Stock code: 6414

Ennoconn Technology Co., Ltd.

Parent Company Only Financial Statements and Independent Auditors' Report

2022 and 2021

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CPA Report

To the Board of Directors of Ennoconn Corporation:

Auditor's Opinion

We have reviewed the accompanying sheets of Ennoconn Corporation as of December 31, 2022 and 2021, and the related statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Based on our opinions, audit results, and other CPA reports (see Others), all material aspects of the individual financial report prepared in accordance with the Regulations Governing Preparation of Financial Reports by Security Issuers. They reflect the financial position of Ennoconn Technology Co., Ltd. as of December 31, 2022 and 2021 as well as financial performance and cash flows in the same period.

Basis of Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by CPAs and Auditing Standards (GAAS). Our responsibilities under these standards are further explained in Responsibilities of CPA Audit on Individual Financial Statements. The independently regulated personnel of our firm has also maintained its independence with Ennoconn Corporation in accordance with CPA's professional code ethics and fulfilled other responsibilities under the code. Based on our audit results and the audit reports of other CPAs, we believe in having acquired sufficient and appropriate audit evidence to serve as the basis of our audit opinion.

Key Audit Matters

Key audit matters refer to the most significant matters in the audit of individual financial statements from Ennoconn Technology Co., Ltd. in 2022 based on our professional judgment. These matters have already been covered in the audit of individual financial statement and formulation of audit opinion. Therefore, we will not give a separate opinion on them. The key audit items that, in our judgment, should be communicated on the audit report are as follows:

Impairment from capital reduction of investments accounted for using equity method

Please refer to Note 4(12) to the financial statements for the accounting policy on impairment from capital reduction of investments accounted for using equity method. Please refer to Note 5(3) for impairment assessment of investments accounted for using the equity method on accounting estimates and assumption uncertainties for investments accounted for using the equity method. Please refer to Note 6(6) for For information on investments accounted for using the equity method.

Key Audit Matters Explanation:

The Ennoconn Technology Co., Ltd. invests in a related equity-method company to expand its marketing presence and increase its product lines. The management performs an impairment test in accordance with IAS 36, "Impairment of Assets," and uses fair value less costs to sell as the recoverable amount. Due to the significant effect of the impairment assessment on the financial statements and the high degree of uncertainty involved in management's measurement calculations, the impairment assessment of investments accounted for using the equity method is a matter of great concern to us in performing our audits of the financial statements.

In response to the verification process:

Our Major audit procedures for this critical matter consist of understanding the design and performance of the related internal control of the management, reviewing and re-calculating the accuracy of the calculation on recoverable Book value carrying amounts, performing sensitivity analysis, and comprehensively evaluating the rationality of the impairment assessment of the investment using the equity method.

Other Matters

We have not audited the financial statements of certain equity-method investees included in the accompanying consolidated financial statements as of and for the year ended December 31, 2021, which were reviewed by other auditors.es were reviewed by other certified accountants. Therefore, our opinion on the parts in relation to the amounts specified for the three months ended December 31, 2021 individual financial statements of such company one based on the review reports of other auditors. As of December 31, 2021, the amount of investments accounted for by the equity method was NT$7,505,534 thousand, representing 32.33% of total assets. The share of income or loss of affiliates accounted for by the equity method from January 1, 2021 to December 31, 2021 was NT$366,507 thousand, representing 26.47% of net income before income tax.

Responsibility of Management and Governing Bodies for Individual Financial Statement

The responsibility of the management is to present individual financial statements in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to maintain essential internal control to ensure it contains no material misstatement that may be caused by fraud or error.

In preparing for the individual financial statement, it is also management's responsibility to assess Ennoconn Corporation's ability to continue as a going concern, the disclosure of relevant matters, as well as the adoption of going concern accounting base. Unless the management intends to liquidate or cease operations of Ennoconn Corporation, or there is no practicable measure other than liquidation or termination of the business.

The governing bodies of Ennoconn Corporation (including audit committee) have the responsibility of overseeing financial reporting procedures.

CPA's Responsibility for Auditing Individual Financial Statement

The purpose of our audit of the individual financial statements is to attain reasonable assurance as to whether the individual financial statements as a whole contain any material misstatement that may be caused by fraud or error and to issue an audit report. Reasonable assurance is a high degree of certainty but not a guarantee that an audit conducted under Accepted Auditing Standards (GAAS) will always detect any material misstatement in the individual financial statement. Misstatements may be attributable to fraud or error. If misstated individual amounts or aggregated sums can reasonably be expected to have an influence on economic decisions from the users of individual financial statements, they will be deemed as material.

We have exercised professional judgment and maintained professional skepticism for our audit using GAAS. We have also performed the following tasks:

1. Identified and assessed the risks of material misstatements from fraud or errors in individual financial statements; design and implement appropriate countermeasures for the risks; and obtain sufficient and appropriate audit evidence to serve as audit opinion basis. Fraud is likely to involve collusion, forgery, deliberate omission, false declarations, or violations of internal control. Therefore, the risks of failing to detect material misstatements caused by fraud are higher than the causes.
2. Acquire the essential understanding of internal control relevant to audit to design appropriate audit procedures under the circumstances, but not to express opinions on the effectiveness of internal control of Ennoconn Corporation.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Based on the audit evidence obtained, conclude on the appropriateness of the going concern accounting base adopted by the management and whether there is any material uncertainty in the events or circumstances that may cause substantial doubts about the Ennoconn Corporation's ability to continue as a going concern. If we believe material uncertainty to exist in such events or conditions, users of individual financial statements will be reminded in the audit report about related disclosures, or audit opinion will be modified if such disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained as of the audit report date. However, future events or conditions may cause Ennoconn Technology Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of individual financial statements (including relevant notes), and whether the individual financial statements fairly represent the related transactions and events.
6. Attain sufficient and appropriate audit evidence on the financial information of the investees using the equity method to express an opinion on the individual financial statements. We are responsible for direction, supervision and implementation of the audit, as well as forming an audit opinion on Ennoconn Corporation.

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 have also provided a declaration to the governing bodies stating that the personnel of our accounting firm has followed the item on independence in the CPA professional code of ethics. We have also communicated with the governing bodies on all matters that could affect CPA independence and other items (including relevant protective measures).

From our communication with the governing bodies, we have decided on the key audit matters in the 2022 individual financial statement for Ennoconn Technology Co., Ltd. We have stated these matters in the audit report. Unless the law or regulation does not allow public disclosure of specific issues, or in rare circumstances, we determine not to communicate particular matters in the audit report due to the reasonable probability that the negative impact of such communication is higher than the public interest.

KPMG

CPA: KOU,HUI-ZHI

GUO,XIN-YI

Securities and Futures Commission Approval No.	:	Tai-Cai-Cheng (6) No.0930106739 Jin-Guan-Zheng-Shen No.1040003949

March 31, 2023

Ennoconn Technology Co., Ltd.

Balance Sheet

For the year ended December 31, 2022 and 2021

Unit: NT$1,000

		2022.12.31		2021.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1) and (21))	$ 623,358	2	1,355,059	6
1110	Financial assets measured at fair value through profit and loss - current (Note 6 (2) and (21))	-	-	4,343	-
1136	Financial assets measured at amortized cost - current (Note 6 (3) and (21))	4,255	-	4,225	-
1170	Accounts receivable - net (Note 6 (4), (18) and (21))	855,432	3	540,586	2
1180	Accounts receivable - related parties, net (Notes 6 (4), (18), (21) and 7)	396,692	1	246,805	1
130X	Inventories (Note 6 (5))	784,767	3	457,845	2
1470	Other current assets (Note 6 (10) and7)	1,044,960	3	451,520	2
	Total Current Assets	3,709,464	12	3,060,383	13
	Non-Current Assets:				
1510	Financial assets measured at fair value through profit and loss Non-current (Note 6 (2) and (21))	-	-	300	-
1550	Investments accounted for using equity method (Note 6(6))	26,055,065	85	19,552,849	85
1600	Property, plant, and equipment (Note 6 (7))	497,107	2	504,566	2
1755	Right-of-use assets (Note 6 (8))	16,915	-	-	-
1821	Intangible assets (Note 6 (9))	40,646	-	44,485	-
1840	Deferred tax assets (Note 6 (15))	36,802	-	52,222	-
1990	Other non-current assets (Notes 6 (10) and (14))	306,408	1	1,042	-
	Total Non-current Assets	26,952,943	88	20,155,464	87
	Total Assets	**$ 30,662,407**	**100**	**23,215,847**	**100**

		2022.12.31		2021.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current Liabilities				
2100	Short-term loans (Notes 6 (11))	$ 5,195,000	17	2,300,000	10
2120	Financial Liability measured at fair value through profit and loss - current (Note 6 (2), (12) and (21))	-	-	598	-
2170	Accounts payable (Note 6 (21))	515,876	2	246,510	1
2180	Accounts payable - related parties (Notes 6 (21) and 7)	165,939	-	161,688	1
2200	Other payables - related parties (Notes 6 (21) and 7)	462,744	2	403,871	1
2230	Current tax liabilities (Note 6 (15))	41,644	-	32,920	-
2280	Lease liabilities - current (Note 6 (13) and (21))	6,824	-	-	-
2321	Corporate bonds matured or exercised redemption rights within one year or one operating cycle (Notes 6 (12) and (21))	-	-	1,137,035	5
2399	Other current liabilities (Note 6 (18))	426,306	1	162,390	1
	Total Current Liabilities	6,814,333	22	4,445,012	19
	Non-current Liabilities:				
2500	Financial Liability measured at fair value through profit and loss Non-current (Note 6 (2), (12) and (21))	1,423	-	-	-
2530	Corporate bonds payable (Notes 6 (12) and (21))	7,996,895	26	7,916,900	34
2570	Deferred tax liabilities (Note 6 (15))	653	-	616	-
2580	Lease liabilities Non- current (Note 6 (13) and (21))	9,211	-	-	-
2670	Other non-current liabilities	305,658	1	48,861	-
	Total Non-current Liabilities	8,313,840	27	7,966,377	34
	Total Liabilities	15,128,173	49	12,411,389	53
	Long-term loans (Notes 6 (16) and (23))：				
3110	Share capital	1,060,370	4	1,018,120	5
3200	Capital surplus	9,285,324	30	8,865,780	38
	Retained earnings:				
3310	Legal reserve	812,521	3	754,561	3
3320	Special reserve	1,768,490	6	1,010,924	4
3350	Unappropriated earnings	3,513,463	11	1,157,171	6
	Total retained earnings	6,094,474	20	2,922,656	13
3400	Other equity	(905,934)	(3)	(1,768,490)	(8)
3500	Treasury stock	-	-	(233,608)	(1)
	Total Equity	15,534,234	51	10,804,458	47
	Total Liabilities and Equity	**$ 30,662,407**	**100**	**23,215,847**	**100**

(Please refer to Notes to the Individual Financial Statements)

Chairman: Fu-Chuan Chu **Manager: Neng-Chi Tsai** **Chief Accountant: Tsung-Hsien Chuang**

Ennoconn Technology Co., Ltd.

