

6.5 Independent Auditors' Report (Standalone)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Fortune Information Systems Corp.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China (ROC). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of FIS 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 financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2022 financial statements are as follows:

Recognition of System Integration Revenue

The FIS'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.

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 FIS'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 FIS 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 FIS'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 CORP.

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)	\$ 113,215	6	\$ 139,315	8
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)	-	-	71,414	4
Contract assets (Note 20 and 26)	365,055	19	337,313	20
Notes receivable (Note 10)	17,166	1	18,545	1
Trade receivables (Note 10, 20 and 26)	247,707	13	251,354	15
Other receivables (Note 10)	30,080	2	3,412	-
Inventories (Note 11)	152,362	8	81,762	5
Prepayments	33,884	2	81,279	5
Other current assets	<u>3,531</u>	<u>-</u>	<u>5,826</u>	<u>-</u>
Total current assets	<u>969,147</u>	<u>51</u>	<u>997,223</u>	<u>58</u>
Non-current assets				
Financial assets at fair value through other comprehensive income (Note 7 and 9)	-	-	5,831	-
Property, plant and equipment (Note 13)	509,981	27	274,672	16
Right-of-use assets (Note 14)	216,774	12	280,709	17
Investment property (Note 15)	16,155	1	20,984	1
Other intangible assets	61,701	3	-	-
Deferred tax assets (Note 22)	298	-	600	-
Refundable deposits	903	-	1,333	-
Long-term receivables (Note 10)	100,055	5	113,226	7
Net defined benefit assets (Note 18)	<u>22,395</u>	<u>1</u>	<u>13,098</u>	<u>1</u>
Total non-current assets	<u>928,262</u>	<u>49</u>	<u>710,453</u>	<u>42</u>
TOTAL	<u>\$ 1,897,409</u>	<u>100</u>	<u>\$ 1,707,676</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 65,000	3	\$ 50,000	3
Short-term bills payable (Note 16)	59,740	3	119,957	7
Contract liability (Note 20)	65,770	4	42,723	3
Notes payable	20	-	20	-
Trade payables (Note 26)	340,069	18	210,062	12
Other payables (Note 17 and 26)	125,120	7	86,591	5
Current tax liabilities	2,991	-	5,253	-
Lease liabilities (Note 14 and 26)	8,004	-	7,349	1
Other current liabilities	<u>15,661</u>	<u>1</u>	<u>17,147</u>	<u>1</u>
Total current liabilities	<u>682,375</u>	<u>36</u>	<u>539,102</u>	<u>32</u>
Non-current liabilities				
Deferred tax liabilities (Note 22)	4,534	-	2,698	-
Lease liabilities (Note 14 and 26)	8,244	1	13,642	1
Other non-current liabilities	<u>4,161</u>	<u>-</u>	<u>3,470</u>	<u>-</u>
Total non-current liabilities	<u>16,939</u>	<u>1</u>	<u>19,810</u>	<u>1</u>
Total liabilities	<u>699,314</u>	<u>37</u>	<u>558,912</u>	<u>33</u>
EQUITY ATTRIBUTABLE (Note 19)				
Common stock	<u>699,612</u>	<u>37</u>	<u>699,612</u>	<u>41</u>
Capital surplus	<u>62,361</u>	<u>3</u>	<u>62,361</u>	<u>4</u>
Retained earnings				
Legal reserve	175,261	9	171,120	10
Special reserve	9,690	1	6,960	-
Undistributed earnings	<u>254,449</u>	<u>13</u>	<u>218,401</u>	<u>13</u>
Total retained earnings	<u>439,400</u>	<u>23</u>	<u>396,481</u>	<u>23</u>
Other equity interests	<u>(3,278)</u>	<u>-</u>	<u>(9,690)</u>	<u>(1)</u>
Total equity interests	<u>1,198,095</u>	<u>63</u>	<u>1,148,764</u>	<u>67</u>
TOTAL	<u>\$ 1,897,409</u>	<u>100</u>	<u>\$ 1,707,676</u>	<u>100</u>

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

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal accounting officer: CHEN, XIU-YUE

FORTUNE INFORMATION SYSTEMS CORP.

