowspan="2">Title</th><th rowspan="2">Name or representative</th><th colspan="2">Shareholding.</th></tr>
<tr><th>Number of Shares</th><th>Ownership</th></tr>
<tr><td>CASTECH INTERNATIONAL LIMITED</td><td>Directors</td><td>Hsin Hua-Hsi</td><td colspan="2">The shareholder is Castles Technology Co., Ltd.; total number of shares held: 1,700,000, accounting for 100% of CASTECH INTERNATIONAL LIMITED’s total shares.</td></tr>
<tr><td>CASTECH INTERNATIONAL (H.K.) LIMITED</td><td>Directors</td><td>Hsin Hua-Hsi</td><td colspan="2">The shareholder is CASTECH INTERNATIONAL LIMITED; total number of shares held: 13,252,000, accounting for 100% of CASTECH INTERNATIONAL (H.K.) LIMITED.</td></tr>
<tr><td rowspan="3">Suzhou Castech Limited</td><td>Executive Director</td><td>Hsin Hua-Hsi</td><td colspan="2" rowspan="3">The shareholder is CASTECH INTERNATIONAL LIMITED, holding 100% of all shares of Suzhou Castech Limited</td></tr>
<tr><td>Supervisor</td><td>Li Tsung-Hsi</td></tr>
<tr><td>General Manager</td><td>Chang Zi-Lin</td></tr>
<tr><td rowspan="5">CASTLES TECHNOLOGY SINGAPORE PTE. LTD.</td><td>Directors</td><td>Hsin Hua-Hsi</td><td colspan="2" rowspan="5">The shareholder is Castles Technology Co., Ltd., holding 54.89% of the shares of CASTLES TECHNOLOGY SINGAPORE PTE. LTD.</td></tr>
<tr><td>Directors</td><td>Lin Hung-Chun</td></tr>
<tr><td>Directors</td><td>Chen Yu-Chun</td></tr>
<tr><td>Director and President</td><td>NG KAY HONG</td></tr>
<tr><td>Directors</td><td>KHOW SIANG THYE</td></tr>
<tr><td rowspan="3">CASTLES TECHNOLOGY EUROPE S.R.L.</td><td>Chairman</td><td>Hsin Hua-Hsi</td><td colspan="2" rowspan="3">The shareholder is Castles Technology Co., Ltd., holding 100% of the shares of CASTLES TECHNOLOGY EUROPE S.R.L.</td></tr>
<tr><td>Director and President</td><td>NIEDERGANG-RIBOLZI JEAN
PHILIPPE RENE JOEL</td></tr>
<tr><td>Directors</td><td>Lin Hung-Chun</td></tr>
<tr><td rowspan="2">Castles Technology International Corp.</td><td>Chairman</td><td>Hsin Hua-Hsi</td><td colspan="2" rowspan="2">The shareholder is Castles Technology Co., Ltd., holding 100% of the shares of Castles Technology International Corp.</td></tr>
<tr><td>Director and President</td><td>Feng Wen-Chieh</td></tr>
<tr><td rowspan="5">CASTLES INT’L TECHNOLOGY AND SERVICES PHILIPPINES, INC.</td><td>Chairman</td><td>NG KAY HONG</td><td colspan="2" rowspan="5">The shareholder is CASTLES TECHNOLOGY SINGAPORE PTE. LTD., holding 100% of the shares of CASTLES INT’L TECHNOLOGY AND SERVICES PHILIPPINES, INC.</td></tr>
<tr><td>Director and President</td><td>KHOW SIANG THYE</td></tr>
<tr><td>Directors</td><td>LITO A. GO,JR</td></tr>
<tr><td>Directors</td><td>ALBERT C.YAP-DIANGCO</td></tr>
<tr><td>Directors</td><td>GLADY O.CITRA</td></tr>
</table>