Comprehensive Income Statement

For the year ended December 31, 2022 and 2021

Unit: NT$1,000

		2022		2021	
		Amount	**%**	**Amount**	**%**
4100	**Sales revenue, net (Notes 6 (18) and 7))**	$ 5,304,930	100	3,343,018	100
5110	**Cost of sales (Notes 6 (5), (7), (8), (9), (14) and 7)**	4,518,548	85	2,970,816	89
5900	**Gross profit**	786,382	15	372,202	11
5910	Less： Unrealized Profit or loss from sales	45,975	1	5,842	-
5920	With： Realized Profit or loss from sales	5,842	-	10,890	-
	Gross profit, net	746,249	14	377,250	11
	Operating expenses (Notes 6 (5), (7), (8), (9), (14) and 7)：				
6100	Selling expenses	110,029	2	81,302	2
6200	General and administrative expenses	254,480	5	138,273	4
6300	Research and development expense	191,340	3	88,537	3
6450	Expected credit losses	1,034	-	11	-
	Total operating expenses	556,883	10	308,123	9
6900	**Net operating profit**	189,366	4	69,127	2
	Non-operating income and expenses (Note 6 (6) and (21)):				
7100	Interest income	11,433	-	577	-
7010	Other income	3,144	-	3,755	-
7020	Other gains and losses	90,821	2	(28,355)	(1)
7050	Financial costs	(135,051)	(3)	(125,599)	(4)
7070	Share of profit or loss of subsidiaries recognized under the equity method	3,335,913	63	1,465,081	44
	Total non-operating income and expenses	3,306,260	62	1,315,459	39
7900	**Net profit before tax**	3,495,626	66	1,384,586	41
7950	**Less: Income tax expense (Note 6 (15))**	42,710	1	49,642	1
8200	**Net income for period**	3,452,916	65	1,334,944	40
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified to profit or loss**				
8311	Remeasurement of defined benefit plans	184	-	27	-
8330	Share of other comprehensive income from subsidiaries accounted for using equity method	56,366	1	(13,876)	-
8349	Less: Income tax relating to items that will not be reclassified to profit or loss	37	-	5	-
	Total of components of other comprehensive income that will not be reclassified to profit or loss	56,513	1	(13,854)	-
8360	**Components of other comprehensive income that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	842,050	16	(738,853)	(22)
8380	Share of other comprehensive income from subsidiaries accounted for using equity method	1,006	-	(212)	-
8399	Less: Income tax relating to items that will be reclassified to profit or loss	-	-	-	-
	Total of components of other comprehensive income that will be reclassified subsequently to profit or loss	843,056	16	(739,065)	(22)
8300	**Other comprehensive income for period**	899,569	17	(752,919)	(22)
	Total comprehensive income for period	$ 4,352,485	82	582,025	18
9750	**Basic earnings per share (Unit: NT$) (Note 6(17))**	$ 32.60		13.91	
9850	**Diluted earnings per share (Unit: NT$) (Note 6(17))**	$ 24.32		11.05	

(Please refer to Notes to the Individual Financial Statements)

Chairman: Fu-Chuan Chu **Manager: Neng-Chi Tsai** **Chief Accountant: Tsung-Hsien Chuang**

Ennoconn Technology Co., Ltd.
Statements of Changes in Equity
For the year ended December 31, 2022 and 2021

Unit: NT$1,000

			Retained earnings				Other equity interest				
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial assets at FVTOCI	Total	Treasury stock	Total equity
Balance as of January 1, 2021	$ 932,720	6,738,090	643,854	850,114	1,268,438	2,762,406	(934,258)	(76,666)	(1,010,924)	(233,608)	9,188,684
Net income for period	-	-	-	-	1,334,944	1,334,944	-	-	-	-	1,334,944
Other comprehensive income for period	-	-	-	-	4,647	4,647	(739,065)	(18,501)	(757,566)	-	(752,919)
Total comprehensive income for period	-	-	-	-	1,339,591	1,339,591	(739,065)	(18,501)	(757,566)	-	582,025
Surplus allocation and distribution:											
Provision for Legal reserve	-	-	110,707	-	(110,707)	-	-	-	-	-	-
Provision for Special reserve	-	-	-	160,810	(160,810)	-	-	-	-	-	-
Cash dividend on common shares	-	-	-	-	(480,785)	(480,785)	-	-	-	-	(480,785)
Convertible corporate bonds converted to ordinary shares	-	84,825	-	-	-	-	-	-	-	-	84,825
Employee stock option costs	-	15,345	-	-	-	-	-	-	-	-	15,345
Capital increase by cash	50,000	925,000	-	-	-	-	-	-	-	-	975,000
Changes in ownership interests in subsidiaries	-	215,750	-	-	-	-	-	-	-	-	215,750
New shares issued by other companies	35,400	886,770	-	-	(698,556)	(698,556)	-	-	-	-	223,614
Balance as of December 31, 2021	1,018,120	8,865,780	754,561	1,010,924	1,157,171	2,922,656	(1,673,323)	(95,167)	(1,768,490)	(233,608)	10,804,458
Net income for period	-	-	-	-	3,452,916	3,452,916	-	-	-	-	3,452,916
Other comprehensive income for period	-	-	-	-	37,013	37,013	843,056	19,500	862,556	-	899,569
Total comprehensive income for period	-	-	-	-	3,489,929	3,489,929	843,056	19,500	862,556	-	4,352,485
Surplus allocation and distribution:											
Provision for Legal reserve	-	-	57,960	-	(57,960)	-	-	-	-	-	-
Provision for Special reserve	-	-	-	757,566	(757,566)	-	-	-	-	-	-
Cash dividend on common shares	-	(424,148)	-	-	(318,111)	(318,111)	-	-	-	-	(742,259)
Surplus allocation and distribution:											
Capital increase by cash	48,800	1,056,570	-	-	-	-	-	-	-	-	1,105,370
Cancellation of treasury stock	(6,550)	(227,058)	-	-	-	-	-	-	-	233,608	-
Change in associates accounted for using the equity method	-	472	-	-	-	-	-	-	-	-	472
Changes in ownership interests in subsidiaries	-	13,708	-	-	-	-	-	-	-	-	13,708
Balance as of December 31, 2022	**$ 1,060,370**	**9,285,324**	**812,521**	**1,768,490**	**3,513,463**	**6,094,474**	**(830,267)**	**(75,667)**	**(905,934)**	**-**	**15,534,234**

(Please refer to Notes to the Individual Financial Statements)

Chairman: Fu-Chuan Chu **Manager: Neng-Chi Tsai** **Chief Accountant: Tsung-Hsien Chuang**

Ennoconn Technology Co., Ltd.

Statement of Cash Flows

For the year ended December 31, 2022 and 2021

Unit: NT$1,000

	2022	2021
Cash flows of operating activities:		
Net profit before income tax for the period	$ 3,495,626	1,384,586
Adjustments:		
Adjustments for:		
Depreciation expenses	11,156	13,870
Amortization expenses	4,035	3,400
Expected credit losses	1,034	11
Net losses from financial assets and liabilities at fair value through profit or loss	5,467	4,405
Interest expenses	135,051	125,599
Interest income	(11,433)	(577)
Share-based payment compensation	-	15,345
Share of profits of associates and subsidiaries accounted for using the equity method	(3,335,913)	(1,465,081)
Inventory (recovery gains) losses from market declines	(56,647)	39,436
Losses on inventory scrap	17,377	-
Unrealized gain from sales	45,975	5,842
Realized gain from sales	(5,842)	(10,890)
Loss on buyback of corporate bonds payable	-	2,189
Gains on lease modification	-	(28)
Total adjustments to reconcile profit (loss)	(3,189,740)	(1,266,479)
Changes in operating assets and liabilities:		
Accounts receivable	(491,132)	(120,414)
Inventories	(287,653)	(275,176)
Other current assets	(587,348)	(245,820)
Accounts payable	282,212	(102,954)
Other payables	127,720	197,104
Other current liabilities	263,915	112,559
Total adjustments	(3,882,026)	(1,701,180)
Cash used in operations	(386,400)	(316,594)
Interest received	11,433	577
Interest paid	(118,664)	(105,931)
Income taxes paid	(18,269)	(8,930)
Net cash used in operating activities	(511,900)	(430,878)

(Please refer to Notes to the Individual Financial Statements)

Chairman: Fu-Chuan Chu **Manager: Neng-Chi Tsai** **Chief Accountant: Tsung-Hsien Chuang**

Cash flows of investing activities:		
Proceeds from disposal of financial assets at amortized cost	$ -	285,648
Acquisition of financial assets measured at amortized cost	(30)	-
Acquisition of investments accounted for using the equity method	(3,102,589)	-
Acquisition of property, plant, and equipment	(1,805)	(1,835)
Proceeds from disposal of property, plant, and equipment	-	3,593
Increase (decrease) in refundable deposits	(305,177)	1,173
Acquisition of intangible assets	(196)	(46,833)
Acquired Right-of-use assets	(1,077)	-
Increase in prepayments of equipment	-	(2)
Dividends received	809,755	607,373
Net cash (outflow) inflow from financing activities	(2,601,119)	849,117
Cash flows of financing activities:		
Increase (decrease) in short-term loans	2,895,000	(2,366,000)
Proceeds from issuance of convertible corporate bonds	-	2,501,355
Repayments of corporate bonds payable	(1,139,508)	(205,283)
Increase in deposit margin	256,797	48,647
Repayments of lease principal	(2,900)	(3,419)
Distribution of cash dividends	(742,259)	(480,785)
Capital increase by cash	1,105,370	975,000
Net cash flows generated from financing activities	2,372,500	469,515
Effect of exchange rate changes on cash and cash equivalents	8,818	460
Net increase (decrease) in cash and cash equivalents	(731,701)	888,214
Cash and cash equivalents at the beginning of the period	1,355,059	466,845
Cash and cash equivalents at the end of the period	**$ 623,358**	**1,355,059**

(Please refer to Notes to the Individual Financial Statements)

Chairman: Fu-Chuan Chu **Manager: Neng-Chi Tsai** **Chief Accountant: Tsung-Hsien Chuang**

Ennoconn Technology Co., Ltd.
Notes to parent company only financial statements
2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company Overview

Ennoconn Corporation ("the Company") was established on July 12, 1999 with main business operations in data storage, processing equipment, along with manufacturing and sales of industrial motherboards. The registered place and business operation site of the Company is 3~6F, No. 10, Jiankang Rd., Zhonghe Dist., New Taipei City.

The Company's initial public offering was conducted on November 21, 2012. On December 18 of the same year, its emerging stocks were traded at Taipei Exchange (TPEx) and its stocks were listed at the Taiwan Stock Exchange Corporation on March 28, 2014.

II. Date and Procedures of Authorization of Financial Statements

The parent company only financial statements were approved by the Board of Directors and authorized for issue on March 30, 2023.

III. Application of New and Amended Standards and Interpretations

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Company adopts the amendments to the International Financial Reporting Standards (IFRS) from January 1, 2022, which did not result in significant changes on the parent company only financial reports.

- Amendment to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use.
- Amendment to IAS37 Oneous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(b) Effect of not adopting IFRSs recognized by the FSC

The Company adopts the amendments to the International Financial Reporting Standards (IFRS) from January 1, 2023, which did not result in significant changes on the parent company only financial reports.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

(c) The impact of IFRSs issued by the IASB but not yet endorsed by the FSC

IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC. The influence to the Company is summarized below:

New, Revised, or Amended Standards and Interpretations	**Major Amendments**	**Effective Date Issued by IASB**
Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"	According to IAS 1, the liabilities of those without having an unconditional right to defer settlement for at least 12 months after the reporting period are classified as current. The unconditional provision is deleted, which changes to such right shall exist and have substance on the end of the reporting period. The amended provision clarifies how the enterprise should classify liabilities that are settled by issuing equity instruments (such as convertible bonds).	January 1, 2024

The Company is currently continuously evaluating the impact of the above standards and interpretations on its financial condition and operating results, and the relevant impacts will be disclosed upon completion of the evaluation.

The Company expects that the following newly issued and amended standards but not yet endorsed, which does not result in significant changes on the parent company only financial reports.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17
- Amendment to IAS 1 "non-current liabilities with covenants"
- Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"
- Amendments to IFRS 16 "Rules in a Sale and Leaseback Transaction"

IV. Summary of Significant Accounting Policies

Significant accounting policies adopted during the preparation of the parent company only financial statements are described as follows: The following accounting policies have been consistently applied to all expression periods of this parent company only financial statement.

(a) Statement of Compliance

The parent company only financial statements have been prepared in conformity with the Regulation of Financial Reports by Securities Issuers.

(b) Basis of Preparation

1. Measurement bases

The parent company only financial statements have been prepared on the historical cost basis except for significant items in the balance statement:

(1)Financial assets measured at fair value through profit or loss;

(2)Financial assets at fair value through other comprehensive profit or loss measured at fair value;

(3)Net defined benefit liabilities are measured by deducting the present value of defined benefit obligations from the fair value of retirement fund assets and the upper limit impact amount described in note 4(15).

2. Functional currency and expressive currency

Each entity under the Company takes the currency of the primary economic environment in which each operation is located as its functional currency. This parent company only financial report is expressed in the functional currency of the Company, i.e. new Taiwan dollars. All financial information expressed in NT$ refers to New Taiwan Dollar, the unit is based on NT$1,000.