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)	\$ 1,477,054	100	\$ 1,886,147	100
OPERATING COSTS (Note 11 and 21)	<u>1,319,811</u>	<u>89</u>	<u>1,687,854</u>	<u>89</u>
GROSS PROFIT FROM OPERATIONS	157,243	11	198,293	11
OPERATING EXPENSES (Note 21 and 26)	<u>130,144</u>	<u>9</u>	<u>147,890</u>	<u>8</u>
NET OPERATING INCOME	<u>27,099</u>	<u>2</u>	<u>50,403</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Note 21 and 26)				
Interest income	2,510	-	1,669	-
Other income	5,942	-	7,272	-
Other gains and losses	9,270	1	(1,348)	-
Finance costs	(2,279)	-	(1,671)	-
Share of profit of subsidiaries accounted for using equity method (Note 12)	<u>29,694</u>	<u>2</u>	(<u>390</u>)	<u>-</u>
Total non-operating income and expenses	<u>45,137</u>	<u>3</u>	<u>5,532</u>	<u>-</u>
PROFIT BEFORE TAX	72,236	5	55,935	3
INCOME TAX EXPENSE (Note 22)	<u>8,706</u>	<u>1</u>	<u>11,252</u>	<u>1</u>
NET PROFIT	<u>63,530</u>	<u>4</u>	<u>44,683</u>	<u>2</u>

(Continued)

	2022		2021	
	Amount	%	金額	%
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		1 (\$ 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	1	(6,002)	-
TOTAL COMPREHENSIVE INCOME	\$ 77,315	5	\$ 38,681	2
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	\$ 0.91		\$ 0.64	
Diluted earnings per share	\$ 0.90		\$ 0.64	

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

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal accounting officer: CHEN, XIU-YUE

(Concluded)

FORTUNE INFORMATION SYSTEMS CORP.
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	E x c h a n g e d i f f e r e n c e s o n t r a n s l a t i n g f o r e i g n o p e r a t i o n s	Unrealized (Loss) Gain Assets at Fair Value Through Other Comprehensive I n c o m e	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 financial statements.

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal Accounting Officer: CHEN, XIU-YUE

FORTUNE INFORMATION SYSTEMS CORP.
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	\$ 72,236	\$ 55,935
Adjustments to reconcile profit (loss)		
Depreciation expense	13,355	13,146
Amortization expense	959	960
Expected credit impairment (gain) loss	-	151
Finance costs	2,279	1,671
Interest income	(2,510)	(1,669)
Share of profit of subsidiaries accounted for using equity method	(29,694)	390
(Gain) loss on disposal and retirement of property, plant and equipment, net	(6)	(2)
Inventory falling price loss	8	-
Foreign exchange (gains) loss	(7,881)	2,838
Changes in operating assets and liabilities		
Contract assets	(27,742)	(126,746)
Notes receivable	1,379	(2,989)
Accounts receivable	3,645	193,272
Other receivables	(26,920)	(2,357)
Inventories	(71,490)	203,278
Prepayments	47,395	8,332
Other current assets	2,295	6,234
Net defined benefit assets	(81)	(86)
Contract liabilities	23,047	(9,649)
Notes payable	-	(53)
Accounts payable	130,007	(113,147)
Other payables	39,873	1,735
Other current liabilities	(1,486)	536
Cash inflows generated from operating activities	168,668	231,780
Interest received	2,749	1,976
Interest paid	(2,223)	(1,671)
Income taxes paid	(10,467)	(9,418)
Net cash inflows generated from operating activities	<u>158,727</u>	<u>222,667</u>

