

6.4 Independent Auditors' Report (Consolidated)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Fortune Information Systems Corporation

Opinion

We have audited the accompanying consolidated financial statements of Fortune Information Systems Corporation and its subsidiaries (collectively, the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

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 (FSC) of the Republic of China (ROC).

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 ROC. 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 ROC, 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 descriptions of the key audit matters of the 2022 consolidated financial statements are as follows:

Recognition of System Integration Revenue

The Group's main revenue is derived from system integration, and the recognition of revenue is based on the percentage of completion method, which measures the degree of completion of the contract based on the ratio of costs incurred to the estimated total costs of the contract. As the estimated total costs are based on management's judgment of the nature of different contracts, as well as internal and external information and evidence, revenue from certain customers that meet specific indicators may have a significant impact on the accuracy of the recognition of system integration revenue, and therefore, the recognition of system integration revenue from these specific customers is considered a key audit matter.

We designed our audit procedures to address the above key audit matter, including understanding and evaluating the processes related to the accuracy of recognition of system integration revenue, performing detailed testing of incomplete contracts at the end of the period to verify the accuracy of costs incurred, and reviewing whether there were any significant adjustments to the total contract costs and completion percentage after the reporting period.

Other Matter

We have also audited the parent company only financial statements of Fortune Information Systems Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, 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 its 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 generally accepted in the ROC will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the ROC, 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 and is 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.

The engagement partners on the audit resulting in this independent auditors' report are Cai, You-Ling and Lin, Wen-Qin

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 24, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 303,671	14	\$ 343,147	18
Financial assets at fair value through other comprehensive income (Note 7 and 9)	6,147	-	7,003	-
Financial assets measured at amortized cost (Note 8 and 9)	25,597	1	71,414	4
Contract assets (Note 20 and 26)	636,433	30	386,973	21
Notes receivable (Note 10)	17,192	1	18,669	1
Trade receivables (Note 10, 20 and 26)	342,459	16	322,452	17
Other receivables (Note 10)	28,771	1	3,204	-
Inventories (Note 11)	204,385	10	131,198	7
Prepayments	52,002	2	88,131	5
Other current assets	15,349	1	11,923	1
Total current assets	<u>1,632,006</u>	<u>76</u>	<u>1,384,114</u>	<u>74</u>
Non-current assets				
Financial assets at fair value through other comprehensive income (Note 7 and 9)	-	-	5,831	1
Property, plant and equipment (Note 13)	236,477	11	298,155	16
Right-of-use assets (Note 14)	16,155	1	20,984	1
Investment property (Note 15)	61,701	3	-	-
Other intangible assets	1,311	-	611	-
Deferred tax assets (Note 22)	914	-	1,333	-
Refundable deposits	164,729	7	134,324	7
Long-term receivables (Note 10)	22,712	1	-	-
Net defined benefit assets (Note 18)	22,395	1	13,098	1
Total non-current assets	<u>526,394</u>	<u>24</u>	<u>474,336</u>	<u>26</u>
TOTAL	<u>\$ 2,158,400</u>	<u>100</u>	<u>\$ 1,858,450</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 165,000	8	\$ 50,000	3
Short-term bills payable (Note 16)	59,740	3	119,957	7
Contract liability (Note 20)	94,447	4	76,561	4
Notes payable	20	-	20	-
Trade payables	442,133	21	312,499	17
Other payables (Note 17)	146,254	7	99,702	5
Current tax liabilities	8,776	-	5,802	-
Lease liabilities (Note 14 and 26)	8,004	-	7,349	-
Other current liabilities	19,948	1	19,219	1
Total current liabilities	<u>944,322</u>	<u>44</u>	<u>691,109</u>	<u>37</u>
Non-current liabilities				
Deferred tax liabilities (Note 22)	4,534	-	2,698	-
Lease liabilities (Note 14 and 26)	8,244	-	13,642	1
Other non-current liabilities	3,205	-	2,237	-
Total non-current liabilities	<u>15,983</u>	<u>-</u>	<u>18,577</u>	<u>1</u>
Total liabilities	<u>960,305</u>	<u>44</u>	<u>709,686</u>	<u>38</u>
EQUITY ATTRIBUTABLE (Note 19)				
Common stock	699,612	33	699,612	38
Capital surplus	62,361	3	62,361	3
Retained earnings				
Legal reserve	175,261	8	171,120	9
Special reserve	9,690	-	6,960	-
Undistributed earnings	254,449	12	218,401	12
Total retained earnings	439,400	20	396,481	21
Other equity interests	(3,278)	-	(9,690)	-
Total equity interests	<u>1,198,095</u>	<u>56</u>	<u>1,148,764</u>	<u>62</u>
TOTAL	<u>\$ 2,158,400</u>	<u>100</u>	<u>\$ 1,858,450</u>	<u>100</u>

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

Chairman: WEI, XING-XIONG General Manager: TANG, YU-HUA Principal accounting officer: CHEN, XIU-YUE

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUES (Note 20 and 26)	\$ 2,270,033	100	\$ 2,148,503	100
OPERATING COSTS (Note 11 and 21)	<u>2,023,539</u>	<u>89</u>	<u>1,916,539</u>	<u>89</u>
GROSS PROFIT FROM OPERATIONS	246,494	11	231,964	11
OPERATING EXPENSES (Note 21 and 26)	<u>182,733</u>	<u>8</u>	<u>178,805</u>	<u>8</u>
NET OPERATING INCOME	<u>63,761</u>	<u>3</u>	<u>53,159</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Note 21 and 26)				
Interest income	3,968	-	1,956	-
Other income	4,407	-	4,423	-
Other gains and losses	9,205	1	(1,379)	-
Finance costs	(<u>2,956</u>)	<u>-</u>	(<u>1,671</u>)	<u>-</u>
Total non-operating income and expenses	<u>14,624</u>	<u>1</u>	<u>3,329</u>	<u>-</u>
PROFIT BEFORE TAX	78,385	4	56,488	3
INCOME TAX EXPENSE (Note 22)	<u>14,855</u>	<u>1</u>	<u>11,805</u>	<u>1</u>
NET PROFIT	<u>63,530</u>	<u>3</u>	<u>44,683</u>	<u>2</u>

(Continued)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	\$ 7,373	-	(\$ 3,272)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	6,723	-	(2,073)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(311)	-	(657)	-
Other comprehensive income (loss) (after tax)	13,785	-	(6,002)	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 77,315</u>	<u>3</u>	<u>\$ 38,681</u>	<u>2</u>
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 0.91</u>		<u>\$ 0.64</u>	
Diluted earnings per share	<u>\$ 0.90</u>		<u>\$ 0.64</u>	

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

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal accounting officer: CHEN, XIU-YUE

(Concluded)

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Common Stock			Retained Earnings			Other Equity Interest		
	Shares (thousands shares)	Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences on translating foreign operations	Unrealized Gain (Loss) Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE, JANUARY 1, 2021	69,961	\$ 699,612	\$ 62,361	\$ 167,325	\$ 3,729	\$ 212,001	(\$ 7,933)	\$ 973	\$ 1,138,068
Appropriation of 2020 earnings									
Legal Reserve	-	-	-	3,795	-	(3,795)	-	-	-
Special Reserve	-	-	-	-	3,231	(3,231)	-	-	-
Cash dividends	-	-	-	-	-	(27,985)	-	-	(27,985)
Profit for the year ended December 31, 2021	-	-	-	-	-	44,683	-	-	44,683
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(3,272)	(2,073)	(657)	(6,002)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	41,411	(2,073)	(657)	38,681
BALANCE, DECEMBER 31, 2021	69,961	699,612	62,361	171,120	6,960	218,401	(10,006)	316	1,148,764
Distribution of 2021 earnings									
Legal reserve	-	-	-	4,141	-	(4,141)	-	-	-
Special reserve	-	-	-	-	2,730	(2,730)	-	-	-
Cash dividends	-	-	-	-	-	(27,984)	-	-	(27,984)
Profit for the year ended December 31, 2022	-	-	-	-	-	63,530	-	-	63,530
Other comprehensive income (loss) (after tax) for the year ended December 31, 2022	-	-	-	-	-	7,373	6,723	(311)	13,785
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	70,903	6,723	(311)	77,315
BALANCE, DECEMBER 31, 2022	69,961	\$ 699,612	\$ 62,361	\$ 175,261	\$ 9,690	\$ 254,449	(\$ 3,283)	\$ 5	\$ 1,198,095