Enterprise name	Title	Name or representative	Shareholding.	
			Number of Shares	Ownership
CASTLES TECHNOLOGY SPAIN SL	Director and President	Hsin Hua-Hsi	The shareholder is Castles Technology Co., Ltd., holding 100% of the shares of CASTLES TECHNOLOGY SPAIN SL.	
Casware System Technology Co., Ltd.	Chairman	Hsin Hua-Hsi	The shareholder is Castles Technology Co., Ltd., holding 100% of the shares of Casware System Technology Co., Ltd.	
CASTLES TECHNOLOGY UK & IRELAND LTD	Directors	Hsin Hua-Hsi	The shareholder is Castles Technology Co., Ltd., holding 100% of the shares of CASTLES TECHNOLOGY UK & IRELAND LTD.	
	Directors	Lin Hung-Chun		
	Directors	NIEDERGANG-RIBOLZI JEAN PHILIPPE RENE JOEL		
CASTLES TECHNOLOGY JORDAN Private Shareholding Company	Chairman	Hsin Hua-Hsi	The shareholder is Castles Technology Co., Ltd., holding 90% of the shares of CASTLES TECHNOLOGY JORDAN Private Shareholding Company.	
	Vice Chairman	NIEDERGANG-RIBOLZI JEAN PHILIPPE RENE JOEL		
	Directors	Sami Bahjat Allayan Abugharbieh		
Castles Technology Japan	Person in charge	Hsin Hua-Hsi	The shareholder is Castles Technology Co., Ltd., holding 100% of the shares of Castles Technology Japan.	

(II) Overview of Operation of Affiliates:

December 31, 2022; Unit: NTD Thousand

Enterprise name	Capital	Total Assets	Total liabilities	Net worth	Operating revenue	Operating profit	Net profit and loss (after tax)
CASTECH INTERNATIONAL LIMITED	51,414	10,958	0	10,958	0	(4)	(9,490)
CASTECH INTERNATIONAL (H.K.) LIMITED	50,903	11,140	197	10,942	0	0	(9,486)
Suzhou Castech Limited	51,409	20,824	9,917	10,908	50,501	(9,417)	(9,500)
CASTLES TECHNOLOGY SINGAPORE PTE. LTD.	40,844	642,672	368,436	274,236	936,309	112,425	100,655
CASTLES TECHNOLOGY EUROPE S.R.L.	87,652	1,040,427	942,430	97,997	1,438,839	54,821	42,491
CASTLES TECHNOLOGY INTERNATIONAL CORP	137,611	681,241	411,305	269,936	1,853,817	170,273	111,552
CASTLES INT'L TECHNOLOGY AND SERVICES PHILIPPINES, INC.	6,449	81,935	70,822	11,114	59,758	8,596	(1,901)
CASTLES TECHNOLOGY SPAIN SL	38,121	671,031	639,137	31,895	816,464	35,354	25,410
Casware System Technology Co., Ltd.	32,000	15,173	1,268	13,905	1,919	(21)	14
CASTLES TECHNOLOGY UK & IRELAND LTD.	65,936	243,277	139,057	104,220	290,947	27,223	22,263
CASTLES TECHNOLOGY JORDAN PRIVATE SHAREHOLDING COMPANY	21,476	48,918	31,932	16,986	42,981	91	(245)
CASTLES TECHNOLOGY JAPAN	851	267	107	160	475	143	89

(III) Consolidated Business Report of Affiliates, Consolidated Financial Statements of Affiliates, and Affiliation Report:

The business entities to be included in the Company's 2022 (from January 1, 2022 to December 31, 2022) "Affiliated Enterprise Consolidated Financial Statements" that are prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" and the business entities to be included in the Company's parent-subsidiary consolidated financial statements in accordance with IFRS No. 7 are the same; also, the relevant information to be disclosed in the "Affiliated Enterprise Consolidated Financial Statements" has already been disclosed in the aforementioned parent-subsidiary consolidated financial statements; therefore, the "Affiliated Enterprise Consolidated Financial Statements" will not be prepared separately.

II. Private placement of marketable securities in the most recent year up to the date when the Annual Report was printed: None

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year up to the date when the Annual Report was printed: None.

IV. Other matters that require additional explanations: None.

V. Any of the situations listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities in the most recent year up to the date when the Annual Report was printed: None.