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	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	(382,684)	(72,767)
Proceeds from financial assets measured at amortized cost	455,451	55,138
Acquisition of investments accounted for using equity method	(200,000)	(100,000)
Acquisition of property, plant and equipment	(2,436)	(849)
Proceeds from disposal of property, plant and equipment	6	2
Decrease in refundable deposits	13,171	11,228
Acquisition of intangible assets	(657)	(1,225)
Collection cash dividends of	1,108	1,971
Net cash used in investing activities	(<u>108,733</u>)	(<u>99,418</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	15,000	(190,000)
Increase (decrease) in short-term notes and bills payable	(61,617)	59,541
Repayment of the principal portion of lease liabilities	(7,717)	(6,858)
Decrease (increase) in other non-current liabilities	691	(231)
Cash dividends paid	(<u>27,984</u>)	(<u>27,985</u>)
Net cash flows used in financing activities	(<u>81,627</u>)	(<u>165,533</u>)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>5,533</u>	(<u>1,929</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(26,100)	(44,213)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>139,315</u>	<u>183,528</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 113,215</u>	<u>\$ 139,315</u>

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

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal Accounting Officer: CHEN, XIU-YUE

(Concluded)

FORTUNE INFORMATION SYSTEMS CORP.
NOTES TO 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 financial statements are expressed in the functional currency of the Company, which is New Taiwan Dollar.

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the 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 Company's accounting policies.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 "disclosure of accounting policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "clarify the definition of accounting estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "deferred tax related to assets and liabilities arising from a single transaction"	January 1, 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 Company had assessed that the application of above standards and interpretations would not have a material impact on the Company's financial position and financial performance.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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
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 Company is continuously assessing the impact that the application of above standards and interpretations will have on the Company’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 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 categorises 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.

When preparing the parent company only financial statements, the Company accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to owners of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

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.

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 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.

On the disposal of the Company'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.

Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary equals or exceeds its interest of that subsidiary, including carrying amount of its subsidiaries in the equity method and other long-term interests of net Investments in that subsidiary, the Company continues recognizing its losses from its existing ownership percentage.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

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 Company 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 Company 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 balance sheets when the Company 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 Company 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 Company 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 Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- 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 Company 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 Company 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 Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company'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 Company'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 Company's best estimate of the expenditure required to settle the obligation.

Revenue recognition

The Company 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 Company provides service, customers simultaneously receive and consume the benefits provided by the Company'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 Company 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 Company as lessee

The Company 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 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 Company 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 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 Company 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 Company 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 Company 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 Company'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	\$ 391	\$ 391
Checking accounts and demand deposits	53,081	98,950
Cash equivalents		
Repurchase Agreement	59,743	39,974
	<u>\$ 113,215</u>	<u>\$ 139,315</u>

Interest rate during reporting period

	December 31, 2022	December 31, 2021
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	<u>\$ 6,147</u>	<u>\$ 7,003</u>
Noncurrent	<u>\$ -</u>	<u>\$ 5,831</u>

Refer to Note 9 for information relating to the credit risk management and expected credit loss for investments in debt instruments at FVTOCI.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2022	December 31, 2021
Time deposits with original maturities of less than 3 months	\$ -	\$ 71,414

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	\$ -
Allowance for impairment loss	(2)	-
Amortized cost	6,141	\$ -
Fair value measurement	6	
	<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	\$ 71,414
Fair value measurement	395	
	<u>\$ 12,834</u>	

The policy adopted by the Company 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. The Company's exposure and the external credit ratings are continuously monitored. The Company 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 Company 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 Company's current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing</u>
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 lower than Ca.	Lifetime expected credit loss-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

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

December 31, 2022

<u>Category</u>	<u>Expected Credit Loss Ratio</u>	<u>Gross Carrying Amount</u>	
		<u>FVTOCI</u>	<u>Amortized cost</u>
Performing	0.03%	\$ 6,147	\$ -
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>\$ 17,166</u>	<u>\$ 18,545</u>
<u>Accounts receivable</u>		
Gross carrying amount at amortized cost	\$ 247,867	\$ 251,512
Less: Allowance for impairment loss	(<u>160</u>)	(<u>158</u>)
	<u>\$ 247,707</u>	<u>\$ 251,354</u>
<u>Other receivables</u>		
Receivable for payment on behalf of others	\$ 28,270	\$ -
Other	<u>1,810</u>	<u>3,412</u>
	<u>\$ 30,080</u>	<u>\$ 3,412</u>

The average credit period of receivable was 60 to 120 days. In order to mitigate credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure the recoverability of receivables. In addition, the Company 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 Company's credit risk could be reasonably reduced.