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

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal Accounting Officer: CHEN, XIU-YUE

FORTUNE INFORMATION SYSTEMS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 78,385	\$ 56,488
Adjustments to reconcile profit (loss)		
Depreciation expense	13,720	13,433
Amortization expense	1,433	982
Expected credit impairment (gain) loss	(6)	243
Finance costs	2,956	1,671
Interest income	(3,968)	(1,956)
(Gain) loss on disposal and retirement of property, plant and equipment, net	(6)	(2)
Inventory falling price loss	43	-
Foreign exchange (gains) loss	(10,773)	3,425
Changes in operating assets and liabilities		
Contract assets	(249,460)	(176,406)
Notes receivable	1,477	(1,319)
Accounts receivable	(20,003)	128,884
Other receivables	(25,827)	(2,205)
Inventories	(74,282)	155,021
Prepayments	36,129	5,924
Other current assets	(3,426)	167
Net defined benefit assets	(81)	(86)
Long-term receivables	(22,712)	-
Contract liabilities	17,886	10,288
Notes payable	-	(53)
Accounts payable	129,634	(14,977)
Other payables	47,949	13,099
Other current liabilities	<u>729</u>	<u>2,025</u>
Cash inflows generated from operating activities	(80,203)	194,646
Interest received	4,215	2,255
Interest paid	(2,847)	(1,671)
Income taxes paid	<u>(11,409)</u>	<u>(9,579)</u>
Net cash generated from operating activities	<u>(90,244)</u>	<u>185,651</u>

(Continued)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ 7,308	\$ 7,084
Acquisition of financial assets measured at amortized cost	(408,281)	(72,767)
Proceeds from financial assets measured at amortized cost	455,451	55,138
Acquisition of property, plant and equipment	(2,595)	(880)
Proceeds from disposal of property, plant and equipment	6	2
Increase in refundable deposits	(30,405)	(9,204)
Acquisition of intangible assets	(2,133)	(1,258)
Net cash used in investing activities	<u>19,351</u>	<u>(21,885)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	115,000	(190,000)
Increase (decrease) in short-term notes and bills payable	(61,723)	59,541
Repayment of the principal portion of lease liabilities	(7,717)	(6,858)
Decrease (increase) in other non-current liabilities	968	(285)
Cash dividends paid	(27,984)	(27,985)
Net cash flows used in financing activities	<u>18,544</u>	<u>(165,587)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>12,873</u>	<u>(3,851)</u>
Net decrease in cash and cash equivalents	(39,476)	(5,672)
Cash and cash equivalents at beginning of year	<u>343,147</u>	<u>348,819</u>
Cash and cash equivalents at end of year	<u>\$ 303,671</u>	<u>\$ 343,147</u>

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

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal Accounting Officer: CHEN, XIU-YUE

(Concluded)

FORTUNE INFORMATION SYSTEMS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

Fortune Information Systems Corp.(hereinafter referred to as "the Company") was established on April 11, 1977 in Taipei City. Its main business activities include: (1) buying, selling, leasing and repairing office machines, office automation equipment, computers and other information equipment, computer peripherals, microfilm equipment, devices, and their parts, accessories and supplies; (2) system analysis and programming of computer and other information software; (3) data processing services for clients, etc.

The Company's stock has been traded on the Taipei Exchange since September 17, 2001, after being listed on the Taipei Exchange for Over-the-Counter Securities on December 4, 1999.

As of December 31, 2022, the Company has four branches located in Taoyuan, Hsinchu, Taichung, and Kaohsiung.

The consolidated financial statements are expressed in the functional currency of the Company, which is New Taiwan Dollar.

The accompanying consolidated financial statements comprise of the Company and its subsidiaries (collectively, the "Group").

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on March 24, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2023.

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "disclosure of accounting policies"	1 January 2023 (Note 1)
Amendments to IAS 8 "clarify the definition of accounting estimates"	1 January 2023 (Note 2)
Amendments to IAS 12 "deferred tax related to assets and liabilities arising from a single transaction"	1 January 2023 (Note 3)

Note1 : The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023

Note2 : The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period.

Note 3 : Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group had assessed that the application of above standards and interpretations would not have a material impact on the Group's financial position and financial performance.

- c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"	1 January 2024 (Note 2)
IFRS 17 "Insurance Contracts"	1 January 2023
Amendment to IFRS 17	1 January 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9— Comparative Information"	1 January 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	1 January 2024

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”	1 January 2024 (Note 2)
Amendments to IAS 1 “Regarding the Classification of Liabilities with Covenants”	1 January 2024

Note 1 : Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2 : A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels:

- a. Level 1 inputs: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. °
- b. Level 2 inputs: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 inputs: Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current Assets are:

- a. It holds the asset primarily for the purpose of trading;
- b. It expects to realize the asset within twelve months after the reporting period; or
- c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current Liabilities are:

- a. It holds the liability primarily for the purpose of trading;
- b. The liability is due to be settled within twelve months after the reporting period; or
- c. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other assets and liabilities are non-current assets and liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions or to the effective dates of disposals, as appropriate. Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group. Transactions and balances, and any income and expenses arising from intra-group transactions were eliminated during the preparation of the consolidated financial statements.

Lists of the subsidiaries, percentage of ownership and main business and products are attached hereto as Note 12 and Table 5.

Foreign Currencies

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing the consolidated financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of the Group's entire interest in a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar

characteristics which are assessed collectively. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs or selling expenses. The weighted-average method is used in the calculation of cost.

Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land has an unlimited useful life and therefore is not depreciated.

The fixed-rate progressive decrease method is adopted to the depreciation of miscellaneous equipment, air conditioning systems and renovation. The straight-line method is adopted to the depreciation of the other over its useful life. Each significant item should be depreciated separately. Depreciation methods, useful lives, and residual values are reviewed at the end of each reporting period. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit and loss.

Investment Properties

Investment properties are properties held to earn rental and/or for capital appreciation, including land held for a currently undetermined future use.

Investment properties are measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The straight-line method is adopted to the depreciation of the building. The fixed-rate progressive decrease method is adopted to the other.

Property, plant and equipment should transfer to investment properties base on its carrying amount when end of owner-occupation.

The gain or loss arising from the derecognition of an item of investment properties shall be determined as the difference between the net disposal proceeds.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Property, plant, and equipment, right-of-use assets, investment properties, intangible assets, and incremental costs of obtaining a contract

At the end of each reporting period, the Group reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount

of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the asset, cash-generating unit or contract cost is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or contract cost in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

The Group adopts trade-date accounting to recognize and derecognize financial assets.

1) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash, cash equivalents, notes, accounts receivable, other receivables, other financial assets and refundable deposits, etc., are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate method to the gross carrying amount except the status as follow:

- i. In the case of purchased or originated credit-impaired financial assets, interest revenue is always recognized by applying the credit-adjusted effective interest rate to the amortized cost carrying amount.
- ii. In the case of a financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortized cost balance in next reporting period.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Investments in equity instruments at FVTOCI

A debt instrument that meets the following two conditions must be measured at FVTOCI:

- i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- ii) 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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including

receivables), investments in equity instruments at FVTOCI and contract assets.