(c) Foreign currency

1. Transactions in foreign currency

Foreign currency is converted into functional currency according to exchange rate on the date of transaction. At the end of each subsequent reporting period (hereinafter referred to as the Reporting Date), foreign currency monetary items are converted into functional currency at the exchange rate prevailing on that day. Non-monetary items measured at fair value in foreign currency are translated into the functional currency using the exchange rates prevailing at the date of fair value measurement, while non-monetary items measured at historical cost in foreign currency are translated at the exchange rate prevailing on the date of the transaction.

The foreign currency exchange difference resulting from the conversion is recognized to be other comprehensive income excepting for the following situations, otherwise, recognized to be gains and losses:

(1)Equity instruments designated as measured at fair value through other comprehensive income;

(2)Financial liabilities designated as a net investment hedge for a foreign operating entity are within the effective range of the hedge; or

(3)Eligible cash flow hedges are within the effective range of the hedge.

2. Foreign operating organizations

The assets and liabilities of foreign operating organizations, including goodwill and fair value adjustment during the acquisition, are converted to be TWD according to exchange rate on the report day; gains and losses are converted into TWD according to exchange rate in the current period, and the resultant conversion difference is recognized to be other comprehensive income.

In case of the loss of control, joint control or material influences arising from the disposal of foreign operating organizations, the accumulated conversion differences related to the foreign operating organizations shall be fully reclassified as gains and losses. In case of subsidiary company of foreign operating organizations involved in the disposal, the related accumulated conversion differences shall be reclassified as non-controlling interests in proportion. In case of associates or joint ventures of foreign operating organizations involved in some of the disposal, related accumulated conversion differences shall be fully reclassified as gains and losses in proportion.

As to the receivable and payable monetary items of foreign operating organizations, if without the repayment plan or the possibility of repayment in foreseeable future, the resultant gains and losses from foreign currency conversion shall be regarded as a part of net investments to the foreign operating organizations as recognized as other comprehensive income.

(d) Standards for classifying current and non-current assets and liabilities

Assets meeting one of the following conditions are recognized as current assets, and other assets not belonging to current assets are recognized as non-current assets:

1. Those that are expected to be realized during the normal operating period of the consolidated company or intended to be sold or consumed;
2. Those held mainly for the purpose of transaction;
3. Those expected to be realized within 12 months after the balance sheet; or
4. The asset is cash or a cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date.

Assets meeting one of the following conditions are recognized as current liabilities, and other liabilities not belonging to current liabilities are recognized as non-current liabilities:

1. Those expected to be paid off during the normal operating period of the Company;
2. Those held mainly for the purpose of transaction;
3. Those expected to be realized within 12 months after the balance sheet; or
4. Those that shall not allow the consolidated company to unconditionally extend the liquidation period to at least 12 months. Liabilities for liquidation arising from the issuing of equity instruments in accordance with the clauses chosen by the transaction counterpart will not affect their classification.

(e) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are the investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and short-term high liquidity. Certificate of deposit which satisfy the foregoing definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(f) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities were initially recognized when the Company became a party to the terms of the financial instrument agreement. Financial assets that are not measured at fair value through profit or loss (except for accounts receivable, which do not contain a significant financial component) or financial liabilities are measured at fair value plus the transaction cost directly attributable to the acquisition or issuance. Accounts receivable, which do not contain significant financial components, are initially measured at transaction prices.

1. Financial assets

The purchase or sale of financial assets by a conventional trader, the company shall treat all purchases and sales of financial assets classified in the same manner in accordance with the transaction date or the settlement date.

At the time of the initial recognition, financial assets were classified as: financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, equity instrument investments measured at fair value through other comprehensive income, or financial assets measured at fair value through gains and losses. The Company will only change its business model for managing financial assets from the first day of the next reporting period to classify all affected financial assets.

(1)Financial assets as measured at amortized cost

Financial assets are measured at amortized cost when they simultaneously meet the following conditions and are not specified to be measured at fair value through profit or loss:

・The financial asset is held under a business model for the purpose of collecting contractual cash flow.

・The cash flow generated by the terms of the contract on the financial asset at the specific date is solely for the payment of the principal and the interest on the outstanding principal amount.

The cumulative amortization of such assets is subsequently calculated by the effective interest method plus or minus the initial amount recognized, and the amortized cost of any loss allowance is adjusted. Interest income, foreign exchange gains and losses and impairment losses are recognized as gains and losses. When derecognized, the profit or loss shall be included in the profit or loss.

(2)Financial assets measured at fair value through other comprehensive income

When the debt instrument investment simultaneously meets the following conditions and is not specified to be measured at fair value through profit and loss, it is measured at fair value through other consolidated profit and loss:

- The financial asset is held under a business model for the purpose of collecting contractual cash flow and selling.
- The cash flow generated by the terms of the contract on the financial asset at the specific date is solely for the payment of the principal and the interest on the outstanding principal amount.

The Company holds part of the accounts receivable under the “hold to collect and sell” business model to collect and sell the contractual cash flow, so these accounts are measured at fair value through other comprehensive profits and losses. However, it is reported under accounts receivable.

The Company may, at the time of its initial recognition, irrevocably choose to report the subsequent changes in their fair value of its non-tradable equity instrument investments to other consolidated profits and losses. The foregoing selection is made on an item-by-item tool basis.

Debt instrument investors are measured by fair value afterwards. Interest income, foreign exchange gains and losses and impairment losses calculated by the effective interest method are recognized as gains and losses calculated by the effective interest method are recognized as gains and losses, while the remaining net gains or losses are recognized as other comprehensive income. When derecognizing, the accumulated amount of other comprehensive income shall be reclassified into comprehensive income.

Equity instrument investors are measured by fair value afterwards. Dividend income (unless it clearly represents the recovery of a portion of the investment cost) is recognized as a profit or loss. The remaining net benefits or losses are recognized as other comprehensive income and are not reclassified into gains and losses.

Dividend income from equity investments is recognized on the date (usually ex-dividend date) when the Company becomes entitled to receive dividends.

(3)Financial assets at FVTPL

Financial assets that are not measured at fair value at the above amortized cost or through other comprehensive income are measured at fair value through gains and losses, including derivative financial assets. The Company intends to sell accounts receivable immediately or in the near term is measured at fair value through profit or loss, but included in accounts receivable. The Company, at initial recognition, irrevocably designates the financial asset as at FVTPL to eliminate or significantly reduce an accounting mismatch that would otherwise arise. Financial assets measured at amortized cost or at fair value through other comprehensive profit or loss are designated as financial assets measured at fair value through profit or loss.

Such assets are subsequently measured at fair value and their net gains or losses (including any dividends and interest income) are recognized as gains or losses.

(4)Evaluate whether the cash flow of the contract is fully paid for the interest on the payment of the principal and the amount of outstanding principal

For evaluation purposes, the principal is the fair value of the financial asset at the time of its initial recognition, and the interest is made up of the following considerations: the time value of the money, the credit risk associated with the amount of outstanding principal in circulation during a particular period, and other basic lending risks and costs and profit margins.

To evaluate whether the contract cash flow is fully paid for interest on the principal and the outstanding principal amount, the Company considers the terms of the financial instrument contact, including whether the financial asset contains a contract term that can change the point or amount of the cash flow of the contract, causing it to fail to meet this condition. In the evaluation, the Company considers:

- any contingencies that change the timeliness or amount of the cash flow of the contract;
- the terms of the coupon rate may be adjusted, including the nature of the variable rate;
- the nature of prepayment and extension; and
- claims of the Company are limited to cash flow terms derived from specific assets (e.g. non-recourse nature).

(5)Impairment of financial assets

The Company recognizes the allowance for credit losses for the financial assets measured at amortized cost (including cash and equivalent cash, financial assets, notes and accounts receivable, other receivables, finance lease receivables, deposits and other financial assets after measured at amortized cost), the expected credit losses of debt instrument investments, receivables and contract assets measured at fair value through other comprehensive profit or loss.

The following financial assets are measured against losses according to the expected credit loss amount of 12 months, and the rest are measured according to the expected credit loss amount of the existing period:

・ determine that the credit risk of the debt securities on the reporting date is low; and

・ The credit risk of other debt securities and bank deposits (i.e. the risk of default during the expected life of financial instruments) has not increased significantly since the initial recognition.

The allowance for accounts receivable loss and contract assets is measured in terms of the expected credit loss during the period of existence.

In determining whether credit risk that increased significantly since the initial recognition, the Company considers reasonable and verifiable information (available at no excessive cost or investment), including qualitative and quantitative information, as well as analysis based on the Consolidated Company's historical experience, credit assessment and forward-looking information.

If the contract payment is overdue for more than 30 days, the Company assumes that the credit risk of financial assets has increased significantly.

If the contract payment is overdue for more than 365 days, or the borrower is unlikely to fulfill its credit obligations and pay the full amount to the company, such financial assets will be deemed as default.

If the credit risk rating of a financial instrument is equivalent to the "investment grade" defined worldwide (Standard & Poor's BBB-, Moody's Baa3 or Taiwan Ratings twA, or higher than those grades), the Company considers such debt securities with a low credit risk.

Expected credit loss during the lifetime of a financial instrument refers to the expected credit losses that result from all possible default events over the life of the financial instrument.

12-month expected credit loss refers to the expected credit loss arising from the possible default of the financial instrument within 12 months after the date of the report (or a shorter period, if the expected duration of the financial instrument is shorter than 12 months).

The longest contract period during which the expected credit loss is measured is the longest contract period during which the Company is exposed to credit risk.

The expected credit loss is the probabilistic weighted estimate of the credit loss during the expected life of the financial instrument. Credit losses are measured in terms of the present value of all cash shortfalls, the difference between the cash flows that the Company can collect under the contract and the cash flows that the Company expects to collect. The expected credit loss is discounted at the effective interest rate of the financial asset.

On each reporting date, the Company evaluates whether there is a credit impairment in the debt securities on which financial assets are measured at amortized cost and on which fair value is measured through other comprehensive income. When one or more events have occurred that adversely affect the estimated future cash flow of a financial asset, the financial assert has suffered a credit impairment. Evidence of credit impairment of financial assets includes observable information relating to:

- major financial difficulties of the borrower or issuer;
- default, such as delay or delay beyond 90 days;
- for economic or contractual reasons related to the borrower's financial difficulties, the Company gives the borrower concessions that the borrower would not have considered;
- The borrower is likely to file for bankruptcy or other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The loss allowance for a financial asset measured at its amortized cost is deducted from carrying amount of the asset. The allowance for losses on debt instrument investment is measured at fair value through other comprehensive income. It is adjusted and recognized as other comprehensive income (without reducing the carrying amount of the assets).

When the Company cannot reasonably expect to recover the financial assets as a whole or in part, it will directly reduce the total book amount of its financial assets. For individual accounts, the Company's policy is to write off the total book amount when the financial assets are overdue for more than one year based on the past recovery experience of similar assets. For corporate accounts, the Company shall analyze the date and amount of the write-off on the basis of whether it is reasonable to expect recovery. The Company does not expect a significant reversal of the write-off. However, financial assets that have been written off may still be enforced to comply with the procedures of the Company for recovering overdue amounts.

(6)Derecognition of Financial Assets

When the Company terminates the contractual rights from the cash flow of such assets or has transferred the financial assets and almost all risks and returns of the asset ownership have been transferred to other enterprises, the Company has neither transferred nor retained substantially all the risks and rewards and the control of the financial asset is not retained, the financial assets shall be de-recognized.

Transactions in which the Company enters into transfers of financial assets that retain all or substantially all of the risks and rewards of ownership of the transferred assets continue to be recognized on the balance sheet.

2. Financial liabilities and equity instruments

(1)Classification of liabilities or equity

The debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the contract agreement and the definition of financial liabilities and equity instruments.

(2)Equity transaction

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company shall be recognized at the amount equal to the consideration received less the direct flotation costs.

(3)Treasury stock

When repurchasing the equity instruments recognized by the Company, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The repurchased shares are classified as treasury stocks. For subsequent sale or reissue of treasury stocks, the amount received is recognized as an increase in equity, and the surplus or loss generated by the transaction is recognized as capital reserve or retained surplus (if the capital reserve is insufficient to offset).