The Company 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 Company 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 Company 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 Company's provision matrix.

December 31, 2022

	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	\$ 253,312	\$ 10,142	\$ 857	\$ 722	\$ -	\$ 265,033
Loss allowance (Lifetime ECLs)	(<u>160</u>)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>160</u>)
Amortized cost	<u>\$ 253,152</u>	<u>\$ 10,142</u>	<u>\$ 857</u>	<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 264,873</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	\$ 256,570	\$ 12,581	\$ 846	\$ 60	\$ -	\$ 270,057
Loss allowance (Lifetime ECLs)	(<u>158</u>)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>158</u>)
Amortized cost	<u>\$ 256,412</u>	<u>\$ 12,581</u>	<u>\$ 846</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 269,899</u>

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

	2022	2021
Balance at January 1	\$ 158	\$ -
Add: Provision	<u>2</u>	<u>158</u>
Balance, end of year	<u>\$ 160</u>	<u>\$ 158</u>

11. INVENTORIES

	December 31, 2022	December 31, 2021
Merchandise	<u>\$ 152,362</u>	<u>\$ 81,762</u>

For the years ended December 31, 2022 and 2021, the cost of goods sold related to inventories amounted to \$1,131,851 thousand and \$1,489,867 thousand, respectively, which included the inventory write-down totaling \$8 thousand. (2021: None)

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Investee subsidiary</u>		
Fortune Information System (In') LTD.		
(FIS HK)	\$ 56,907	\$ 49,428
IPAC Technology CO. LTD.		
(IPAC)	18,480	17,825
SBAS (HK) LTD.		
(SBAS)	13,001	11,058
Fortune Technology System Corp.		
(FTSC)	<u>421,593</u>	<u>196,361</u>
	<u>\$ 509,981</u>	<u>\$ 274,672</u>

On reporting day, percentage of ownership and voting rights held by the Company are as below:

	<u>% of Ownership</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FIS HK	100%	100%
IPAC	100%	100%
SBAS	100%	100%
FTSC	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.

13. **PROPERTY, PLANT AND EQUIPMENT**

	<u>Land</u>	<u>Building and improvements</u>	<u>Miscellaneous equipment</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1, 2021	\$ 172,042	\$ 162,877	\$ 48,155	\$ 383,074
Additions	-	-	849	849
Disposals	-	-	(812)	(812)
Reclassification	-	-	<u>2,005</u>	<u>2,005</u>
Balance at December 31, 2021	<u>\$ 172,042</u>	<u>\$ 162,877</u>	<u>\$ 50,197</u>	<u>\$ 385,116</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	\$ -	\$ 55,706	\$ 43,295	\$ 99,001
Depreciation expense	-	2,760	3,582	6,342
Disposals	-	-	(812)	(812)
Reclassification	-	(900)	<u>776</u>	(124)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 57,566</u>	<u>\$ 46,841</u>	<u>\$ 104,407</u>
Carrying amount at December 31, 2021	<u>\$ 172,042</u>	<u>\$ 105,311</u>	<u>\$ 3,356</u>	<u>\$ 280,709</u>