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECLs. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECLs. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECLs.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Overdue for more than 365 days, unless there is reasonable and corroborated information that shows that the delayed default basis is more appropriate.

The impairment loss of all financial assets is reduced by the allowance account to reduce its carrying amount, but the loss allowance of debt instrument investment through other comprehensive income measured at fair value is recognized in other comprehensive income, and its carrying amount is not reduced.

3) Derecognition of financial asset

The Group only derecognizes the financial asset when the contractual rights to cash flows from the financial asset lapse, or the financial asset has been transferred and almost all the risks and rewards of the asset's ownership have been transferred to other companies.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Equity instruments

Equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

c. Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost calculated using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products, at the Group's best estimate of the expenditure required to settle the obligation.

Revenue recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a. Revenue from the sale of goods

Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized as receivable and contract assets when the goods are delivered to the customers and the customers have full discretion over the price to sell the goods, right to use the goods, and bears the risk of obsolescence, and recognizes revenue when performance obligations are satisfied. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

b. Revenue from rendering of services

Service revenue comes from system integration and maintenance of computer hardware and software.

As the Group provides service, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered. Because the contract stipulates that the customers make payment after completion of acceptance, the company recognizes the contract asset upon providing the service, and recognizes accounts receivable upon completion of acceptance.

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Lease payments from operating leases are recognized on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier dates of the end of the useful lives of the right-of-use assets or the end of the lease term. Lease liabilities are initially measured at the present value of the lease payments (fixed payments). The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liability with a corresponding adjustment to

the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Cost of Borrowings

Cost of borrowings is recognized in profit or loss directly.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

The defined benefit costs (including service cost, net interest, and remeasurement) of defined benefit plan use the projected unit credit method for the actuarial valuation. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Remeasurement (including actuarial gains and losses and the return on plan assets, excluding amounts included in net interest) is recognized in other comprehensive income (loss) in retained earnings as it occurs, and is not reclassified to profit or loss subsequently.

Net defined benefit asset represents the surplus of defined benefit plans. IAS 19 requires the Group to limit the carrying amount of a net defined benefit asset so that it does not exceed the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current taxes

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the

extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

6. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 403	\$ 402
Checking accounts and demand deposits	102,369	212,771

	December 31, 2022	December 31, 2021
Cash equivalents		
Time deposits with original maturities of less than 3 months	21,690	90,000
Repurchase Agreement	<u>179,209</u>	<u>39,974</u>
	<u>\$ 303,671</u>	<u>\$ 343,147</u>

Interest rate during reporting period:

	December 31, 2022	December 31, 2021
Time deposits with original maturities of less than 3 months	0.98%~2.43%	0.35%
Repurchase Agreement	0.88%	0.21%~0.22%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2022	December 31, 2021
<u>Foreign debt instrument investments</u>		
Current	\$ 6,147	\$ 7,003
Noncurrent	<u>\$ -</u>	<u>\$ 5,831</u>

Refer to Note 9 for information relating to the credit risk management and expected credit loss for financial assets at FVTOCI.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2022	December 31, 2021
Time deposits with original maturities of less than 3 months	<u>\$ 25,597</u>	<u>\$ 71,414</u>

As of December 31, 2022 and 2021, the annual interest rate of time deposits with original maturities of less than 3 months is 2.66~2.80% and 0.25~2.80%.

Refer to Note 9 for information relating to credit risk management and expected credit loss for financial assets at amortized cost.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are financial assets at FVTOCI and financial assets at amortized cost.

December 31, 2022

	FVTOCI	Amortized cost
Gross carrying amount	\$ 6,143	\$ 25,597
Allowance for impairment loss	(2)	-
Amortized cost	6,141	<u>\$ 25,597</u>
Fair value measurement	<u>6</u>	
	<u>\$ 6,147</u>	

December 31, 2021

	FVTOCI	Amortized cost
Gross carrying amount	\$ 12,443	\$ 71,414
Allowance for impairment loss	(4)	-
Amortized cost	12,439	<u>\$ 71,414</u>
Fair value measurement	<u>395</u>	
	<u>\$ 12,834</u>	

The policy adopted by the Group is to only invest in debt instruments with credit ratings of investment grade or above (inclusive), and those with low credit risk in impairment assessments. Credit rating information is provided by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses.

The current credit risk assessment policies are as follows:

Category	Description	Basis for Recognizing Expected Credit Loss
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flow. The bond credit rating of Moody's is high than B grade.	12 months expected credit loss
Doubtful	The credit risk of a financial instrument has increased significantly since initial recognition. The bond credit rating of Moody's diminishes lower than B.	Lifetime expected credit loss-not credit impaired
In default	There is evidence in credit-impaired. The bond credit rating of Moody's is Ca or below.	Lifetime expected credit loss-credit impaired

Category	Description	Basis for Recognizing Expected Credit Loss
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group's current expected credit loss ratio and gross carrying amount comprises the following categories:

December 31, 2022

Category	Expected Credit Loss Ratio	Gross Carrying Amount	
		FVTOCI	Amortized cost
Performing	0.00%~0.03%	\$ 6,147	\$ 25,597
Doubtful	-	-	-
In default	-	-	-
Write-off	-	-	-

December 31, 2021

Category	Expected Credit Loss Ratio	Gross Carrying Amount	
		FVTOCI	Amortized cost
Performing	0.00%~0.03%	\$ 12,834	\$ 71,414
Doubtful	-	-	-
In default	-	-	-
Write-off	-	-	-

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE and OTHER RECEIVABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Gross carrying amount at amortized cost	<u>\$ 17,192</u>	<u>\$ 18,669</u>
<u>Accounts receivable</u>		
Gross carrying amount at amortized cost	\$ 366,426	\$ 322,702
Less: Unrealized interest income	(1,009)	-
Less: Allowance for impairment loss	(246)	(250)
	<u>\$ 365,171</u>	<u>\$ 322,452</u>
Current	<u>\$ 342,459</u>	<u>\$ 322,452</u>
Noncurrent	<u>\$ 22,712</u>	<u>\$ -</u>
<u>Other receivables</u>		

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receivable for payment on behalf of others	\$ 28,270	\$ -
Other	<u>501</u>	<u>3,204</u>
	<u>\$ 28,771</u>	<u>\$ 3,204</u>

The average credit period of receivable was 60 to 120 days. In order to mitigate credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure the recoverability of receivables. In addition, the Group reviews the recoverable amount of trade receivables at balance sheet dates to ensure that adequate allowance is provided for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk could be reasonably reduced.

The Group provides for expected credit losses which permits the use of lifetime expected loss provision for all receivable. The expected credit losses on receivable are estimated using a provision matrix by reference to the past default experience of the debtor, the debtor's current financial position, economic condition of the industry in which the debtor operates, as well as the GDP forecasts and industry outlook. According to loss patterns for different customer segment, the provision of loss allowance is based on past due status.

The Group writes off a trade receivable when there are evidences indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of receivables based on the Group's provision matrix.