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

(Continued in the next page)

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

(Continued in the next page)

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 %
	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

(Continued in the next page)

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:

			Percentage of Equity Holdings		
Name of Investor	Name of Subsidiary	Business nature	December 31, 2022	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) The criteria to classify of assets and liabilities as current or non-current

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) Cash equivalents

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) Financial assets at FVTPL

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)

	Current value of the defined benefit obligation	Fair value of the plan assets	Net defined benefit liabilities
2021			
Balance as of January 1	($ 26,719)	$ 9,672	($ 17,047)
Service cost of the period	(312)	-	(312)
Interest (expenses) income	(267)	98	(169)
	(27,298)	9,770	(17,528)
Remeasurement			
Return of plan assets (not including the amount included in the interest income or expenses)	-	73	73
Experience adjustment	(250)	-	(250)
	(250)	73	(177)
Pension fund contribution	-	285	285
Pension payment	-	-	-
Balance as of December 31	($ 27,548)	$ 10,128	($ 17,420)

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

(5) The actuarial assumption regarding the pension is summarized 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

Independent Auditor's Report

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

To Castles Technology Co., Ltd.:

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Evaluations of the loss allowance for accounts receivable

Description of key audit matters

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

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

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

Responding audit procedures

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

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

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

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

Valuation of inventories

Description of key audit matters

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

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

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

Responding audit procedures

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

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

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

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

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

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

Those charged with governance, including [the Audit Committee included], are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 1.Identify and assess the risks of material misstatement of the financial statements,

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

2. 2.Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. 3.Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 4.Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. 5.Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. 6.Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Huang, Shi-Chung

CPA

Yeh, Tsui-Miao

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

March 28, 2023

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

Unit: NTD thousand

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

(Continued in the next page)

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

Unit: NTD thousand

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

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

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

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

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

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

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

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

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

Unit: NTD thousand

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

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

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

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

Unit: NTD thousand

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

(Continued at the next page)

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

Unit: NTD thousand

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

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

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

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

Unit: NTD thousand
(Unless specified otherwise)

I. Company history

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

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

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

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

III. Application of new standards, amendments, and interpretations

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

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

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

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

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

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

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

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

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

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

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

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

IV. Summary of significant accounting policies

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

(I) Compliance statement

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

(II) Basis of preparation

1. Other than the following important items, the parent-only financial statements was prepared based on historic costs:
   (1) Financial assets measured at FVOCI measured at fair value.

   (2) Defined assets or liabilities recognized at the retirement fund asset deducting the net current value of defined benefit obligation.

2. To prepare the IFRS, IAS, IFRIC and SIC-compliant financial reports, some important accounting estimates are required, and the management's judgements are required during the process of applying the Company's accounting policies. For the items involving high judgement or complexity, or involving the material assumptions and estimates of the parent-only financial reports, please refer to Note 5.

(III) Foreign currency translation

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

1. Foreign currency transaction and balance
   (1) Foreign currency transactions are translated to the functional currency at the spot exchange rate of the transaction date or measurement date; the translation differences generated from translating such transactions are recognized as the current profit or loss.

   (2) The balance of monetary assets and liabilities in foreign currency are adjusted with the spot exchange rate valuation of the balance sheet date; the differences generated from translating such adjustments are recognized as the current profit or loss.

   (3) For the balance of non-monetary assets and liabilities in foreign currency, these measured at FVTPL are adjusted with the spot exchange rate valuation of the balance sheet date, and the differences generated from translating such adjustments are recognized as the current profit or loss; for these measured at FVOCI, are adjusted with

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

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

2. Translation of the foreign operations

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

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

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

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

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

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

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

(2) Held primarily for the purpose of trading.

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

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

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

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

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

(2) Held primarily for the purpose of trading.

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

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

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

(V) Cash equivalents

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

(VI) Financial assets at FVTPL

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

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

(VIII) 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.