Cost

	Land	Building and improvements	Miscellaneous equipment	Total
Balance at January 1, 2022	\$ 172,042	\$ 162,877	\$ 50,197	\$ 385,116
Additions	-	-	2,436	2,436
Disposals	-	-	(4,451)	(4,451)
Reclassification	-	-	785	785
Reclassified as investment properties	(34,385)	(37,743)	-	(72,128)
Balance at December 31, 2022	<u>\$ 137,657</u>	<u>\$ 125,134</u>	<u>\$ 48,967</u>	<u>\$ 311,758</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2022	\$ -	\$ 57,566	\$ 46,841	\$ 104,407
Depreciation expense	-	2,533	2,934	5,467
Disposals	-	-	(4,451)	(4,451)
Reclassification	-	-	(97)	(97)
Reclassified as investment properties	-	(10,342)	-	(10,342)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 49,757</u>	<u>\$ 45,227</u>	<u>\$ 94,984</u>
Carrying amount at December 31, 2022	<u>\$ 137,657</u>	<u>\$ 75,377</u>	<u>\$ 3,740</u>	<u>\$ 216,774</u>

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

	Depreciation method	Useful life
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 Company 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

	December 31, 2022	December 31, 2021
Carrying amount		
Land	\$ 1,271	\$ 2,117
Building	<u>14,884</u>	<u>18,867</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>\$ 16,155</u>	<u>\$ 20,984</u>
	<u>2022</u>	<u>2021</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 Company leases offices and warehouses with most of the lease terms ranging from 2 to 5 years. The Company does not have bargain purchase options to acquire the leasehold assets at the end of the lease terms. In addition, the Company 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.

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 1,332</u>	<u>\$ 2,245</u>
Total cash flow for leases	<u>(\$ 9,264)</u>	<u>(\$ 9,051)</u>

15. INVESTMENT PROPERTIES (2021: None)

	Land	Building and structures	Total
<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:

	Depreciation method	Useful life
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:

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

All investment properties are own right and interest.

16. BORROWINGS

a. Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured loans	<u>\$ 65,000</u>	<u>\$ 50,000</u>

For the years ended December 31, 2022 and 2021, the annual interest rates of bank unsecured loans are 1.98% 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	\$ 60,000	\$ 260	\$ 59,740	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	60,000	29	59,971	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	\$ 53,953	\$ 50,842
Payables for receipts under custody	36,917	-
Payables for annual leave	13,197	12,068
Payables for insurance	4,445	4,607
Others	16,608	19,074
	<u>\$125,120</u>	<u>\$ 86,591</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of the Company 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.

b. Defined benefit plans

The defined benefit plan adopted by the Company 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 Company 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 Company 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 Company has no right to influence the investment policy and strategy. The amounts included in the balance sheets in respect of the Company'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	(85,085)	(81,866)	
Net defined benefit liabilities	(\$ 22,395)	(\$ 13,098)	
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>
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			

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
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 Company 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>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Accounts receivables (Note 10)	<u>\$ 247,707</u>	<u>\$ 251,354</u>	<u>\$ 444,784</u>
Contract assets	<u>\$ 365,055</u>	<u>\$ 337,313</u>	<u>\$ 210,567</u>
Contract liability	<u>\$ 65,770</u>	<u>\$ 42,723</u>	<u>\$ 52,372</u>

The Company 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 Company concluded that the expected loss rates for trade receivables can be applied to the contract assets.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Gross carrying amount	\$ 365,055	\$ 337,313
Provision	<u>-</u>	<u>-</u>
	<u>\$ 365,055</u>	<u>\$ 337,313</u>

b. Contract information

<u>Item</u>	<u>2022</u>	<u>2021</u>
Revenue from the sale of goods and system integration	\$ 1,262,404	\$ 1,648,937
Revenue from rendering of services	<u>214,650</u>	<u>237,210</u>
	<u>\$ 1,477,054</u>	<u>\$ 1,886,147</u>