December 31, 2022

	<u>Not Past Due</u>	<u>Overdue 1 to 60 days</u>	<u>Overdue 61 to 90 days</u>	<u>Overdue 91 to 120 days</u>	<u>Overdue Over 120 days</u>	<u>Total</u>
Gross carrying amount (including unrealized interest income)	\$ 370,508	\$ 10,522	\$ 857	\$ 722	\$ -	\$ 382,609
Loss allowance (Lifetime ECLs)	(<u>246</u>)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>246</u>)
Amortized cost	<u>\$ 370,262</u>	<u>\$ 10,522</u>	<u>\$ 857</u>	<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 382,363</u>

December 31, 2021

	Not Past Due	Overdue 1 to 60 days	Overdue 61 to 90 days	Overdue 91 to 120 days	Overdue Over 120 days	Total
Gross carrying amount	\$ 327,285	\$ 12,767	\$ 1,259	\$ 60	\$ -	\$ 341,371
Loss allowance (Lifetime ECLs)	(250)	-	-	-	-	(250)
Amortized cost	<u>\$ 327,035</u>	<u>\$ 12,767</u>	<u>\$ 1,259</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 341,121</u>

The movements of the loss allowance of receivable were as follow:

	2022	2021
Balance at January 1	\$ 250	\$ -
Add: Provision	-	250
Less: Reversal	(4)	-
Balance, end of year	<u>\$ 246</u>	<u>\$ 250</u>

11. INVENTORIES

	December 31, 2022	December 31, 2021
Merchandise	<u>\$ 204,385</u>	<u>\$ 131,198</u>

For the years ended December 31, 2022 and 2021, the cost of goods sold related to inventories amounted to \$1,770,190 thousand and \$1,686,705 thousand, respectively, which included the inventory write-down totaling \$43 thousand. (2021: None)

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

I n c e s t o r	S u b s i d i a r y	M a i n B u s i n e s s	% of Ownership	
			December 31, 2022	December 31, 2021
The Company	IPAC Technology CO. LTD. (IPAC)	Data Storage Media Units Manufacturing	100%	100%
	Fortune Information System (In') LTD. (FIS HK)	Information Service	100%	100%
	SBAS (HK) LTD. (SBAS)	Information Service	100%	100%
	Fortune Technology System Corp. (FTSC)	Information Service	100%	100%

The Company invested to establish FTSC in January 2021. On August 8, 2022, the board of directors resolved to increase investment in FTSC by \$200 million, which will be fully invested by the Company. After the capital increase, FTSC's paid-in capital will be \$400 million.

Subsidiaries excluded from consolidated: None.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and improvements	Miscellaneous equipment	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 172,042	\$ 169,831	\$ 64,701	\$ 406,574
Additions	-	-	880	880
Disposals	-	-	(812)	(812)
Reclassification	-	-	2,005	2,005
Effect of changes in foreign exchange rates	-	(279)	(657)	(937)
Balance at December 31, 2021	<u>\$ 172,042</u>	<u>\$ 169,552</u>	<u>\$ 66,116</u>	<u>\$ 407,710</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	\$ -	\$ 59,322	\$ 44,742	\$ 104,064
Disposals	-	-	(812)	(812)
Depreciation expense	-	2,900	3,729	6,629
Reclassification	-	(900)	776	(124)
Effect of changes in foreign exchange rates	-	(152)	(50)	(202)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 61,170</u>	<u>\$ 48,385</u>	<u>\$ 109,555</u>
Carrying amount at December 31, 2021	<u>\$ 172,042</u>	<u>\$ 108,382</u>	<u>\$ 17,731</u>	<u>\$ 298,155</u>
<u>Cost</u>				
Balance at January 1, 2022	\$ 172,042	\$ 169,552	\$ 66,116	\$ 407,710
Additions	-	-	2,595	2,595
Disposals	-	-	(4,451)	(4,451)
Reclassification	-	-	955	955
Reclassified as investment properties	(34,385)	(37,743)	-	(72,128)
Effect of changes in foreign exchange rates	-	877	2,065	2,942
Balance at December 31, 2022	<u>\$ 137,657</u>	<u>\$ 132,686</u>	<u>\$ 67,280</u>	<u>\$ 337,623</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2022	\$ -	\$ 61,170	\$ 48,385	\$ 109,555
Disposals	-	-	(4,451)	(4,451)
Depreciation expense	-	2,681	3,151	5,832
Reclassification	-	-	(97)	(97)
Reclassified as investment properties	-	(10,342)	-	(10,342)
Effect of changes in foreign exchange rates	-	476	173	649
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 53,985</u>	<u>\$ 47,161</u>	<u>\$ 101,146</u>
Carrying amount at December 31, 2022	<u>\$ 137,657</u>	<u>\$ 78,701</u>	<u>\$ 20,119</u>	<u>\$ 236,477</u>

The methods that property, plant and equipment are depreciated over the estimated useful life of the asset are as below:

	<u>Depreciation method</u>	<u>Useful life</u>
Building and improvements		
Main building	Straight-line	50 to 60 years
Air conditioning systems and renovation	Fixed-rate progressive decrease	10 to 15 years
Decoration equipment	Straight-line	5 years
Miscellaneous equipment	Fixed-rate progressive decrease	3 to 20 years

The Group did not have significant impairment of property, plant and equipment during the years ended December 31, 2022 and 2021.

14. LEASE ARRANGEMENTS

Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Land	\$ 1,271	\$ 2,117
Building	<u>14,884</u>	<u>18,867</u>
	<u>\$ 16,155</u>	<u>\$ 20,984</u>
	<u>111年度</u>	<u>110年度</u>
Addition	<u>\$ 2,974</u>	<u>\$ 21,625</u>
Depreciation charge for right-of-use assets		
Land	\$ 846	\$ 848
Building	<u>6,957</u>	<u>5,956</u>
	<u>\$ 7,803</u>	<u>\$ 6,804</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts		
Current	<u>\$ 8,004</u>	<u>\$ 7,349</u>
Noncurrent	<u>\$ 8,244</u>	<u>\$ 13,642</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	0.88%	0.88%
Building	0.88%~1.19%	0.88%

Material lease-in activities and terms

The Group leases offices and warehouses with most of the lease terms ranging from 2 to 5 years. The Group does not have bargain purchase options to acquire the leasehold assets at the end of the lease terms. In addition, the Group applies the recognition exemption to leases of

building and office equipment as short-term lease and certain photocopier qualifying as low-value asset leases and does not recognize right-of-use assets and lease liabilities for these leases. Other material information for leases is as follow:

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 1,332</u>	<u>\$ 2,271</u>
Total cash flow for leases	<u>(\$ 9,264)</u>	<u>(\$ 9,077)</u>

15. INVESTMENT PROPERTIES (2021: None)

	<u>Land</u>	<u>Building and structures</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ -	\$ -	\$ -
From property, plant and equipment	<u>34,385</u>	<u>37,743</u>	<u>72,128</u>
Balance at December 31, 2022	<u>\$ 34,385</u>	<u>\$ 37,743</u>	<u>\$ 72,128</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ -	\$ -
Depreciation expenses	-	85	85
From property, plant and equipment	<u>-</u>	<u>10,342</u>	<u>10,342</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 10,427</u>	<u>\$ 10,427</u>
Carrying amount, December 31, 2022	<u>\$ 34,385</u>	<u>\$ 27,316</u>	<u>\$ 61,701</u>

Depreciation expenses are recognized according to depreciation methods and useful life as follow:

	<u>Depreciation method</u>	<u>Useful life</u>
Main building	Straight-line	50 years
Air conditioning systems and renovation	Fixed-rate progressive decrease	5 to 15 years

The fair values of investment properties were measured using Level 3 inputs, arising from direct capitalization method of income approach and comparative approach adopted by a third party real estate appraiser, ZHANG,FANG-QING. The key unobservable inputs adopted is discount rate. The fair values were measured as follow:

	<u>December 31, 2022</u>
Fair value	<u>\$257,212</u>
Discount rate	1.65%

All investment properties are own right and interest.