(4)Compound financial instruments

The compound financial instruments issued by the Company are convertible corporate bonds (denominated in New Taiwan dollars) with the option to be converted into share capital, and the number of shares issued will not vary with the change of their fair value.

The initially recognized amount of the liability component of composite financial instruments is measured by the fair value of similar liabilities excluding equity conversion rights. The initially recognized amount of the equity component is measured by the difference between the fair value of the overall compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liabilities and equity components in proportion to the book value of the initial liabilities and equity.

After the initial recognition, the liability component of compound financial instruments is measured at amortized cost using the effective interest method. The equity components of compound financial instruments shall not be re measured after the initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liabilities are reclassified as equity at the time of conversion, and the conversion is not recognized as profit or loss.

(5)Financial liabilities

Financial liabilities are classified as amortized costs or measured at fair value through profit or loss. Financial liabilities which are held for trading, derivatives or specified at the time of their original recognition are classified as being measured at fair value through profit or loss. Financial liabilities, measured at fair value through profit and loss, are measured at fair value, and the associated net benefits and losses, including any interest expense, are recognized as profit and loss.

The effective subsequent interest method for other financial liabilities is measured at the amortized cost. Interest expenses and exchange gains and losses are recognized as gains and losses. Any benefit or loss at the time of discounting is also considered as profit or loss.

(6)Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when contractual obligations have been fulfilled, canceled or matured. When the terms of a financial liability are modified and the cash flows of the modified liability differ materially, the original financial liability is derecognized and a new financial liability is recognized at fair value based on the modified terms.

When de-recognizing financial liabilities, the difference between carrying amount and the sum of paid or payable considerations (including any transferred non-cash capital or assumed liabilities) shall be recognized as gains and losses.

(7)Offset between financial assets and liabilities

Financial assets and financial liabilities can be offset with each other and represented on the balance sheet with net value only when the Company has legal rights to offset and has the intention to deliver with net value as well as realize capital and liquidate the liabilities.

(8)Financial guarantee contract

Financial guarantee contract refers to a contract in which the issuer must make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to repay according to the terms of the debt instrument.

For financial guarantee contracts issued by the Company and not designated as measured at fair value through profit or loss, the initial measurement is based on its fair value minus the directly attributable transaction costs, and the subsequent measurement is based on the higher of the following: (a) Amount of allowance for loss in accordance with IFRS 9; and (b)where appropriate, the amount initially recognized shall be deducted from the amount of accumulated income recognized in accordance with the following income principles.

3. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to avoid foreign currency and interest rate risks. Embedded derivatives are separated from the main contract when specific conditions are met and the main contract is not a financial asset.

Derivative instruments are initially recognized at fair value and subsequently measured at fair value, and the resulting gain or loss is recognized directly in profit or loss.

(g) Inventories

Inventory shall be measured with the lower of the costs and net realizable value. The costs include the acquisition, production and processing costs enabling them to arrive at the available places and status and other costs, which are calculated based on the first-come, first-out principle. The costs of the inventory of finished products and products in process include the manufacturing costs amortized based on normal production capacity according to proper percentage.

Net realizable value refers to the estimated prices under normal operation deducting estimated costs to be needed for estimated completion and estimated costs to be needed for competing selling.

(h) Investment in subsidiaries

When preparing the parent company only financial statements, the Company adopts the equity method to assess the investee controlled over. Under the equity method, the current gain or loss and other comprehensive income in the parent company only financial statements shall be the same as the allocation of other comprehensive income attributable to the parent company owners in the consolidated financial report, and the owners' equity in the parent company only financial statements shall be the same as the equity attributable to the parent company's owners in the consolidated financial report.

Where the charge in the company's ownership interest in the subsidiary does not result in the loss of control, it shall be treated as an equity transaction.

(i) Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

Significant components of property, plant and equipment are treated as separate items (major components) when they have different life cycles.

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent costs

Subsequent expenses are capitalized only when it is probable that future economic benefits will flow into the Company.

3. Depreciation

Depreciation is calculated based on the cost of the asset less its residual value and is recognized in profit or loss using the straight-line method over the estimated useful life of each component.

The land is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

(1)Buildings	2～55 years
(2)Machinery	3～15 years
(3)Leasehold improvement	2～9 years
(4)Other equipment	2～10 years

The Company reviews the method of depreciation, durability and residual value at each reporting date and makes appropriate adjustments as necessary.

(j) Leases

The Company shall assess whether the contract is a lease or includes a lease on the date of formation of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract shall be a lease or includes a lease.

1. The lessee

The Company recognizes the right-of-use assets and lease liabilities on the beginning date of the lease. Right-of-use are initially measured in terms of cost, which includes the initial measured amount of lease liabilities, adjusts the lease beginning date or before payment of any rent payment, and the initial direct costs, and applied to removing the asset and restoring its locating or the estimated cost of the underlying assets. It minuses the charge of any lease incentives at the same time.

Depreciation of right-of-use assets following the commencement of the lease shall be carried out by the straight-line method at the end of the useful life of right-of-use assets or earlier at the end of the lease term. In addition, the Company will periodically evaluate whether there is any loss of right-of-use assets and deal with any loss that has occurred, and adjust the right-of-use assets in the case of lease liabilities.

Lease liabilities are defined as the present value of lease benefits not yet paid at lease commencement date. If the implied lease rate is easy to determine, the discount rate will be that rate, and if not, the incremental borrowing rate of the Company will be used. Generally speaking, the Company adopts its incremental borrowing rate as the discount rate.

Lease benefits measured in lease liabilities include:

(1)fixed payments, including substantive fixed payments;

(2)depending on the variation of a certain index or rate of rent payment, the index or rate on the commencement date of the lease shall be used as the original measurement;

(3)the guaranteed amount of salvage value expected to be paid; and

(4)the price at which the option to exercise the option to purchase or terminate the lease will be reasonably determined or the penalty to be paid.

Lease liabilities is then calculated using effective interest method, and the amount was measured when:

(1)changes in the index or rate used to determine lease payments result in changes in future lease payments;

(2)changes to the guaranteed amount of salvage value expected to be paid; and

(3)the evaluation of the underlying asset purchase option has changed;

(4)the estimate of whether to exercise the option of extension or termination has changed, which leads to the change of the assessment of the lease period;

(5)modification of the subject matter, scope or other terms of the lease.

Lease liabilities are remeasured due to the aforementioned changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount, and changes in the evaluation of purchases, extensions or termination options, the book value of right-of-use assets should be adjusted accordingly. When the book value of right-of-use assets is reduced to zero, the remaining re-measured amount is recognized in profit or loss.

For the lease modifications about the reduced coverage, the book amount of right-of-use assets will be reduced to reflect partial or total termination of lease, and the difference between the figure and the remeasured amount of lease liabilities will be included in the profit and loss.

The Company will express the right-of-use assets and lease liabilities that do not conform to the definition of investment real estate in the form of single line items in the balance sheet.

If the agreement includes lease and non lease components, the Company allocates the consideration in the contract to individual lease components based on a relatively separate price. However, when leasing land and buildings, the Company chooses not to distinguish between non-leasing components and treats the leasing components and non-leasing components as a single leasing component.

For short-term leases and asset leases with low value targets, the Company chooses not to recognize the right-of-use assets and lease liabilities, but recognized the relevant lease payments as expenses within the lease period on a straight-line basis.

2. The lessor

The transaction in which the Company is a lessor shall be classified as a financial lease or an operating lease on the date of establishment of the lease, depending on whether or not the lease contract is transferred to almost all the risks and rewards attached to the ownership of the underlying asset. In the evaluation, the Company shall consider certain indicators, including whether the lease term covers the principal part of the underlying asset's economic life.

If the agreement includes lease and non-lease components, the Company applies the provisions of IFRS 15 to apportion the consideration in the contract.

Assets held under finance leases are expressed as finance lease receivables in the amount of net lease investment. The initially direct costs arising from the negotiation and arrangement of the lease are included in the net investment in the lease. Net lease investment is amortized and recognized as interest income during the lease period in a pattern reflecting a constant periodic rate of return in each period. For operating leases, the Company recognizes the lease payments received as rental income on a straight-line basis during the lease period.

(k) Intangible assets

1. Recognition and measurement

Goodwill arising from the acquisition of subsidiaries is measured at cost less accumulated impairment.

Expenditures related to research activities are recognized as profit or loss as incurred.

Development expenditure is capitalized only when it can be reliably measured, the technical or commercial feasibility of products or processes has been achieved, the future economic benefits are likely to flow into the consolidated company, and the Company intends and has sufficient resources to complete the development and use or sell the assets. Other development expenditures are recognized in profit or loss as incurred. After the initial recognition, the capitalized development expenditure is measured by the amount of its cost less accumulated amortization and accumulated impairment.

Other intangible assets with a limited useful life obtained by the Company, including customer relations, patent rights and trademark rights, are measured by the amount of cost less accumulated amortization and accumulated impairment.

2. Subsequent expenditure

The subsequent expenditure can be capitalized only when they can increase the future economic benefits of relevant specific assets. All of other expenditures are recognized as gains and losses when they occur, including the expenses for building goodwill and brand.

3. Amortization

Except for goodwill, amortization is calculated based on the cost of the asset less its estimated residual value, and is recognized in profit or loss using the straight-line method over the estimated useful lives of the intangible assets from a ready-for-use condition.

The estimated useful lives for the current and comparative periods are as follows:

(1)Patent	5 years
(2)Computer software	3～5 years

The Company reviews the method for amortization of intangible assets, durability and residual value at each reporting date and makes appropriate adjustments as necessary.

(l) Non-financial asset impairment

At each reporting date, the Company assesses whether there is any indication that the carrying amount of non-financial assets (other than inventories, deferred income tax assets) may be impaired. If any indication exists, the recoverable amount of the asset is estimated. Goodwill is regularly tested for impairment every year.

For the purpose of impairment test, one group of assets whose cash inflow is largely independent of other individual assets or asset groups is regarded as the smallest identifiable asset group. The goodwill acquired in a business combination to be allocated to each of the acquirer's cash-generating unit or group of cash generating units expected to benefit from the comprehensive effect of the combination.

The recoverable amount is the higher of an asset's or cash generating unit fair value less costs of disposal and its value in use. When assessing the value in use, the estimated future cash flow is converted to the present value at the pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risk of the asset or cash generating unit.

If the recoverable amount of an individual asset or cash generating unit is lower than the book amount, an impairment loss is recognized.

The impairment loss is recognized immediately in profit or loss, and the carrying amount of the amortized goodwill of the cash generating unit is reduced first, and then the book amount of each asset is reduced in proportion to the book amount of other assets in the unit.

Goodwill impairment losses shall not be reversed. Non-financial assets other than goodwill are only reversed to the extent that they do not exceed the carrying amount (less depreciation or amortization) determined when the impairment loss of the asset is not recognized in the previous year.

(m) Liability provisions

Liability provisions are recognized as present obligations due to past events that make it probable that the Company will need to expend economically efficient resources in the future to settle the obligation and the amount of the obligation can be reliably estimated. The provision for liabilities is discounted at the pre-tax discount rate reflecting the current market's time value of money and the risks specific to the liabilities, and the amortization of discount is recognized as interest expense.

1. Warranty

The provision for warranty liabilities is recognized when selling goods or services. The liability provision is weighted by its relevant probability based on historical warranty information and all possible results.

2. Restructuring

The provision for restructuring liabilities is recognized when the Company approves a detailed and formal restructuring plan and begins to implement or publicly publish the restructuring plan. Future operating losses shall not be recognized as provision for liabilities.

3. Onerous contract

When the Company expects that the inevitable cost of performing the obligations of a contract exceeds the expected economic benefits from the contract, the liability provision for the onerous contract shall be recognized. The provision for liabilities is measured by the present value of whichever is lower between the estimated cost of terminating the contract and the estimated net cost of continuing the contract, and all impairment losses of assets related to the contract are recognized before the provision for onerous contract liabilities is recognized.

(n) Income recognition

1. Revenue from customer contracts

Income is measured in consideration for the expected entitlement to transfer goods or services. The Company recognizes revenue from the transfer of control of goods or services. The Company's main revenues are from the following items:

(1)the sales revenue of commodities mainly comes from the sales of industrial motherboards, information system integration products and network communication products. The Company recognizes revenue when control of products is transferred to customers. The transfer of control over the product means that the product has been delivered to the customer, the customer has full discretion over the channel and price to sell the products and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company is liable for refunding the defective products as providing the standard warranty for the goods sold, and the provision for warranty liabilities is recognized for this obligation.