21. NET PROFIT

a. Other gains and losses

	<u>2022</u>	<u>2021</u>
Net foreign exchange losses (gains)	\$ 9,262	(\$ 1,267)
Gain on disposal of property, plant and equipment	6	2
Other	<u>2</u>	<u>(83)</u>
	<u>\$ 9,270</u>	<u>(\$ 1,348)</u>

b. Interest income

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 227	\$ 121

	2022	2021
Debt instrument at FVTOCI	531	1,000
Financial assets at amortized cost	1,030	338
Other	722	210
	<u>\$ 2,510</u>	<u>\$ 1,669</u>
c. Finance costs		
	111年度	110年度
Interest on lease liabilities	\$ 172	\$ 42
Interest on bank loans	2,107	1,629
	<u>\$ 2,279</u>	<u>\$ 1,671</u>
d. Depreciation and amortization		
	111年度	110年度
Property, plant and equipment	\$ 5,467	\$ 6,342
Right-of-use assets	7,803	6,804
Investment properties	85	-
Other intangible assets	959	960
Total	<u>\$ 14,314</u>	<u>\$ 14,106</u>
Depreciation expenses summarized by function		
Operating costs	\$ 7,254	\$ 5,485
Operating expenses	6,101	7,661
	<u>\$ 13,355</u>	<u>\$ 13,146</u>
Amortization expenses summarized by function		
Operating costs	\$ 67	\$ -
Operating expenses	892	960
	<u>\$ 959</u>	<u>\$ 960</u>
e. Employee benefits expenses		
	2022	2021
Short-term employee benefits		
Payroll	\$ 232,755	\$ 234,038
Labor and health insurance	22,164	23,085
Other employee benefits	10,681	11,699
	<u>265,600</u>	<u>268,822</u>
Post-employment benefits(Note18)		
Defined contribution plans	10,694	11,050
Defined benefit plans	(81)	(86)
	<u>10,613</u>	<u>10,964</u>
Total employee benefits expenses	<u>\$ 276,213</u>	<u>\$ 279,786</u>

	<u>2022</u>	<u>2021</u>
Employee benefits expenses by function		
Operating costs	\$ 166,170	\$ 166,972
Operating expenses	<u>110,043</u>	<u>112,814</u>
	<u>\$ 276,213</u>	<u>\$ 279,786</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:

	<u>2022</u>		<u>2021</u>	
	<u>Cash</u>	<u>%</u>	<u>Cash</u>	<u>%</u>
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 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

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 8,002	\$ 10,151
Income tax on unappropriated earnings	214	61
Adjustments for prior year	(<u>11</u>)	<u>479</u>
	8,205	10,691
Deferred tax		
In respect of the current year	<u>501</u>	<u>561</u>

	<u>2022</u>	<u>2021</u>
Income tax recognized in profit or loss	<u>\$ 8,706</u>	<u>\$ 11,252</u>

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

	<u>2022</u>	<u>2021</u>
Profit before tax	<u>\$ 72,236</u>	<u>\$ 55,935</u>
Income tax expense at the statutory rate	\$ 14,447	\$ 11,187
Tax-exempt income	(5,399)	-
Fees that cannot be deducted from taxes	214	61
Income tax on unappropriated earnings	-	426
Unrecognized temporary difference	(545)	(901)
Adjustments from previous years	(11)	<u>479</u>
Income tax expenses recognized in profit or loss	<u>\$ 8,706</u>	<u>\$ 11,252</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>	(819)
Income tax recognized in other comprehensive income	<u>\$ 1,765</u>	(\$ 983)

c. Deferred tax assets and liabilities

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

2022

	<u>Recognized in</u>	
	Other	
	Comprehensiv	
	e Income	
	(Loss)	
Opening Balance	Profit or Loss	Closing Balance

<u>Deferred tax assets</u>				
Temporary difference				
Allowance for loss on inventories	\$ 902	\$ 1	\$ -	\$ 903
Unrealized loss on foreign exchange	430	(430)	-	-
Loss allowance	<u>1</u>	(<u>1</u>)	<u>-</u>	<u>-</u>
	<u>\$ 1,333</u>	(<u>\$ 430</u>)	<u>\$ -</u>	<u>\$ 903</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>-</u>	(<u>78</u>)	<u>1</u>
	<u>\$ 2,698</u>	<u>\$ 71</u>	<u>\$ 1,765</u>	<u>\$ 4,534</u>