16. BORROWINGS

a. Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured loans	<u>\$ 165,000</u>	<u>\$ 50,000</u>

For the years ended December 31, 2022 and 2021, the annual interest rates of bank unsecured loans are 1.86%~2.08% and 0.85%, respectively.

b. Short-term bills payable

December 31, 2022

<u>Guarantor / accepting institution</u>	<u>Face amount</u>	<u>Discount</u>	<u>Carrying amount</u>	<u>Interest rate</u>
<u>Commercial paper payable</u>				
Ta Ching Bill	<u>\$ 60,000</u>	<u>\$ 260</u>	<u>\$ 59,740</u>	2.03%

December 31, 2021

<u>Guarantor / accepting institution</u>	<u>Face amount</u>	<u>Discount</u>	<u>Carrying amount</u>	<u>Interest rate</u>
<u>Commercial paper payable</u>				
TCB Bank	\$ 60,000	\$ 14	\$ 59,986	0.92%
KGI Bank	<u>60,000</u>	<u>29</u>	<u>59,971</u>	0.88%
	<u>\$ 120,000</u>	<u>\$ 43</u>	<u>\$ 119,957</u>	

17. OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for employees' salaries and bonus	\$ 69,138	\$ 58,282
Payables for receipts under custody	36,917	-
Payables for annual leave	15,659	14,798
Payables for insurance	5,614	5,686
Others	<u>18,926</u>	<u>20,936</u>
	<u>\$ 146,254</u>	<u>\$ 99,702</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in Hong Kong are participants of state-managed retirement benefit plans operated by local governments. The subsidiaries are required to contribute specific percentages of payroll costs to retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 62,690	\$ 68,768
Fair value of plan assets	(<u>85,085</u>)	(<u>81,866</u>)
Net defined benefit liabilities	(<u>\$ 22,395</u>)	(<u>\$ 13,098</u>)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2021	<u>\$ 63,288</u>	<u>(\$ 80,391)</u>	<u>(\$ 17,103)</u>
Service cost			
Current service cost	-	-	-
Net interest expense (income)	<u>316</u>	<u>(402)</u>	<u>(86)</u>
Recognized in profit or loss	<u>316</u>	<u>(402)</u>	<u>(86)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,073)	(1,073)
Actuarial profit or loss			
Changes in demographic assumptions	2,110	-	2,110
Changes in financial assumptions	(964)	-	(964)
experience adjustments	<u>4,018</u>	<u>-</u>	<u>4,018</u>
Recognized in other comprehensive income	<u>5,164</u>	<u>(1,073)</u>	<u>4,091</u>
Contributions from the employer	<u>-</u>	<u>-</u>	<u>-</u>
Paid from defined benefit obligations	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 68,768</u>	<u>(\$ 81,866)</u>	<u>(\$ 13,098)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2022	<u>\$ 68,768</u>	<u>(\$ 81,866)</u>	<u>(\$ 13,098)</u>
Service cost			
Current service cost	-	-	-
Net interest expense (income)	<u>431</u>	<u>(512)</u>	<u>(81)</u>
Recognized in profit or loss	<u>431</u>	<u>(512)</u>	<u>(81)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,985)	(5,985)
Actuarial profit or loss			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	(5,213)	-	(5,213)
experience adjustments	<u>1,982</u>	<u>-</u>	<u>1,982</u>
Recognized in other comprehensive income	<u>(3,231)</u>	<u>(5,985)</u>	<u>(9,216)</u>
Contributions from the employer	<u>-</u>	<u>-</u>	<u>-</u>
Paid from defined benefit obligations	<u>(3,278)</u>	<u>3,278</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 62,690</u>	<u>(\$ 85,085)</u>	<u>(\$ 22,395)</u>

Through the defined benefit plan under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial present values of the defined benefit obligation were carried out by the chartered actuary. The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.38%	0.63%
Expected rates of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
0.25% increase	(\$ <u>1,616</u>)	(\$ <u>1,923</u>)
0.25% decrease	<u>\$ 1,674</u>	<u>\$ 1,999</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 1,618</u>	<u>\$ 1,920</u>
0.25% decrease	(\$ <u>1,570</u>)	(\$ <u>1,858</u>)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plan for the next year	<u>\$ -</u>	<u>\$ -</u>
Average duration of the defined benefit obligation	10.5 years	11.3 years

19. EQUITY

a. Common shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of authorized shares (in thousands)	<u>107,000</u>	<u>107,000</u>
Amount of authorized shares	<u>\$ 1,070,000</u>	<u>\$ 1,070,000</u>
Number of issued and fully paid shares (in thousands)	<u>69,961</u>	<u>69,961</u>
Amount of issued and fully paid shares	<u>\$ 699,612</u>	<u>\$ 699,612</u>

b. Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Recognized from issuance of common shares	\$ 37,105	\$ 37,105
Recognized from treasury share transactions	<u>25,256</u>	<u>25,256</u>
	<u>\$ 62,361</u>	<u>\$ 62,361</u>

Capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and treasury stock transactions, may be applied to make-up accumulated deficit, if any, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no accumulated deficit, and this transfer is restricted to a certain percentage of the paid-in capital.

c. Appropriation of earnings and dividend policy

The Company's Articles of Incorporation provide that appropriation for legal reserve should be made at 10% of annual net income, less any accumulated deficit. From the remainder of the net income, appropriation for special reserve will be made based on relevant laws and regulations, and then any remaining profit together with any undistributed retained earnings may be appropriated and distributed. ,

Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board of Directors for approval at a stockholders' meeting. For the policies on distribution compensation of employees, please refer to Note 21.

The Company is currently in the growth phase of its industry life cycle, and in order to consider the future funding needs of the Company and meet the needs of shareholders for cash inflows, if there are undistributed profits after the annual settlement, not less than 60% of the post-tax net profit shall be distributed as dividends to shareholders, of which cash dividends shall not exceed 50% of the total cash and stock dividends paid out during the year. However, when the earnings per share for the year are less than NT\$ 3, the proportion of cash dividends paid out may be increased to a maximum of 100%.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve. The FSC issued Rule No. 1090150022 on March 31, 2021, and Rule No. 1010012865 and No. 1010047490 were repealed on December 31, 2021 and March 31, 2021, respectively. The Company will be in compliance with the relevant Rule.

The appropriations of earnings for 2021 and 2020 which have been resolved in the shareholders' meetings on June 24, 2022 and July 20, 2021, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	2021	2020	2021	2020
Legal reserve	\$ 4,141	\$ 3,795		
Special reserve	2,730	3,231		
Cash dividends	27,984	27,985	\$ 0.4	\$ 0.4

The appropriation of earnings for 2022, which was proposed by the Company's board of directors was as follows:

	<u>Appropriation of Earnings</u>	<u>Dividend Per Share (NT\$)</u>
Legal reserve	\$ 7,090	
Reversal of special reserve	6,411	
Cash dividends	41,976	\$ 0.6

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held on June 19, 2023.

20. REVENUE

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivables (Note 10)	\$ 365,171	\$ 322,452	\$ 451,586
Contract assets	\$ 636,433	\$ 386,973	\$ 210,567
Contract liability	\$ 94,447	\$ 76,561	\$ 66,273

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk as the trade receivables. Therefore, the Group concluded that the expected loss rates for trade receivables can be applied to the contract assets.