(IX) Financial asset impairment

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

(X) De-recognition of financial assets

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

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

(XI) Inventories

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

(XII) Invested subsidiary with the equity method

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

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

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

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

Buildings and construction	50 years

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

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

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

(XV) Intangible assets

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

(XVI) Non-financial asset impairment

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

(XVII) Borrowings

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

(XVIII) Accounts and notes payable

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

(XIX) De-recognition of financial liabilities

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

(XX) Employee benefits

1. Short-term employee benefits
   Short-term employee benefits are measured at the non-discounted amount expected to pay, and recognized as expenses when the related services are provided.
2. Pension
   (1) Defined contribution plans
   For the defined contribution plan, the amount of retirement fund to be contributed is recognized as the pension cost of the period on the accrual basis. The prepaid contributions are recognized as assets within the extent of refundable cash or reduced future payment.
   (2) Defined benefit plans
   A. The net obligation under the defined benefit plan is calculated at the discounted future benefit amount earned by employees for the current period or in the past, and the current value of the defined benefit plans at the balance sheet date deducts the fair value of the plan assets. The net obligation under the defined benefit plan is calculated by actuaries every year with the projected unit credit method, and the discount rate references the market yields of the quality corporate bonds with the same currency and term of the defined benefit plan at the balance sheet date and the market yields of the government bonds (at the balance sheet date) shall be applied.
   B. The remeasurement generated from defined benefit plans is recognized at other

comprehensive income of the term when it incurs and presented in the retained earnings.

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

(XXI) Employees' share-based payment

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

(XXII) Income tax

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

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

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

(XXIII) <u>Share capital</u>

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

(XXIV) <u>Dividend distribution</u>

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

(XXV) <u>Revenue recognition</u>

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

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

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

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

2. Revenue from maintenance

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

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

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

(I) Key judgements adopted for accounting policies

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

(II) Key estimates and assumptions

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

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

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

2. Inventory valuation

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

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

VI. Statements of main accounting items

(I) Cash and cash equivalents

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

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

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

(II) Financial assets at FVTPL

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

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

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

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

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

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

(IV) Transferred financial assets

Transferred financial assets not derecognized as a whole

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

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

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

(V) Inventories

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

Semi-finished products	267,785	(76,667)	191,118
Finished products	502,785	(57,936)	444,849
	$ 2,023,040	($ 225,560)	$ 1,797,480

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

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

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

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

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

(VI) Investment with the equity method

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

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

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

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

(VII) Property, plant and equipment

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

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

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

(VIII) Lease transaction – lessee

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

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

	Offices	Warehouse	Total

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

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

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

5. In addition to the cash outflow of lease-related expenses in Note 6 (8) 4. For the Company's total cash outflow due to repayment of the principal of lease liabilities in 2022 and 2021, please refer to the description in Note 6 (25).
6. Option of extending lease and option of terminating lease

   When the Company determines the lease period, it takes into consideration all the facts and circumstances that will generate economic incentives for exercising the option to extend or not exercising the option to terminate. The lease period will be re-estimated when a major event occurs for assessing the exercise of the extension option or the non-exercise of the termination option.

(IX) Short-term loans

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

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

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

(X) Long-term loans

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

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

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

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

(XI) Pension

1. Regulation of defined benefit retirement

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

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

(2) The amounts recognized in the balance sheet:

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

(3) Changes in the net defined benefit liabilities:

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Regulation of defined contribution retirement

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

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

(XII) Share-based payment

1. The Company's share-based payment agreement

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

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

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

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

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

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

(XIII) Share capital

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

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

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

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

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

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

(1) Reason and volume of reclaim shares

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

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

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

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

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

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

(XIV) Capital surplus

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

(XV) Retained earnings/ events after balance sheet date

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

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

4. The Company's earning distribution

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

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

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

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

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

(XVI) Operating revenue

1. Details of revenues from customers' contracts

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

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

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

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

2. Contract liabilities

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

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

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

(XVII) Interest income

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

(XVIII) Other income

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

(XIX) Other gains and (losses)

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

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

(XX) Finance cost

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

(XXI) Additional information of expense nature

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

(XXII) Expenses of employee benefits

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

1. The Articles of Incorporation specifies that if there is a distributable balance for the Company’s annual profit before tax and employees’, directors’, and supervisors’ remuneration after offsetting accumulated losses for the previous years, it shall be distributed as follows:
   (1) Remuneration for employees: 3%–15%
   (2) The directors’ and supervisors’ remuneration is no more than 3%; and the determination of distribution ratio for employees’, directors’ and supervisors’ remunerations distribution, and payment is made shares or in cash, shall be

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

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

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

   The employee remuneration and director remuneration resolved for 2021, are NT$19,245 and NT$2,749, respectively, the same as the amounts recognized in the 2021 parent-only financial statements. As of December 31, 2022, the distributions of NT$19,245 and NT$2,749 were made in cash.