The Company recognizes accounts receivable when delivering goods as the Company has an unconditional right to receive consideration from the customer.

(2)Service revenue

The Company provides product maintenance and services, and recognizes relevant income during the financial reporting period of providing services. Fixed price contracts recognize revenue based on the proportion of services actually provided to the total services as of the reporting date. If the situation changes, the estimates of revenue, cost and degree of completion will be revised, and the increase and decrease changes will be reflected in profit and loss during the period when the management is informed of the change and makes the correction.

Under a fixed price contract, the customer pays a fixed amount of money according to the agreed schedule. When the service provided exceeds the payment, it shall be recognized as contract assets; if the payment exceeds the services provided, it shall be recognized as contract liabilities.

If the contract is priced according to the number of hours of providing services, the revenue is recognized based on the amount that the Company has the right to issue invoices. The Company asks for payment from customers every month and can receive consideration after issuing invoices.

(o) Employee benefits

1. Defined contribution plan

The contribution obligation of the defined contribution pension plan is recognized as an expense in the period in which the employees render service to the Company. The amount of advance appropriation will be recognized as an asset to the extent that it will lead to the return of cash or the reduction of future payments.

2. Defined benefit plan

The Company’s net obligation to a defined benefit plan is measured by discounting the present value of future benefits earned by the employee’s current or prior period of service, less the fair value of the plan assets.

The defined benefit obligation is actuated annually by a qualified actuary using the projected unit benefit method. When the results of the calculation are probable to be favorable to the Company, an asset is recognized to the extent of the present value of any economic benefits that may be obtained by returning a contribution from the plan or reducing future contributions to the plan. Any minimum funding requirement is taken into account in calculating the present value of economic benefits.

The remeasurement of the net defined benefit obligation, including actuarial gains and losses, compensation for plan assets (excluding interest), and any change in the impact of asset limits (excluding interest) is recognized immediately in other comprehensive income and accumulated in retained earnings. The Company determines net interest expense (income) for net defined benefit liabilities (assets) using the net defined benefit liabilities (assets) and discount rate determined at the beginning of the annual reporting period. Net interest expense and other costs for defined benefit plans are recognized in profit or loss.

When a plan is revised or curtailed, changes in benefits related to prior period service costs or curtailment gains or losses are recognized immediately in profit or loss. The Company recognizes gain or loss on the settlement of defined benefit plans when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as an expense when services are provided. If the Company has a present legal or constructive obligation to pay for services rendered by employees in the past and the obligation can be estimated reliably, the amount is recognized as a liability.

(p) Income taxes

Income taxes include current and deferred income tax. Except for those related to enterprise consolidation and items directly recognized as equities or other comprehensive income, current tax and deferred income tax asset shall be recognized as gains and losses.

The Company determines that the interest or penalty related to income tax (including uncertain tax treatment) does not meet the definition of income tax, so the accounting treatment of IAS 37 is applicable.

Current income taxes include estimated income taxes payable or refund receivable based on current year taxable income (loss) and any adjustments to prior years' income taxes payable or refund receivable. The amounts that reflect the uncertainty (if any) related to income tax are measured at the best estimate of the amount expected to be paid or received at the statutory or substantive legislative rates in effect on the reporting date.

Deferred income tax is measured and recognized according to the temporary difference between the carrying amount and taxation basis of assets and liabilities with financial report objectives. In case of any of the following situations, the temporary differences will not be recognized as deferred income tax:

1. Those not belong to the assets or liabilities originally recognized in the transaction of enterprise consolidation, and not influencing accounting profits and taxation incomes (losses) during the transaction;
2. Those temporary differences generated due to investment subsidiary company and joint equities, controlled by the Company and likely to not to be reversed in the foreseeable future; and
3. Taxable temporary differences arising from the original recognition of goodwill.

For unused tax losses and unused income tax credits at the later stage of transfer, and deductible temporary differences, to the extent that there is likely to be future taxable income available for use, they are recognized as deferred income tax assets. It shall be reassessed on each reporting day, and the relevant income tax benefits shall be reduced if they are not likely to be realized; or the reduced amount shall be reversed to the extent that there is likely to be sufficient taxable income.

Deferred income tax is measured at the tax rate when the expected temporary difference is reversed, based on the statutory tax rate or substantive legislative tax rate on the reporting date, and has reflected the uncertainty related to income tax (if any).

Only when the Company meets the following conditions, the deferred income tax can offset the deferred tax liabilities:

1. Having the legal execution right to make the current income tax assets and the current tax liabilities offset with each other; and
2. Deferred income tax assets and deferred tax liabilities are related to one of the subjects of tax payment from which the same tax authority levies income tax;
   (1) Same subject of tax payment; or
   (2) Different subjects of tax payment, but all subjects intend to liquidate the current tax liabilities and assets based on net amount or at the same time realize assets and liquidate liabilities in each of the future periods when deferred income tax assets of major amounts are expected to be recovered and deferred income tax liabilities expected to be liquidated.

(q) Earnings per Share

The Company lists the basic and diluted earnings per share of holders of common stock equity of the Company. The basic earnings per share of the Company shall be calculated with the gains and losses of the holders of common stock equity of the Company divided by the weighted mean of current outstanding common shares. Diluted earnings per share shall be calculated after adjusting the influence of all potential diluted common shares of the gains and losses of the holders of common stock equity of the Company and the weighted mean of current outstanding common shares. The potential diluted common shares of the Company include convertible corporate bonds and stock options for employees.

V. Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

When the management prepares the parent company only financial statements, the management is required to make judgments, estimates and assumptions in preparing this parent company only financial statements, which will affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from estimates.

The management continuously inspects the estimate and undertaking assumption, and accounting changes are recognized both the current revised period and the future period to be influenced.

The uncertainty of the following assumptions and estimates has a significant risk of causing significant adjustments to the book amounts of assets and liabilities in the next financial year, and has reflected the impact of the COVID-19 outbreak. The relevant information is as follows:

(a) Allowance for loss of accounts receivable

The allowance loss of the Company's accounts receivable is estimated based on the assumption of default risk and expected loss rate. The Company considers the historical experience, current market conditions and forward-looking estimates on each reporting day to judge the assumptions and selected input values to be used in calculating impairment.

(b) Inventory evaluation

Since inventory must be measured at the lower of cost or net realizable value, the Company estimates the reported amount of inventory due to normal wear and tear, obsolescence, or no market sale value on a daily basis and reduces the cost of inventory to net realizable value. The inventory is evaluated mainly based on the product demand in a specific period in the future, and may change significantly due to rapid changes in the industry and the introduction of new products.

(c) Impairment assessment for investment based on equity method

In assessing goodwill for impairment, the Company shall decide such matters as identifying the cash generating unit, and determining the recoverable amount of the relevant cash generating unit.

VI. Details of Significant Accounts

(a) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand	$ 456	1,746
Demand deposits and check deposits	361,867	1,353,313
Time deposits	261,035	-
Cash and cash equivalents listed in the cash flow statement	$ 623,358	1,355,059

Please refer to Note 6 (21) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

(b) Financial assets and liabilities measured at fair value through profit and loss

	2022.12.31	2021.12.31
Financial assets measured mandatorily at fair value through profit and loss:		
Non-hedging derivative instruments		
Redemption right for domestic convertible corporate bond	$ -	4,643

	2022.12.31	2021.12.31
Financial liabilities held for trading		
Non-hedging derivative instruments		
Redemption and sale rights of domestic convertible corporate bonds	$ 1,423	598

(c) Financial assets as measured at amortized cost

	2022.12.31	2021.12.31
Domestic certificate deposit	$ 4,255	4,225

The Company's assessment is to hold these assets to the maturity date to collect the contractual cash flow, and the cash flow of these financial assets is entirely the payment of principal and interest on the amount of outstanding principal, so they are reported as financial assets measured at amortized cost.

Please refer to note 8 for details of the above financial assets as guarantees for loans and financing lines.

(d) Notes receivable and accounts receivable

	2022.12.31	2021.12.31
Accounts receivable	$ 918,070	602,190
Accounts receivable - related parties	396,692	246,805
Less: Allowance for loss	(62,638)	(61,604)
	$ 1,252,124	787,391

The Company adopts a simplified method to estimate the expected credit loss for all notes receivable and accounts receivable, namely, it is measured by the expected credit loss during the duration. For this measurement purpose, these notes receivable and accounts receivable are grouped on the basis of shared credit risk characteristics representing the customer's ability to pay all due amounts in accordance with the terms of the contract, and have been incorporated into forward-looking information. The analysis of the expected credit loss of the Company's notes and accounts receivable is as follows:

	2022.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Expected credit loss during the allowance**
Not past due	$ 1,141,504	0.27%	3,037
1–60 days past due	103,604	4.71%	4,883
61–150 days past due	17,065	12.48%	2,129
151–270 days past due	-	46.85%	-
271–365 days past due	-	100%	-
Over 1 years past due	34,738	100%	34,738
Counterparty with indicator of default event	17,851	100%	17,851
	$ 1,314,762		62,638

	2021.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Expected credit loss during the allowance**
	$ 698,633	0%	8
1–60 days past due	88,808	0.05%	42
61–150 days past due	-	30%	-
151–270 days past due	-	50%	-
271–365 days past due	-	75%	-
Over 1 years past due	34,781	100%	34,781
Counterparty with indicator of default event	26,773	100%	26,773
	$ 848,995		61,604

The change in the credit loss of the Company's notes and accounts receivable is as follows:

		2022	2021
Beginning Balance	$	61,604	61,593
Impairment losses recognized		1,034	11
Ending Balance	$	62,638	61,604

As of December 31, 2022 and 2021, the Company did not use its accounts receivable asset as collateral on a loan.

Please refer to note 6(21) for other credit risk information.

(e) Inventories

		2022.12.31	2021.12.31
Raw materials	$	618,202	385,736
Work in progress		61,905	61,433
Semi-finished products		84,773	66,422
Finished products		82,059	43,753
Merchandise inventory		11	11
Stock in transit		116	19,436
Less: Allowance for inventory market price decline		(62,299)	(118,946)
	$	784,767	457,845

The cost of goods sold includes the loss of inventory falling price in 2022 at NT$56,647 thousand and loss on property retired at NT$17,377 thousand. The cost of goods sold includes the loss of inventory falling price in 2021 at NT$39,436 thousand and unamortized manufacturing expenses at NT$18,527 thousand.

As of December 31, 2022 and 2021, the Company had no inventory used as pledge guarantee.

(f) Investment based on equity method

The investments of the Company using the equity method on the reporting date are listed as follows:

		2022.12.31	2021.12.31
Subsidiary	$	26,055,065	19,552,849

Please refer to the consolidated financial statement for the year ended December 31, 2022.

(g) Property, plant and equipment

The details of changes in the cost and depreciation of the Company’s property, plant and equipment in 2022 and 2021 are as follows:

		Land	Houses and buildings	Machinery and equipment	Leasehold improvements	Other equipment	Total
Cost:							
Balance as of January 1, 2022	$	251,536	288,190	394	12	66,775	606,907
Additions		-	-	187	-	490	677
Disposal		-	-	-	-	(214)	(214)
Balance as of December 31, 2022	**$**	**251,536**	**288,190**	**581**	**12**	**67,051**	**607,370**
Balance as of January 1, 2021	$	251,536	287,996	619	5,448	66,342	611,941
Additions		-	194	-	-	1,322	1,516
Disposal		-	-	(225)	(5,436)	(889)	(6,550)
Balance as of December 31, 2021	**$**	**251,536**	**288,190**	**394**	**12**	**66,775**	**606,907**
Depreciation:							
Balance as of January 1, 2022	$	-	40,451	317	5	61,568	102,341
Depreciation of the current year		-	5,764	35	3	2,334	8,136
Acquisition through business combinations		-	-	-	-	(214)	(214)
Balance as of December 31, 2022	**$**	**-**	**46,215**	**352**	**8**	**63,688**	**110,263**
Balance as of January 1, 2021	$	-	34,699	303	1,217	58,641	94,860
Depreciation of the current year		-	5,752	58	1,413	3,215	10,438
Disposal		-	-	(44)	(2,625)	(288)	(2,957)
Balance as of December 31, 2021	**$**	**-**	**40,451**	**317**	**5**	**61,568**	**102,341**
Book value:							
December 31, 2022	**$**	**251,536**	**241,975**	**229**	**4**	**3,363**	**497,107**
December 31, 2021	**$**	**251,536**	**247,739**	**77**	**7**	**5,207**	**504,566**

1. Guarantee

As of December 31, 2022 and 2021, the Company did not use its real estate, plant and equipment as guarantees for long-term loans and financing limits.