	December 31, 2022	December 31, 2021
Gross carrying amount	\$ 636,433	\$ 386,973
Provision	-	-
	\$ 636,433	\$ 386,973

b. Contract information

Item	2022	2021
Revenue from the sale of goods and system integration	\$ 1,986,808	\$ 1,893,464
Revenue from rendering of services	283,225	255,039
	\$ 2,270,033	\$ 2,148,503

21. NET PROFIT

a. Other gains and losses

	2022	2021
Net foreign exchange losses (gains)	\$ 9,269	(\$ 1,245)
Gain on disposal of property, plant and equipment	6	2
Other	(70)	(136)
	\$ 9,205	(\$ 1,379)

b. Interest income

	2022	2021
Bank deposits	\$ 780	\$ 343

Debt instrument at FVTOCI	531	1,000
Financial assets at amortized cost	1,030	338
Other	<u>1,627</u>	<u>275</u>
	<u>\$ 3,968</u>	<u>\$ 1,956</u>

c. Finance costs

	2022	2021
Interest on lease liabilities	\$ 172	\$ 42
Interest on bank loans	<u>2,784</u>	<u>1,629</u>
	<u>\$ 2,956</u>	<u>\$ 1,671</u>

d. Depreciation and amortization

	2022	2021
Property, plant and equipment	\$ 5,832	\$ 6,629
Right-of-use assets	7,803	6,804
Investment properties	85	-
Other intangible assets	<u>1,433</u>	<u>982</u>
Total	<u>\$ 15,153</u>	<u>\$ 14,415</u>
Depreciation expenses summarized by function		
Operating costs	\$ 7,352	\$ 5,485
Operating expenses	<u>6,368</u>	<u>7,948</u>
	<u>\$ 13,720</u>	<u>\$ 13,433</u>
Amortization expenses summarized by function		
Operating costs	\$ 67	\$ -
Operating expenses	<u>1,366</u>	<u>982</u>
	<u>\$ 1,433</u>	<u>\$ 982</u>

e. Employee benefits expenses

	2022	2021
Short-term employee benefits		
Payroll	\$ 307,263	\$ 288,451
Labor and health insurance	28,232	27,356
Other employee benefits	<u>15,110</u>	<u>15,081</u>
	<u>350,605</u>	<u>330,888</u>
Post-employment benefits(Note18)		
Defined contribution plans	14,205	13,613
Defined benefit plans	(<u>81</u>)	(<u>86</u>)
	<u>14,124</u>	<u>13,527</u>
Total employee benefits expenses	<u>\$ 364,729</u>	<u>\$ 344,415</u>
Employee benefits expenses by function		

	2022	2021
Operating costs	\$ 218,702	\$ 206,486
Operating expenses	<u>146,027</u>	<u>137,929</u>
	<u>\$ 364,729</u>	<u>\$ 344,415</u>

f. Compensation of employees

According to the Company's articles of incorporation, the Company do not have to accrue remuneration of directors. The compensation of employees is accrued at the rate of 6% of net profit before income tax. The compensation of employees for 2022 and 2021 which have been resolved by the Board of Directors on March 24, 2023 and March 25, 2022, respectively, was as follows:

	2022		2021	
	Cash	%	Cash	%
Profit sharing bonus to employees	<u>\$ 4,611</u>	6	<u>\$ 3,570</u>	6

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There is no difference between the actual amounts of employees' compensation paid and amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

The information about the appropriations of profit sharing bonus to employees is available at the Market Observation Post System website.

22. INCOME TAXES

a. The major components of income tax recognized in profit or loss

	2022	2021
Current tax		
In respect of the current year	\$ 14,238	\$ 10,714
Income tax on unappropriated earnings	214	61
Adjustments for prior year	(<u>87</u>)	<u>469</u>
	14,365	11,244
Deferred tax		
In respect of the current year	<u>490</u>	<u>561</u>
Income tax recognized in profit or loss	<u>\$ 14,855</u>	<u>\$ 11,805</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<u>2022</u>	<u>2021</u>
Profit before tax	<u>\$ 78,385</u>	<u>\$ 56,488</u>
Income tax expense at the statutory rate	\$ 21,332	\$ 11,751
Tax-exempt income	(5,507)	(4)
Fees that cannot be deducted from taxes	-	426
Income tax on unappropriated earnings	214	61
Unrecognized temporary difference	(529)	(898)
Unrecognized loss deduction	(568)	-
Adjustments from previous years	(<u>87</u>)	<u>469</u>
Income tax expenses recognized in profit or loss	<u>\$ 14,855</u>	<u>\$ 11,805</u>

b. Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
<u>Current deferred tax</u>		
Unrealized gain (loss) on financial assets at FVTOCI	(\$ 78)	(\$ 164)
Remeasurements of defined benefit plans	<u>1,843</u>	(<u>819</u>)
Income tax recognized in other comprehensive income	<u>\$ 1,765</u>	(<u>\$ 983</u>)

c. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

2022

	<u>Opening Balance</u>	<u>Profit or Loss</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary difference				
Allowance for loss on inventories	\$ 902	\$ 8	\$ -	\$ 910
Unrealized loss on foreign exchange	430	(426)	-	4
Loss allowance	<u>1</u>	(<u>1</u>)	-	-
	<u>\$ 1,333</u>	(<u>\$ 419</u>)	<u>\$ -</u>	<u>\$ 914</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized profit on foreign exchange	\$ -	\$ 54	\$ -	\$ 54
Defined benefit plans	2,619	17	1,843	4,479
Financial assets at FVTOCI	<u>79</u>	-	(<u>78</u>)	<u>1</u>
	<u>\$ 2,698</u>	<u>\$ 71</u>	<u>\$ 1,765</u>	<u>\$ 4,534</u>

2021

	Opening Balance	Recognized in		Closing Balance
		Profit or Loss	Other Comprehensive Income (Loss)	
<u>Deferred tax assets</u>				
Temporary difference				
Allowance for loss on inventories	\$ 902	\$ -	\$ -	\$ 902
Unrealized loss on foreign exchange	973	(543)	-	430
Loss allowance	2	(1)	-	1
	<u>\$ 1,877</u>	<u>(\$ 544)</u>	<u>\$ -</u>	<u>\$ 1,333</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Defined benefit plans	\$ 3,421	\$ 17	(\$ 819)	\$ 2,619
Financial assets at FVTOCI	243	-	(164)	79
	<u>\$ 3,664</u>	<u>\$ 17</u>	<u>(\$ 983)</u>	<u>\$ 2,698</u>

d. Income tax assessment

Income tax returns of the Company and its subsidiary, IPAC, through 2020 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Net income and weighted average number of common shares used for calculation of earnings per share are as follows:

Net income

	<u>2022</u>	<u>2021</u>
Net income of common shares used for calculation of basic and diluted earnings per share	<u>\$ 63,530</u>	<u>\$ 44,683</u>

Number of share (in thousands)

	<u>2022</u>	<u>2021</u>
Weighted average number of common shares used for calculation of basic earnings per share	69,961	69,961
Effect of potentially dilutive common shares:		
Employees' compensation	<u>243</u>	<u>297</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>70,204</u>	<u>70,258</u>

Since the Group has the discretion to settle the employees' compensation by cash or stock, the Group should presume that the entire amount of the compensation will be settled in stock, and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

24. CAPITAL RISK MANAGEMENT

The Group manages capital management under the precondition for sustainable development to ensure that it is able to maximize the benefit for its shareholders by optimizing debt and equity.

The capital structure of the Group is composed of equities attributable to the Group (capital, capital reserve, retained earnings, and other equity items).

The Group is not subject to any other external capital requirements.

25. FINANCIAL INSTRUMENTS

- a. Information on fair value — Financial instruments not measured at fair value

The Group considers that the carrying amount of financial assets and liabilities that are not at fair value is close to the fair value.

- b. Information on fair value — Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value level

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets at Fair</u>				
<u>Value through Other</u>				
<u>Comprehensive Income</u>				
Debt instrument				
investments				
— Foreign Bond	\$ <u> -</u>	\$ <u> 6,147</u>	\$ <u> -</u>	\$ <u> 6,147</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets at Fair</u>				
<u>Value through Other</u>				
<u>Comprehensive Income</u>				

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt instrument investments				
— Foreign Bond	\$ <u>-</u>	\$ <u>12,834</u>	\$ <u>-</u>	\$ <u>12,834</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2022 and 2021.