2021

		Recognized in		
	Opening Balance	Profit or Loss	Other Comprehensiv e Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary difference				
Allowance for loss on inventories	\$ 902	\$ -	\$ -	\$ 902
Unrealized loss on foreign exchange	973	(543)	-	430
Loss allowance	<u>2</u>	(<u>1</u>)	-	<u>1</u>
	<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	<u>243</u>	<u>-</u>	(<u>164</u>)	<u>79</u>
	<u>\$ 3,664</u>	<u>\$ 17</u>	(<u>\$ 983</u>)	<u>\$ 2,698</u>

d. Income tax assessment

Income tax returns of the Company 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 Company has the discretion to settle the employees' compensation by cash or stock, the Company 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 Company 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 Company is composed of equities attributable to the Company (capital, capital reserve, retained earnings, and other equity items).

The Company 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 Company 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 Value through Other 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 Value through Other Comprehensive Income</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)	\$ 508,223	\$ 597,266
FVTOCI	6,147	12,834
<u>Financial liabilities</u>		
Amortized cost (Note 2)	590,710	466,671

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 Company include debt instrument investments, notes and account receivables, account payables, loans, and lease liabilities. The financial management department of the Company 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 Company 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 Company's operating activities make the Company bear are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates.

a) Foreign exchange risk

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

For the monetary assets and liabilities of the Company denominated in non-functional currencies on the balance sheet date, refer to Notes 29.

Sensitivity analysis

The Company 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\$322 thousands and NT\$4,232 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 Company'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 the Company at fixed and floating interest rate at the same time. The risk is managed by the Company 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 Company'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	\$ 65,890	\$ 124,222
— Financial liabilities	140,988	190,948
Cash flow interest rate risk		
— Financial assets	9,754	11,355

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\$488 thousands and NT\$568 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

Company. As at the end of the reporting years, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company, 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 Company.

The policy that the Company adopts is to only make transactions with reputable targets, and the Company will obtain full collateral when necessary so as to reduce the risk of financial loss owing to delinquency. The Company 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 Company uses other publicly available financial information and its own trading records to rate its major customers. The Company'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 Company would review the recoverable amount of each receivables on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As a result, the Company's management concludes that the credit risk of the Company 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 Company does not hold any collateral or other credit enhancement instruments to mitigate credit risk of financial assets.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company 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 Company 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 financial liabilities</u>				
Non-interest bearing	\$ 157,268	\$ 99,206	\$ 204,492	\$ 761
Lease liabilities	676	1,353	6,087	8,307
Fixed interest rate instrument	-	125,593	-	-
	<u>\$ 157,944</u>	<u>\$ 226,152</u>	<u>\$ 210,579</u>	<u>\$ 9,068</u>

December 31, 2021

	On Demand or Less than 1 M o n t h	1-3 Months	3 Months to 1 Y e a r	Over 1 year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 94,061	\$ 96,754	\$ 98,495	\$ 41
Lease liabilities	625	1,250	5,625	13,751
Fixed interest rate instrument	<u>170,253</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 264,939</u>	<u>\$ 98,004</u>	<u>\$ 104,120</u>	<u>\$ 13,792</u>

The operating capital of the Company 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	\$ 181,061	\$ 248,211
— Amount unused	<u>253,200</u>	<u>321,789</u>
	<u>\$ 434,261</u>	<u>\$ 570,000</u>

26. RELATED-PARTY TRANSACTIONS

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
CECGP Electronics Corp. (CECGP)	Investor with significant influence over the Company
IPAC	Subsidiary
FTSC	Subsidiary

b. Operating revenues

<u>Account Items</u>	<u>Related Party Category/Name</u>	<u>2022</u>	<u>2021</u>
Operating revenues	Investor with significant influence over the Company	\$ 131	\$ 1,258
	Subsidiary	<u>12,143</u>	<u>711</u>
		<u>\$ 12,274</u>	<u>\$ 1,969</u>