(h) Right-of-use assets

The relevant information of the leased houses and buildings of the Company is as follows:

		Houses and buildings
Right-of-use asset costs:		
Balance as of January 1, 2022	$	-
Additions		19,935
Balance as of December 31, 2022	**$**	**19,935**
Balance as of January 1, 2021	$	20,592
Decrease		(20,592)
Balance as of December 31, 2021	**$**	**-**
Accumulated depreciation of right-of-use assets:		
Balance as of January 1, 2022	$	-
Provision for depreciation		3,020
Balance as of December 31, 2022	**$**	**3,020**
Balance as of January 1, 2021	$	9,152
Provision for depreciation		3,432
Decrease		(12,584)
Balance as of December 31, 2021	**$**	**-**
Book value:		
December 31, 2022	**$**	**16,915**
December 31, 2021	**$**	**-**

(i) Intangible assets

The details of changes in the cost, amortization and depreciation of the Company's intangible assets in 2022 and 2021 are as follows:

		Patent	Computer software	Total
Cost:				
Balance as of January 1, 2022	$	42,857	13,145	56,002
Acquired separately		-	196	196
Balance as of December 31, 2022	$	42,857	13,341	56,198
Balance as of January 1, 2021	$	-	9,169	9,169
Acquired separately		42,857	3,976	46,833
Balance as of December 31, 2021	$	42,857	13,145	56,002
Amortization:				
Balance as of January 1, 2022	$	2,050	9,467	11,517
Current amortization		2,461	1,574	4,035
Balance as of December 31, 2022	$	4,511	11,041	15,552
Balance as of January 1, 2021	$	-	8,117	8,117
Current amortization		2,050	1,350	3,400
Balance as of December 31, 2021	$	2,050	9,467	11,517
Book value:				
December 31, 2022	$	38,346	2,300	40,646
December 31, 2021	$	40,807	3,678	44,485

(j) Other current assets and other non-current assets

		2022.12.31	2021.12.31
Other receivables (including related parties)	$	998,745	404,862
Current income tax assets		-	296
Prepayments		46,215	45,495
Refundable deposits		305,468	291
Defined benefit assets		940	751
Others		-	867
	$	1,351,368	452,562

(k) Short-term borrowing

		2022.12.31	2021.12.31
Unsecured bank borrowings	$	5,195,000	2,300,000
	$	5,195,000	2,300,000
Unused quota	$	7,508,250	7,800,000
Interest rate range		1.67%~2.20%	0.65%~1.00%

(l) Bonds payable

The Company has the following balance of corporate bonds payable:

		2022.12.31	2021.12.31
The 3rd domestic unsecured convertible bonds	$	5,560,778	5,497,329
The 4th domestic unsecured convertible bonds		962,204	952,683
The 1st overseas unsecured convertible bonds		-	1,137,035
The 1st privately placed unsecured convertible bonds		1,473,913	1,466,888
Less: parts matured or able to exercise redemption rights within one year		-	(1,137,035)
Ending balance of corporate bonds payable	$	7,996,895	7,916,900

1. To meet the needs of working capital and reinvestment, the Company issued the third domestic unsecured convertible corporate bonds on February 26, 2019. The issuance conditions are as follows:

(1)Total issuance: NT$6,000,000 thousand

(2)Face value: NT$100 thousand each

(3)Coupon rate: 0%

(4)Effective interest rate: 1.1542%

(5)Book value at issuance: NT$5,665,424 thousand

(6)Term: 2019.02.26～2024.02.26

(7)Conversion period:

Except for the suspension period of conversion, the creditors may at any time request that the convertible corporate bonds held be converted into the ordinary shares of the Company from the following day after three months of issuance date (May 27, 2019) to the expiration date February 26, 2024, in accordance with the regulations on corporate bond conversion. The suspension period of conversion is as follows:

A. During the book closure period, the transfer of ordinary shares is suspended in accordance with the law.

B. The Company will negotiate with Taipei Exchange on the period from the 15 business days before the book closure date of issuance of bonus shares, the book closure date of cash dividend or the book closure date of the issuance of ordinary shares for cash to the record date of rights distribution.

C. The date of capital reduction is cut off one day before the commencement of capital reduction.

D. Other suspension periods of stock transfer by law.

(8) Conversion price and adjustment:

The conversion price at the time of initial issuance is set at NT$272.8. In the event of an increase in the shares of the Company's issued ordinary shares, the conversion price shall be adjusted under Article 12 of the Company's regulations on domestic issuance and conversion of unsecured convertible corporate bonds. As of December 31, 2022, the conversion price was adjusted to NT$213.6.

(9) Redemption rights of creditors:

30 days prior to 3 years after the issuance of corporate bonds (February 26, 2022), bondholders may notify the Company in written based on the regulations of corporate bonds conversion method to request the addition of interest charges to face value (1.5075% of corporate bonds face value after 3 years) and redeem convertible corporate bonds in cash.

(10) The Company's redemption option:

From the day after the issuance of corporate bonds for 3 months (May 27, 2019) to 40 days before the maturity date (January 17, 2024), if the closing price of the Company’s ordinary shares exceeds the current conversion price for 30 consecutive business days for up to 30%, or the outstanding balance of the convertible corporate bonds is less than 10% of the original total amount of the issuance, the Company may notify the bondholders in accordance with the regulations of conversion method and call back all the corporate bonds by cash at par value.

This convertible corporate bonds comprise liabilities and equity component. The equity component is presented in equity as a capital surplus - stock warrants. The liability components are the liabilities of embedded derivative financial products and non-derivative financial products. The measured amount of derivative financial liabilities on December 31, 2022 is NT$1,127 thousand at fair value cost and non-derivative financial liabilities on December 31, 2022 is NT$5,560,778 thousand at amortized cost, and its effective interest rate initially recognized is 1.1542%.

Issue proceeds (less transaction costs of NT$4,852 thousand)	$	6,007,148
Equity components		(332,132)
Liability components on the date of issuance (including corporate bonds payable of NT$5,665,424 thousand and financial liabilities at fair value through profit or loss - non-current of NT$9,592 thousand)		5,675,016
Interest calculated at effective interest rate of 1.1542%		245,780
Loss (benefit) from financial product evaluation		(12,088)
Converting corporate bonds payable into ordinary shares		(349,057)
The liability components as of December 31, 2022	**$**	**5,559,651**

2. To meet the needs of working capital and reinvestment, the Company issued the first foreign unsecured convertible corporate bonds on March 10, 2017, which are declared effective by the FSC and listed on the Singapore Exchange. The issuance condition is as follows:

(1) Total issuance amount: US$200,000 thousand. The fixed exchange rate of US$31.653 will be converted into NT dollars equivalent to US dollars for the repayment, repurchase, and redemption of the corporate bonds.

(2) Face value: US$200 thousand each

(3) Coupon rate: 0%

(4) Effective interest rate: 2.4144%

(5) Book value at issuance: NT$5,978,823 thousand

(6) Term: 2017.03.10～2022.03.10

(7) Conversion period:

Except for the suspension period of conversion, the creditor may request at any time that the convertible corporate bonds held be converted into the ordinary shares of the Company from the following day (April 10, 2017) after 30 days of issuance date to 10 days before (February 28, 2022) the expiration date under the regulations of corporate bonds conversion method.

(8) Conversion price:

The creditors may request the Company to convert the corporate bonds they held into ordinary shares of the Company at a fixed exchange rate of NT$31.653 and the conversion price of NT$488 per share. In the event of an increase in the shares of the Company's issued ordinary shares, the conversion price shall be adjusted under Article 13 of the Company's regulations on issuance and conversion of foreign unsecured convertible corporate bonds. As of January 26, 2022, the conversion price was adjusted to NT$375.33.

(9) Repayment upon maturity of bonds:

Unless the bonds have been redeemed, repurchased, and written-off or the bondholder has exercised the conversion right, the issuer will repay the bonds in full on the maturity date according to the nominal amount of the bonds plus the earning rate, the annual interest rate of 1.25%.

(10) Redemption rights of creditors:

Upon 2 years after the issuance of corporate bonds (March 10, 2019) and 4 years (March 10, 2021), bondholders may notify the Company in written based on the regulations of corporate bonds conversion method to request the addition of interest charges to face value (1.25% of corporate bonds face value) and redeem convertible corporate bonds in cash.

(11) The Company's redemption option:

After 2 years (August 30, 2019) of issuance of the corporate bonds, if 20 trading days in 30 consecutive business days of the ordinary shares of the issuing company, the closing price of the corporate bonds on the TWSE converted to USD at the exchange rate at that time, when the total amount of the early redemption price multiplied by the conversion price at that time divided by the nominal amount of the corporate bonds is 130% and above, the issuer may redeem corporate bonds in whole or in part in advance at the calculated price of the nominal amount of the corporate bonds plus 1.25% of the annual interest rate. If more than 90% of the bonds have been redeemed, converted, repurchased and written-off, the issuer may redeem all the outstanding bonds in advance at the early redemption price of the issuer.

This convertible corporate bonds comprise liabilities and equity component. The equity component is presented in equity as a capital surplus - stock warrants. The liability components are the liabilities of non-derivative financial products, as of December 31, 2022, its measured amount of amortized cost is NT$0 thousand, and the effective interest rate initially recognized is 2.4144%.

Issue proceeds (less transaction costs of NT$29,142 thousand)	$	6,301,458
Equity components		(322,635)
Liability components on date of issuance		5,978,823
Interest calculated at effective interest rate of 2.4144%		351,776
Converting corporate bonds payable into ordinary shares		(90,841)
Corporate bonds payable with exercised redemption rights		(6,239,758)
The liability components as of December 31, 2022	$	-

3. To meet the needs of operating development and planning and introduce long-term strategic investment partners, the Company privately issued the first domestic unsecured convertible corporate bonds on September 2, 2021. The issuance conditions are as follows:

(1)Total issuance: NT$1,500,000 thousand

(2)Face value: NT$100 thousand each

(3)Coupon rate: 0%

(4)Effective interest rate: 0.479%

(5)Book value at issuance: NT$1,464,589 thousand

(6)Term: 2021.09.02～2026.09.02

(7)Conversion period:

Except for the suspension period of conversion, the creditors may at any time request that the convertible corporate bonds held be converted into the ordinary shares of the Company from the following day after three months of issuance date (December 3, 2021) to the expiration date September 2, 2026, in accordance with the regulations on corporate bond conversion. The suspension period of conversion is as follows:

A. During the book closure period, the transfer of ordinary shares is suspended in accordance with the law.

B. The Company's period from 15 business days before the book closure date of issuance of bonus shares, the book closure date of cash dividend or the book closure date of the issuance of ordinary shares for cash to the record date of rights distribution.

C. The date of capital reduction is cut off one day before the commencement of capital reduction.

D. Other suspension periods of stock transfer by law.

(8) Conversion price and adjustment:

The conversion price at the time of initial issuance is set at NT$220.7. In the event of an increase in the shares of the Company's privately issued ordinary shares, the conversion price shall be adjusted under Article 11 of the Company's regulations on domestic issuance and conversion of unsecured convertible corporate bonds. As of December 31, 2022, the conversion price was adjusted to NT$205.6.

(9) Redemption rights of creditors:

30 days prior to the issuance of corporate bonds for three years (September 2, 2024), the bondholders may notify the Company in writing based on the regulations of corporate bonds conversion method to require the Company to redeem the convertible corporate bonds held by them in cash based on the nominal amount of the corporate bonds.