2) Valuation techniques and inputs of Level 2 fair value measurement:

<u>Financial instruments</u>	<u>Valuation techniques and inputs</u>
Foreign Bond	The valuation of corporate bonds is obtained by adjusting the quoted or transaction prices among participants in various securities trading markets.

c. Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Amortized cost (Note 1)	\$ 905,131	\$ 893,210
FVTOCI	6,147	12,834
<u>Financial liabilities</u>		
Amortized cost (Note 2)	813,908	582,219

Note 1. The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, time deposit, note receivables, account receivables (including noncurrent), other receivables, and refundable deposits.

Note 2. The balance includes financial liabilities measured at amortized cost such as short-term borrowings, accounts payables, other payables, long-term payables, and deposited margins.

d. Financial risk management objectives and policies

The main financial instruments of the Group include debt instrument investments, notes and account receivables, account payables, loans, and lease liabilities. The financial management department of the Group provides services for the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the Group by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risks include market risk (foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

1) Market risk

The main financial risks that the Group's operating activities make the Group bear are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates.

a) Foreign exchange risk

The Group's exchange rate risk arising from the foreign financial instrument investments.

For the monetary assets and liabilities of the Group denominated in non-functional currencies on the consolidated balance sheet date (include monetary items denominated in non-functional currencies that have been offset in the consolidated financial statements), refer to Notes 29.

Sensitivity analysis

The Group is mainly exposed to USD fluctuations.

When the New Taiwan Dollar and the Hong Kong Dollar (functional currencies) appreciate/depreciate by 5% against the US Dollar, the combined company's pre-tax net profit for 2022 and 2021 will decrease/increase by NT\$456 thousands and NT\$4,459 thousands, respectively. A sensitivity rate of 5% is used internally when foreign exchange risk is reported to the management. It also represents the management's assessment on the reasonably possible scope of foreign exchange rates. Sensitivity analysis only includes monetary items in foreign currencies in circulation and forward foreign exchange contracts designated as cash flow hedging, and the conversion at the end of the period is adjusted with a change in exchange rate of 5%. The Group's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period.

b) Interest rate risk

The interest rate risk insurance was incurred because of the deposit of entities in the Group at fixed and floating interest rate at the same time. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate.

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
— Financial assets	\$ 232,643	\$ 214,222
— Financial liabilities	240,988	190,948
Cash flow interest rate risk		
— Financial assets	41,709	65,883

Sensitivity analysis

If interest rates had been 5% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would decrease/increase by NT\$2,085 thousands and NT\$3,294 thousands, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting years, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets
- b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The policy that the Group adopts is to only make transactions with reputable targets, and the Group will obtain full collateral when necessary so as to reduce the risk of financial loss owing to delinquency. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not

available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

To lower the credit risk, management of the merged company appoints a specific team to handle decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Group would review the recoverable amount of each receivables on the consolidated balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As a result, the Group's management concludes that the credit risk of the Group is significantly reduced.

Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not hold any collateral or other credit enhancement instruments to mitigate credit risk of financial assets.

3)Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As of December 31, 2022 and 2021, the Group had available unutilized bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Group might be required to repay and was compiled based on

the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the maturity analysis of non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Over 1 year
<u>Non-derivative</u> <u>financial liabilities</u>				
Non-interest bearing	\$ 202,589	\$ 134,803	\$ 246,586	\$ 3,204
Lease liabilities	676	1,353	6,087	8,307
Fixed interest rate instrument	-	155,748	71,193	-
	<u>\$ 203,265</u>	<u>\$ 291,904</u>	<u>\$ 323,866</u>	<u>\$ 11,511</u>

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Over 1 year
<u>Non-derivative</u> <u>financial liabilities</u>				
Non-interest bearing	\$ 146,017	\$ 136,382	\$ 122,369	\$ 2,237
Lease liabilities	625	1,250	5,625	13,751
Fixed interest rate instrument	170,253	-	-	-
	<u>\$ 316,895</u>	<u>\$ 137,632</u>	<u>\$ 127,994</u>	<u>\$ 15,988</u>

The operating capital of the Group is sufficient to support its operations, and therefore there is no concern of a shortage of funds.

b) Financing facilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank facilities		
— Amount used	\$ 281,061	\$ 248,211
— Amount unused	408,200	321,789
	<u>\$ 689,261</u>	<u>\$ 570,000</u>

26. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
CECGP Electronics Corp. (CECGP)	Investor with significant influence over the Group

b. Operating revenues

Account Items	Related Party Category/Name	2022	2021
Operating revenues	Investor with significant influence over the Group - CECGP	<u>\$ 696</u>	<u>\$ 1,694</u>

The terms of the transactions with related parties are generally the same as those for unrelated parties.

c. Contract assets

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Contract assets	Investor with significant influence over the Group - CECGP	<u>\$ -</u>	<u>\$ 57</u>

The Group did not recognize loss allowance for the contract assets from related parties for the years ended December 31, 2021.

d. Receivables from related parties

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Accounts receivable	Investor with significant influence over the Group -CECGP	<u>\$ 187</u>	<u>\$ 271</u>

The Group did not obtain guarantees for receivables from related parties. The Group did not recognize loss allowance for receivables from related parties for the years ended December 31, 2022 and 2021.

e. Lease arrangements

Transaction Items	Related Party Category/Name	2022	2021
Acquisition of right-of-use assets	Investor with significant influence over the Group CECGP	<u>\$ -</u>	<u>\$ 16,593</u>

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Lease liabilities	Investor with significant influence over the Group - CECGP	<u>\$ 11,111</u>	<u>\$ 16,593</u>

Account Items	Related Party Category/Name	2022	2021
Interest expenses	Investor with significant influence over the Group - CECGP	<u>\$ 120</u>	<u>\$ 26</u>
Lease expenses	Investor with significant influence over the Group - CECGP	<u>\$ 91</u>	<u>\$ 91</u>

The Group pays building rental to related parties once a month or every two months, with reference to local rental rates.

f. Endorsements and guarantees

The amount that the Company make endorsements/guarantees for its subsidiary is as follow:

	December 31, 2022	December 31, 2021
FTSC	<u>\$300,000</u>	<u>\$300,000</u>

g. Compensation of key management personnel

	2022	2021
Short-term employee benefits	<u>\$ 28,118</u>	<u>\$ 27,411</u>
Post-employment benefits	<u>824</u>	<u>804</u>
	<u>\$ 28,942</u>	<u>\$ 28,215</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As at December 31, 2022, the amount of the performance guarantee that the Group entrusted financial institutions to issue is as follow:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Performance guarantee	<u>\$ 56,061</u>	<u>\$ 78,211</u>

28. OTHER ITEMS

The Company conducted a government procurement case for the Ministry of Labor, and on July 26, 2021, the Ministry of Labor claimed that the Company violated relevant provisions of the Government Procurement Act and published the Company's name in the Government Procurement Bulletin. The Company is prohibited from bidding, being the winning bidder or subcontractor for one year from the effective date (from July 27, 2021 to July 26, 2022).