3. The information on the employee remunerations and director and supervisor remunerations approved by the Board are available on the MOPS.

(XXIII) Income tax

1. Income tax expenses (income)

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

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

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

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

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

2. Relationship between the income tax expense and accounting profit

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

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

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

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

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

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

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

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

(XXIV) Earnings per share

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

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

(XXV) Changes in liabilities from financing activities

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

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

VII. Related-party transactions

(XXVI) Names and relationships of related parties

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

(XXVII) Material transactions with the related parties

1. Sale transaction

(1) Operating revenue

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

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

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

(2) Accounts receivable

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

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

(3) Contract liabilities

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

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

2. Other transactions

(1) Other income

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

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

(2) Other receivables

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

(3) Operating expenses/operating costs

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

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

(4) Other payables

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

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

3. Collection and payment on other's behalf

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

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

4. Property transaction – acquisition of financial assets

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

2021: none

5. Guarantee transaction:

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

(XXVIII) Information on the remunerations of key management

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

VIII. Pledged asset

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

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

IX. Significant contingent liabilities and unrecognized contract commitments

(XXIX) Significant contingent liabilities

Not applicable.

(XXX) Significant unrecognized contract commitments

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

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

X. Losses due to major disasters

Not applicable.

XI. Significant events after the balance sheet date

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

XII. Others

(I) Capital management

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

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

(II) Financial instruments

1. Types of financial instrument

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

2. Risk management policy

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

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

identification, evaluation, and avoidance of financial risks.

3. Natures and degrees of material financial risks

(1) Market risk

A. Exchange rate risk

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

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

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

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

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

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

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

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

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

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

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

B. Price risk

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

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

C. Cash flow and fair value interest rate risk

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

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

(2) Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group C: related parties in the consolidated financial statements.

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

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

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

(3) Liquidity risk

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

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

C. Details of the Company's undrawn borrowing limit

	December 31, 2022	December 31, 2021
Floating interest rate		

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

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

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

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

(III) Information of fair value

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

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

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

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

2. Financial instruments not measured at fair value

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

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

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

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

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

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

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

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

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

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

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

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

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

(IV) Other matters

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

XIII. Additional disclosures

(I) Information on material transactions

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

(II) Information on investees

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

(III) Information on investments in China

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

(IV) Information on major shareholders

Information on major shareholders: please refer to Table 8.

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

Statement 1 Unit: NTD thousand

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

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

Statement 2 Unit: NTD thousand

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

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

Statement 3 | Unit: NTD thousand

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

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

Statement 4

Unit: NTD thousand

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

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

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

Castles Technology Co., Ltd.
Statement of Property, Plant and Equipment
From January 1, 2022 to December 31, 2022

Statement 5 Unit: NTD thousand

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

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

Statement 6 | Unit: NTD thousand

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

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

Statement 7 Unit: NTD thousand

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

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

Statement 8 | Unit: NTD thousand

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

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

Statement 9 | Unit: NTD thousand

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

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

Statement 10 Unit: NTD thousand

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

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

Statement 11 Unit: NTD thousand

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

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

Statement 12

Unit: NTD thousand

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

<u>Castles Technology Co., Ltd.</u>

<u>Summary Statement of the Employee Benefits, Depreciate, and Amortization Expenses Occurred for the Period (Continued)</u>

<u>January 1 to December 31, 2022 and 2021</u>

Statement 13

Unit: NTD thousand

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

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

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

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

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

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

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

Castles Technology Co., Ltd.

Summary Statement of the Employee Benefits, Depreciate, and Amortization Expenses Occurred for the Period (Continued)

January 1 to December 31, 2022 and 2021

Statement 13 Unit: NTD thousand

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

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

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

a. Policy of remunerations to managerial officers and employees

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

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

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

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

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

b. Policy of remunerations to directors and supervisors

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

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

Castles Technology Co., Ltd.

Chairman Hsin Hua-Hsi