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

c. Operating cost

Account Items	Related Party Category/Name	2022	2021
Operating cost	Subsidiary	<u>\$ 7,455</u>	<u>\$ 12,334</u>

Purchases were made at market price discounted to reflect the quantity of goods purchased and relationships between the parties.

d. Contract assets

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Contract assets	Subsidiary	<u>\$ 422</u>	<u>\$ -</u>

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

e. Contract liabilities

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Contract liabilities	Subsidiary	<u>\$ 8</u>	<u>\$ -</u>

f. Receivables from related parties (excluding loans to related parties)

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Trade receivables	Investor with significant influence over the Company	\$ 90	\$ 177
	Subsidiary	<u>5,054</u>	<u>486</u>
		<u>\$ 5,144</u>	<u>\$ 663</u>
Other receivable	Subsidiary		
	— FTSC	\$ 1,261	\$ 70
	Subsidiary		
	— Others	<u>152</u>	<u>147</u>
		<u>\$ 1,413</u>	<u>\$ 217</u>

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

g. Payables to related parties

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Accounts payable	Subsidiary	<u>\$ 59</u>	<u>\$ -</u>
Other payables	Subsidiary	<u>\$ 1,435</u>	<u>\$ 418</u>

The Company did not provide guarantees for payables from related parties.

h. Others

Account Items	Related Party Category/Name	2022	2021
Other income	Subsidiary	<u>\$ 2,212</u>	<u>\$ 2,819</u>
Logistic service income (recognized as deduction of costs and expenses)	Subsidiary	<u>\$ 15,164</u>	<u>\$ -</u>

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

i. Lease arrangements

Transaction Items	Related Party Category/Name	2022	2021
Acquisition of right-of-use assets	Investor with significant influence over the Company -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 Company -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 Company	<u>\$ 120</u>	<u>\$ 26</u>
Lease expenses	Investor with significant influence over the Company	<u>\$ 91</u>	<u>\$ 91</u>

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

j. Loans to related parties

Account Items	Related Party Category/Name	2022	2021
Interest income	Subsidiary	<u>\$ 111</u>	<u>\$ 13</u>

The Company provided unsecured short-term loans to FTSC and IPAC. The highest actual disbursement amounts for the years 2022 and 2021

were NT\$45,000 thousands and NT\$60,000 thousands respectively, with an annual interest rate of 1%.

k. Endorsements and guarantees

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

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

l. Compensation of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 26,688	\$ 25,914
Post-employment benefits	<u>689</u>	<u>677</u>
	<u>\$ 27,377</u>	<u>\$ 26,591</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 Company 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 Company's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	Foreign Currencies	December 31, 2022	Carrying Amount
		Exchange Rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 210	30.71 (USD : NTD)	<u>\$ 6,449</u>
<u>Non-monetary items</u>			
HKD	17,752	3.938 (HKD : NTD)	<u>\$ 69,908</u>
	Foreign Currencies	December 31, 2021	Carrying Amount
		Exchange Rate	
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 3,058	27.68 (USD : NTD)	<u>\$ 84,645</u>
<u>Non-monetary items</u>			
HKD	17,043	3.549 (HKD : NTD)	<u>\$ 60,486</u>

The net exchange (loss) gain arising from significant foreign exchange variation on the unrealized foreign currencies held by the Company for the years ended December 31, 2022 and 2021, amounted to \$270 thousands and (\$2,158 thousands), respectively.

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.
- b. Information on investees: Table 4.
- 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 5.

Table 1

FORTUNE INFORMATION SYSTEMS CORPORATION
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)	Note
													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	
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	

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.

Table 2

FORTUNE INFORMATION SYSTEMS CORPORATION
 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
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				Note
				Units (In Thousands)	Carrying Value	Percentage of Ownership(%)	Fair Value	
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	

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

Table 4

FORTUNE INFORMATION SYSTEMS CORPORATION
 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	707 25,232	Subsidiary Subsidiary

Table 5

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%

Note 1 : 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.