The Company's actual operational capacity is still normal and stable. This suspension only affects the Company's right to bid for government procurement cases in the future for one year and has little impact on the Company's consolidated profit and loss amount. The Company will consolidate its existing private business and actively expand into new business areas. At present, its operations and finances are normal, and the impact of this sanction on the Company's financial operations is limited.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	<u>December 31, 2022</u>	
Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>		
<u>Monetary items</u>		

	December 31, 2022		
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
USD	\$ 220	30.71 (USD : NTD)	\$ 6,756
USD	77	7.80 (USD : HKD)	2,365
			<u>\$ 9,121</u>
	December 31, 2021		
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 3,068	27.68 (USD : NTD)	\$ 84,922
USD	154	7.80 (USD : HKD)	4,263
			<u>\$ 89,185</u>

The Group is mainly exposed to the USD. The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant (realized and unrealized) financial assets and liabilities denominated in foreign currencies were as follows:

Functional Currency	2022		2021	
	Functional currency to presentation currency	Exchange gains or losses	functional currency to presentation currency	Exchange gains or losses
NTD	1 (NTD : NTD)	\$ 9,292	1 (NTD : NTD)	(\$ 1,271)
HKD	3.80 (HKD : NTD)	(23)	3.60 (HKD : NTD)	26
		<u>\$ 9,269</u>		<u>(\$ 1,245)</u>

30. SUPPLEMENTARY DISCLOSURES

a. Significant transactions information

- 1) Loans to others: Table 1.
- 2) Provision of endorsements and guarantees to others: Table 2.
- 3) Holding of marketable securities at the end of the period (not including subsidiaries): Table 3.
- 4) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

- 5) Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
 - 6) Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
 - 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
 - 8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
 - 9) Trading in derivative instruments undertaken during the reporting periods: None.
 - 10) Significant inter-company transactions during the reporting periods: Table 4.
- b. Information on investees: Table 5.
- c. Information on investments in Mainland China
- 1) The names of investees in mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: None.
 - 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, and unrealized gain or loss: None
- d. Major shareholders information:
- The name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or great: Table 6.

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for purpose of resource allocation and assessment of segment performance focuses on financial information. The Group reportable segments were FIS operation and other operations.

a. Segment revenue and operating results

	Segment revenue		Segment income	
	2022	2021	2022	2021
Reportable segments				
FIS operation	\$ 2,222,925	\$ 2,104,830	\$ 57,230	\$ 46,597

	Segment revenue		Segment income	
	2022	2021	2022	2021
Other operations	80,792	69,299	3,155	3,217
Adjustments and eliminations	(<u>33,684</u>)	(<u>25,626</u>)	<u>3,376</u>	<u>3,345</u>
Total	<u>\$ 2,270,033</u>	<u>\$ 2,148,503</u>	63,761	53,159
Non-operating income and expenses			<u>14,624</u>	<u>3,329</u>
Profit (loss) before tax			<u>\$ 78,385</u>	<u>\$ 56,488</u>

Transactions between segments are priced based on market prices.

Segment profit (loss) represented the profit before income tax earned by each segment without non-operating income and expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

The Group's measure of assets and liabilities was not provided to the chief operating decision maker. Therefore, no assets and liabilities were presented under operating segments.

c. Main customer information

The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues.

Table 1

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

No (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 4)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	N o t e
													Item	Value			
0	The Company	FTSC	Other receivabl es	Yes	\$ 45,000	\$ 45,000	\$ -	The interest on funds lent shall be calculated on a daily basis and shall not be lower than the Company's cost of funds on the day of the loan.	2	\$ -	Operating capital	\$ -	—	\$ -	\$ 47,924	\$ 239,619	Note 5
0	The Company	IPAC	Other receivabl es	Yes	30,000	30,000	-	The interest on funds lent shall be calculated on a daily basis and shall not be lower than the Company's cost of funds on the day of the loan.	2	-	Operating capital	-	—	-	47,924	239,619	Note 5

Note1 : The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is ‘0’
- (2) The subsidiaries are numbered in order starting from ‘1’

Note 2 : The maximum balance of funds lent to others during the year, in response to the funding needs of its subsidiaries, FTSC and IPAC, the Company intends to lend up to NT\$45,000 million and NT\$30,000 million respectively, and such loans may be made in installments.

Note 3 : In accordance with the Company’s policy, limit on total loans shall not exceed 20% of the Company’s net assets based on the latest financial statements, and limit on loans to a single party shall not exceed 20% of the limit on total loans.

Note 4 : Nature for Financing:

- (1) Business dealings.
- (2) Short-term financing needs.

Note 5 : All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Table 2

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
 ENDORSEMENTS/GUARANTEES PROVIDED
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (Amounts in Thousands of New Taiwan Dollars)

No (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiar y	Guarantee Provided to Subsidiari es in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
0	The Company	FTSC	2	\$ 599,048	\$ 300,000	\$ 300,000	\$ -	\$ -	25.04	\$ 1,198,095	Y	N	N	

Note1 : The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is ‘0’
- (2) The subsidiaries are numbered in order starting from ‘1’

Note2 : Nature for endorsement/ guarantee provided:

- (1) Business dealings.
- (2) Companies with direct and indirect ownership of voting shares exceeding 50%. °

Note 3 : In accordance with the Company’s policy, limit on endorsement/ guarantee provided to a single party shall not exceed 50% of the Company’s net assets based on the latest financial statements, and limit on total endorsement/ guarantee provided shall not exceed 100% of the Company’s net assets based on the latest financial statements.

Table 3

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				Peak holding during the year	Note
				Units (In Thousands)	Carrying Value	Percentage of Ownership(%)	Fair Value	Units (In Thousands)	
The Company	<u>Corporate bond</u> Citic Pacific Ltd Bond	—	Financial assets at fair value through other comprehensive income—current	200	\$ 6,147	N/A	\$ 6,147	200	

Note: The aforementioned securities are not provided as collateral for pledged loans or subject to any other restrictions.

Table 4

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note 1)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenue or Total Assets
0	The Company	IPAC	1	Accounts receivable	\$ 150	Note 2	-
			1	Other receivables	152	Note 2	-
			1	Service incomes	431	Note 2	-
			1	Other incomes	152	Note 2	-
0	The Company	FTSC	1	Contract assets	422	Note 2	-
			1	Accounts receivable	4,904	Note 2	-
			1	Other receivables	1,261	Note 2	-
			1	Contract liabilities	8	Note 2	-
			1	Accounts payable	59	Note 2	-
			1	Other payables	1,435	Note 2	-
			1	Sales incomes	2,563	Note 2	-
			1	Service incomes	9,149	Note 2	-
			1	Interest incomes	111	Note 2	-
			1	Other incomes	2,060	Note 2	-
			1	Service cost	7,455	Note 2	-
			1	Logistic service incomes (recognized as deduction of costs and expenses)	15,164	Note 2	1%
1	FIS HK	SBAS	3	Service incomes	11,703	Note 2	1%
			3	Other incomes	1,142	Note 2	-
			3	Cost of goods sold	2,325	Note 2	-
			3	Prepayments	33	Note 2	-
			3	Contract liabilities	55	Note 2	-

Note1 : (1) Parent to subsidiary.

(2) Subsidiary to parent.

(3) Between subsidiaries.

Note2 : The terms of the transactions with related parties are generally the same as those for unrelated parties.

Note3 : All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Table 5

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEs OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	FIS HK IPAC	Hong Kong Taipei	Information Data Storage Media Units Manufacturing	\$ 38,484 45,681	\$ 38,484 45,681	8,426,000 1,231,776	100 100	\$ 56,907 18,480	\$ 1,992 1,763	\$ 1,992 1,763	Subsidiary Subsidiary
	SBAS FTSC	Hong Kong Taipei	Information Information	1,452 400,000	1,452 200,000	20,000 40,000,000	100 100	13,001 421,593	707 25,232	706 25,232	Subsidiary Subsidiary

Note : All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

FORTUNE INFORMATION SYSTEMS CORPORATION
 INFORMATION ON MAJOR SHAREHOLDERS
 FOR THE YEAR ENDED DECEMBER 31, 2022

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Standard Plastics LTD.	23,441,327	33.50%
CECGP Electronics Corp.	22,282,954	31.85%

Note1 : The table discloses the information of major stockholders whose stockholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The number of stocks reported in the Company's consolidated financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

Note 2 : If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