(10) The Company's redemption option:

From the day after the issuance of corporate bonds for 3 years (December 3, 2024) to 40 days before the maturity date (July 24, 2026), if the closing price of the Company's ordinary shares exceeds the current conversion price for 30 consecutive business days for up to 30%, or the outstanding balance of the convertible corporate bonds is less than 10% of the original total amount of the issuance, the Company may notify the bondholders in accordance with the regulations of conversion method and call back all the corporate bonds by cash at par value.

(11) Repayment upon maturity of bonds:

Unless the bonds have been redeemed, repurchased, and written-off or the bondholder has exercised the conversion right, the issuing company will repay the bonds in full in cash on the maturity date according to the nominal amount of the bonds.

This convertible corporate bonds comprise liabilities and equity component. The equity component is presented in equity as a capital surplus - stock warrants. The liability components are the liabilities of embedded derivative financial products and non-derivative financial products. The measured amount of derivative financial liabilities on December 31, 2022 is NT$450 thousand at fair value cost and non-derivative financial liabilities on December 31, 2022 is NT$1,473,913 thousand at amortized cost, and its effective interest rate initially recognized is 0.4790%.

Issue proceeds (less transaction costs of NT$165 thousand)	$	1,499,835
Equity components		(35,396)
Liability components on the date of issuance (including corporate bonds payable of NT$1,464,289 thousand and financial liabilities at fair value through profit or loss - non-current of NT$150 thousand)		1,464,439
Interest calculated at an effective interest rate of 0.479%		9,324
Loss (benefit) from financial asset evaluation		600
The liability components as of December 31, 2022	**$**	**1,474,363**

4. To meet the needs of working capital and repayment of long-term borrowings, the Company issued the fourth domestic unsecured convertible corporate bonds on November 16, 2021. The issuance conditions are as follows:

(1)Total issuance: NT$1,000,000 thousand

(2)Face value: NT$100 thousand each

(3)Coupon rate: 0%

(4)Effective interest rate: 0.9994%

(5)Book value at issuance: NT$951,494 thousand

(6)Term: 2021.11.16～2026.11.16

(7)Conversion period:

Except for the suspension period of conversion, the creditors may at any time request that the convertible corporate bonds held be converted into the ordinary shares of the Company from the following day after three months of issuance date (February 17, 2022) to the expiration date November 16, 2026, in accordance with the regulations on corporate bond conversion. The suspension period of conversion is as follows:

A. During the book closure period, the transfer of ordinary shares is suspended in accordance with the law.

B. The Company will negotiate with Taipei Exchange on the period from the 15 business days before the book closure date of issuance of bonus shares, the book closure date of cash dividend or the book closure date of the issuance of ordinary shares for cash to the record date of rights distribution.

C. The date of capital reduction is cut off one day before the commencement of capital reduction.

D. Other suspension periods of stock transfer by law.

(8) Conversion price and adjustment:

The conversion price at the time of initial issuance is set at NT$221.1. In the event of an increase in the shares of the Company's issued ordinary shares, the conversion price shall be adjusted under Article 12 of the Company's regulations on domestic issuance and conversion of unsecured convertible corporate bonds. As of December 31, 2022, the conversion price was adjusted to NT$211.6.

(9) Redemption rights of creditors:

30 days prior to 3 years after the issuance of corporate bonds (November 16, 2024), bondholders may notify the Company in written based on the regulations of corporate bonds conversion method to request redeem convertible corporate bonds in cash by the carrying amount.

(10) The Company's redemption option:

From the day after the issuance of corporate bonds for 3 months (November 17, 2024) to 40 days before the maturity date (October 7, 2026), if the closing price of the Company’s ordinary shares exceeds the current conversion price for 30 consecutive business days for up to 30%, or the outstanding balance of the convertible corporate bonds is less than 10% of the original total amount of the issuance, the Company may notify the bondholders in accordance with the regulations of conversion method and call back all the corporate bonds by cash at par value.

(11) Repayment upon maturity of bonds:

Unless the bonds have been redeemed, repurchased, and written-off or the bondholder has exercised the conversion right, the issuing company will repay the bonds in full in cash on the maturity date according to the nominal amount of the bonds.

This convertible corporate bonds comprise liabilities and equity component. The equity component is presented in equity as a capital surplus - stock warrants. The liability components are the liabilities of embedded derivative financial products and non-derivative financial products. The measured amount of derivative financial liabilities on December 31, 2022 is NT$2,100 thousand at fair value cost and non-derivative financial liabilities on December 31, 2022 is NT$962,204 thousand at amortized cost, and its effective interest rate initially recognized is 0.9994%.

Issue proceeds (less transaction costs of NT$3,480 thousand)	$	1,001,520
Equity components		(49,428)
Liability components on the date of issuance (including corporate bonds payable of NT$951,494 thousand and financial liabilities at fair value through profit or loss - non-current of NT$598 thousand)		952,092
Interest calculated at effective interest rate of 0.9994%		10,710
Loss (benefit) from financial product evaluation		1,502
The liability components as of December 31, 2022	**$**	**964,304**

(m) Lease liabilities

The Company's carrying amount of lease liabilities:

	2022.12.31	**2021.12.31**
Current	**$ 6,824**	**-**
Non-current	**$ 9,211**	**-**

Please refer to note 6(21) financial instruments for further information on the maturity analysis of lease liabilities.

Recognized lease profit/loss is below:

	2022	**2021**
Short-term lease expenses	**$ 876**	**415**

Recognized lease on the cash flow statement is below:

	2022	**2021**
Total cash outflow for lease	**$ 3,776**	**3,876**

Buildings

The Company leases buildings and structures for a period of 2 to 75 years. Some leases include the option to extend the same period as the original contract at the expiration of the lease term. Some contracts also stipulate that the Company will advance the lessor's tax and insurance expenses related to the real estate, which are usually incurred once a year.

In addition, the leases of photocopiers and parking spaces leased by the Company are short-term or low value leases, and the Company chooses to apply the exemption from recognition provisions rather than recognizing relevant use-of-right assets and lease liabilities.

(n) Employee benefits

1. Defined benefit plan

The adjustment between the present value of benefit obligations and the fair value of plan assets determined by the Company is as follows:

		2022.12.31	2021.12.31
The present value of defined benefit obligations	$	1,239	1,258
Fair value of plan assets		(2,179)	(2,009)
Net defined benefit liabilities (account as other non-current assets)	**$**	**(940)**	**(751)**

The Company contributes an amount to a retirement fund that is deposited with Bank of Taiwan. The payment of the employee's pension is based on the length of service and the average salary of six months before the approved retirement date.

(1)Plan asset composition

The Company contributes the pension fund under the "Labor Standard Act", which is administered by the Bureau of Labor Funds of the Ministry of Labor. In accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the annual return of the Fund shall not be lower than the average interest rate of a 2-year-term time deposit of local banks.

As of the reporting date, the Company's retirement fund had a balance of NT$2,179 thousand deposited at Bank of Taiwan. Please visit the website of the Bureau of Labor Funds of the Ministry of Labor for the use of labor retirement fund, including fund return and asset allocation.

(2)Changes in the present value of defined benefit obligations

The changes in defined benefit liabilities of the Company in 2022 and 2021 are as follows:

		2022	2021
Defined benefit obligations on January 1	$	1,258	1,252
Current service cost and interest		9	5
－Actuarial gains (losses) - changes in population statistics assumption		-	15
－Actuarial gains (losses) - changes in financial assumptions		(92)	(51)
－Actuarial gains (losses) - experience adjustments		64	37
December 31 Defined benefit liabilities	**$**	**1,239**	**1,258**

(3)Changes in fair value of plan assets

The changes in the fair value of defined benefit plan of the Company in 2022 and 2021 are as follows:

	2022	2021
Fair value of plan assets on January 1	$ 2,009	1,973
Interest income	14	8
－Plan asset remuneration (excluding current interest)	156	28
Fair value of plan assets on December 31	**$ 2,179**	**2,009**

(4)Recognized gain (loss) expenses

The details of recognized costs of the Company in 2022 and 2021 are as follows:

	2022	2021
Net interest expense from defined benefit liabilities (assets)	**$ (5)**	**(3)**

	2022	2021
Management fee	**$ (5)**	**(3)**

(5)Remeasurement of net defined benefit liabilities recognized as other comprehensive income and loss

The remeasured amounts of net defined benefit liabilities reported as other comprehensive income for the Company in 2022 and 2021 were NT$184 thousand and NT$27 thousand, respectively.

(6)Actuarial assumption

The material actuarial assumptions used by the Company to determine the present value if defined benefit obligations as of the reporting date are as follows:

	2022.12.31	2021.12.31
Discount rate	1.29%	0.69%
Increase in future salary	3%	3%
Mortality Rate	90% of 6th Period Taiwan Life Tables	90% of 5th Period Taiwan Life Tables
Turnover rate	0%~34%	0%~34%

The Company is expected that the amount of appropriation for defined benefit plans within 1 year after the reporting date for the year ended on Dec 31, 2022 is NT$505 thousand.

The weighted average duration of defined benefit plans is 5 years.

(7)Sensitivity analysis

The effects of changes in the main actuarial assumptions adopted on Dec. 31, 2022 and 2021 on the present value of defined benefit obligations are as follows:

	Effects on defined benefit obligations		
		Increased by 0.25%	**Decreased by 0.25%**
December 31, 2022			
Discount rate	$	(36)	37
Increase in future salary		34	(33)
December 31, 2021			
Discount rate	$	(39)	41
Increase in future salary		37	(36)

The sensitivity analysis above was based on the analysis of the effects of changes in a single hypothesis with other assumptions unchanged. Changes in many assumptions in practice may be interlinked. Sensitivity analysis is consistent with the method used to calculate the net pension liabilities on the balance sheet.

The methodology and assumptions used in the sensitivity analysis are the same.

2. Defined contribution plan

The Company shall contribute the retirement funds of employees to the individual accounts for labor retirement funds of the Bureau of Labor Insurance according to 6% of the monthly salaries of labors under the provisions of Labor Pension Act. Under this plan, after contributing fixed amount to the Bureau of Labor Insurance, the Company will not assume the legal or constructive obligations of paying extra amount. Foreign subsidiaries contribute pensions to relevant statutory bodies for administration in accordance with relevant local laws and regulations.

The pension expense under the defined contribution retirement funds of the Company in the year of 2022 and 2021 are NT$8,894 thousand and NT$8,132 thousand respectively, which have been contributed to the Bureau of Labor Insurance.

(o) Income taxes

1. Income tax expenses

The details of the income tax expense of the Company in 2022 and 2021 are as follows:

		2022	2021
Income tax expenses for the period			
Recognized for the period	$	33,909	22,514
Adjustment of the income tax in the previous year		(6,619)	19,506
		27,290	42,020
Deferred income tax expenses			
Occurrence and reversal of temporary differences		15,420	7,622
Income tax expenses	$	42,710	49,642

The details of the income tax expense under other comprehensive income and loss of the Company in 2022 and 2021 are as follows:

		2022	2021
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	$	37	5

The details of income tax expenses under recognized other comprehensive profits/losses of the Company in 2022 and 2021 are as follows:

		2022	2021
Net profit before tax	$	3,495,626	1,384,586
Income tax calculated at domestic tax rate	$	699,125	276,917
Non-deductible expenses		(243,340)	(172,599)
Income tax difference		(7,111)	(32)
Changes in unrecognized temporary differences		(406,455)	(102,462)
Underestimate in the previous year		491	30,080
Surtax on undistributed retained earnings		-	17,738
Income tax expenses	$	42,710	49,642

2. Deferred income tax assets and liabilities

(1)Unrecognized deferred income tax liabilities

As for the temporary differences related to investment subsidiaries as of December 31, 2022 and 2021, the Company can control the time point of the reversal of the temporary differences and is likely not to reverse in the foreseeable future, so the deferred income tax liabilities are not recognized. Related amounts are:

		2022.12.31	2021.12.31
Summary amount of temporary differences related to investment in subsidiaries	$	939,624	533,169

(2)Recognized deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities:

Deferred income tax liabilities:

	Defined benefit plan
January 1, 2022	$ 616
Debit/(credit) other comprehensive profit and loss	37
December 31, 2022	**$ 653**
January 1, 2021	$ 611
Debit/(credit) other comprehensive profit and loss	5
December 31, 2021	**$ 616**

Deferred income tax assets:

		Defined benefit plan	Convertible bond	Inventory evaluation profit and loss	Loss deduction	Others	Total
January 1, 2022	$	209	14,033	23,789	-	14,191	52,222
Debit/(credit) income statement		(1)	(14,033)	(11,329)	-	9,943	(15,420)
December 31, 2022	**$**	**208**	**-**	**12,460**	**-**	**24,134**	**36,802**
January 1, 2021	$	210	12,918	15,902	10,542	20,272	59,844
Debit/(credit) income statement		(1)	1,115	7,887	(10,542)	(6,081)	(7,622)
December 31. 2021	**$**	**209**	**14,033**	**23,789**	**-**	**14,191**	**52,222**

3. Income tax assessments

The approval on the filing of final income tax return of the Company has lasted till the year 2020 as required by the taxing authority.

The Company disagrees with the approved contents of 2015 and 2018, and is currently applying for review. However, the Company has assessed the relevant income tax based on the principle of prudence.

(p) Capital and other equity

As of December 31, 2022 and 2021, the total authorized share capital of the Company was NT$2,500,000 thousand with a par value of NT$10, with 250,000 thousand shares. The total amount of the above-mentioned share capital is ordinary shares, and the issued shares are 106,037 thousand ordinary shares and 101,812 thousand ordinary shares respectively. The share funds of all issued shares have been received.

1. Issuance of ordinary and special shares

On Dec. 1, 2020, the Company’s Board of Directors resolved to issue 3,540 thousand as a consideration exchange for the shares of its transferred subsidiary AIS Cayman, with a par value of NT$10, with Jan 21, 2021 as the base date for the capital increase; On May 13, 2021, the Board resolved to issue 5,000 thousand with a par value of NT$10, with Dec 31, 2021 as the base date for capital increase. The statutory registration process was completed. The paid-in capital after the change was $1,018,120 thousand.

On Jan 4, 2022, the Consolidated Company adopted the private placement of ordinary share at the special meeting of shareholders. The placement issues 4,880 thousand shares at NT$226.92 per share. The reference date for capital increase is January 11, 2022, and the relevant legal registration procedures have been completed.

On March 22, 2022, the Company passed a resolution by the board of directors to cancel its treasury shares in accordance with Article 28-2 of the Securities and Exchange Act due to the expiration of 5 years for the repurchase of shares of NT$233,608 thousand that have not been transferred. The Company also processed a capital reduction of NT$6,550 thousand and deleted 655 thousand shares. The reference date for capital reduction was May 8, 2022, and the relevant legal registration procedures have been completed. The paid-in capital after the change is NT$1,060,370 thousand.

2. Capital surplus

The components of the Company's capital reserve are as follows:

		2022.12.31	2021.12.31
Premium of issued shares	$	5,039,717	4,634,353
Issuance of new shares for other company’s shares		1,372,670	1,372,670
Premium on conversion of convertible corporate bonds		1,797,651	1,797,651
Share options for convertible corporate bonds		396,757	454,831
Employee share options		-	767
Expired stock options		385,261	326,420
Changes in percentage of ownership in subsidiaries		293,268	279,088
	$	9,285,324	8,865,780

In accordance with the Company Act, the capital surplus is required to cover losses first before new shares or cash can be issued in proportion to the shareholders’ original shares. Realized capital surplus referred to in the preceding paragraph includes premiums from the issuance of shares in excess of par value and proceeds from gifts received. In accordance with the Regulations Governing the Issuer’s Offerings and Issuance of Marketable Securities, the aggregate amount of capital surplus that may be capitalized each year shall not exceed 10% of the paid-in capital.

On June 23, 2022, through a resolution of the shareholders' meeting, the Company distributed cash to the capital reserve for issuing ordinary shares at a premium exceeding the par value at NT$4 per share, with a total of NT$424,148 thousand.

3. Retained earnings

In accordance with the Company's Articles of Incorporation, the Company shall, after the final settlement of each year's earnings, first complete tax contributions, make up for prior years' deficits and set aside 10% as legal reserve, except when the legal reserve has reached the level of total capital; the Company is required by law to set aside or reverse special reserve. In the case of unappropriated earnings for the same period, the Board of Directors shall put forward a proposal for the distribution of earnings to the shareholders for resolution.

The Company lies in a growth stage of industrial development, and there will be plans to expand production lines and funding needs in the coming years. Therefore, a residual dividend policy is adopted. The remaining surplus shall be paid in the form of cash dividends after the reserve surplus is used to finance the required funds. The percentage of cash dividend for the year should not be less than 10% of the total dividend for the year.

(1)Legal reserve

If the Company has no deficit, it may, by resolution of the shareholders in general meeting, issue new shares or cash out of the legal reserve to the extent that such reserve exceeds 25% of the paid-in capital.

(2)Special reserve

When the Company firstly adopted the IFRS recognized by FSC and selected applied exemption items under IFRS1 First-time Adoption of International Financial Reporting Standards, the unrealized revaluation appreciation, cumulative conversion adjustments (benefits) under the recorded shareholders' equity, and the recorded assets were classified as "investment real estate" on the conversion date, and the retained earnings are increased by taking the fair value on the conversion date as the recognized cost in accordance with the regulations. According to FSC No. 1010012865 order issued on April 6, 2012, the special surplus reserves at the same amount is recognized. When using, disposing or reclassifying relevant assets, the Company may reverse the proportion of the initial special surplus reserve to distribute the surplus. As of Dec 31, 2022 and 2021, the balance of such special reserve was NT$1,768,490 thousand and NT$1,010,924 thousand.

In accordance with the above order, when distributing the distributable surplus, the Company shall make up the difference between the net deduction of other shareholders' equity in the account in the current year and the balance of the special surplus reserve referred to in the preceding paragraph, and make up the special surplus reserve from the current profit and loss and the undistributed surplus in the previous period. If there is a subsequent reversal in the amount of other decreases in shareholders' equity, the reversal may be distributed in the form of a surplus.

(3)Earnings distribution

On June 23, 2022 and August 3, 2021, the Company's shareholders resolved to distribute earnings for the year 2021 and 2020, respectively, as follows:

	2021		2020	
	Payout ration (NT$)	**Amount**	**Payout ration (NT$)**	**Amount**
Distributed to owners of ordinary shares:				
Cash	$ 3.00	**318,111**	5.00	**480,785**

4. Treasury stock

As of Dec 31, 2022 and 2021, the treasure stock, not canceled, held by the Company was 0 thousand and 655 thousand, respectively. Treasury stock held by the Company shall not enjoy the rights of shareholders before being transferred in accordance with the Company Act.

5. Other equity (net after-tax)

	Exchange differences on translation of foreign financial statements	**Unrealized gain or loss on financial assets at FVTOCI**	**Total**
Balance as of January 1, 2022	$ (1,673,323)	(95,167)	(1,768,490)
Exchange differences on translating the net assets of foreign operations	842,050	-	842,050
Share of associates accounted for using the equity method	1,006	487	1,493
Unrealized gain or loss on financial assets at FVTOCI	-	19,013	19,013
Balance as of December 31, 2022	**$ (830,267)**	**(75,667)**	**(905,934)**
Balance as of January 1, 2021	$ (934,258)	(76,666)	(1,010,924)
Exchange differences on translating the net assets of foreign operations	(738,853)	-	(738,853)
Share of associates accounted for using the equity method	(212)	-	(212)
Unrealized gains and losses arising from equity instruments in the current year	-	(18,501)	(18,501)
Balance as of December 31, 2021	**$ (1,673,323)**	**(95,167)**	**(1,768,490)**

(q) Earnings per Share

The relevant calculations of the Company's basic earnings per share and diluted earnings per share are as follows:

1. Basic Earnings per Share

		2022	2021
(1) Net profit attributable to the holders of ordinary share equity of the Company	$	3,452,916	1,334,944

(2) Weighted average outstanding ordinary shares

		2022	2021
Ordinary shares issued as of January 1	$	101,812	93,272
Effects of treasury stock		(655)	(655)
Effect of cash capital increase on the issuance of new shares		4,746	3,373
Weighted average share outstanding as of Dec 31	$	105,903	95,990
Basic earnings per share (NT$)	$	32.60	13.91

2. Diluted earnings per share

		2022	2021
Net profit attributable to the holders of ordinary share equity of the Company (basic)	$	3,452,916	1,334,944
After tax interest expenses and financial evaluation gains and losses of convertible corporate bonds		82,943	82,709
Net profit attributable to the holders of ordinary share equity of the Company (diluted)	$	3,535,859	1,417,653
Weighted average number of outstanding ordinary shares (basic)		105,903	95,990
Effect of employee remuneration		498	139
Effect of conversion of convertible corporate bonds		38,977	32,136
Weighted average outstanding ordinary shares (diluted) as of December 31		145,378	128,265
Diluted earnings per share (NT$)	$	24.32	11.05

(r) Revenue from customer contracts

1. Description of Revenue

The income details of the Company are as follows:

		2022	2021
Main service lines			
Revenue from sales of goods	$	5,304,120	3,342,358
Service revenue		810	660
	$	5,304,930	3,343,018

2. Balance of contracts

		2022.12.31	2021.12.31	2021.1.1
Accounts receivable	$	1,252,124	787,391	669,711
Contract liability - sales contract (recognized as other current liabilities)	$	115,890	15,691	2,086

Please refer to Note 6(4) for the disclosure of notes and accounts receivable and their impairment.

The changes in contract assets and contract liabilities mainly arise from the difference between the time when the Company transfers goods or services to customers to meet performance obligations and the time when customers make payments.

		2022.12.31	2021.12.31
Beginning contract liabilities			
Sales of goods	$	15,691	2,086

(s) Remuneration for employees and directors

In accordance with the Company's Articles of Incorporation, no less than 2% of the Company's annual profits shall be appropriated to the compensation of employees and no more than 2% to the compensation of directors and supervisors. However, where the Company has accumulated losses, the Company shall first reserve certain amount of the profit to recover the losses. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in the controlling and associates who met certain conditions.

The estimated amount of compensation of employees for the year 2022 and 2021 was NT$89,000 thousand and NT$36,000 thousand respectively, and the estimate amount of compensation to directors was NT$2,850 thousand and NT$3,060 thousand. The Company’s net profit before tax for the period is estimated by multiplying the amount of the Company’s net profit before issuing the compensation of employees and directors by the proportion of the Company’s compensation distribution to employees and directors as provided in the

Company's Articles of Incorporation, and is reported as operating costs or expenses for the year 2022 and 2021. There was no difference between the amount approved by the board of directors for employees and directors' remuneration and the amount estimated in the financial statements for the year 2022 and 2021. The related information is available on the Market Observation Post System (MOPS).

(t) Non-operating income and expenses

1. Interest income

The details of interest income of the Company in 2022 and 2021 are as follows:

	2022	2021
Bank deposit interest	$ 3,609	577
Other interest income	7,824	-
	$ 11,433	**577**

2. Other income

The details of other income of the Company in 2022 and 2021 are as follows:

	2022	2021
Rental income	**$ 3,144**	**3,755**

3. Other gains and losses

The details of other gains and losses of the Company in 2022 and 2021 are as follows:

	2022	2021
Gain (loss) on foreign exchange	$ 55,930	(25,933)
Loss on evaluation of financial assets and financial liabilities	(5,467)	(4,405)
Others	40,358	1,983
Other net gains and losses	**$ 90,821**	**(28,355)**

4. Financial costs

The details of the financial cost of the Company in 2022 and 2021 are as follows:

	2022	2021
Interest on bank loans	$ 36,762	28,766
Interest on lease liabilities	78	42
Accrued interest on corporate bonds payable	98,211	96,791
Net financial cost	**$ 135,051**	**125,599**

(u) Financial instruments

1. Credit Risks

The carrying amount of a financial asset represents the maximum amount of credit risk.

As the Company has a large customer base, does not significantly concentrate transactions with a single customer, and the sales areas are distributed widely, there is no risk of significant concentration of credit risk of accounts receivable. To reduce credit risk, the policies adopted by the Company are to trade only with well-reputed counterparties, the Company regularly and continuously evaluates the financial status of customers, and obtain sufficient guarantee if necessary, so as to reduce the risk of financial losses caused by default.

Please refer to Note 6(4) for details of credit risk exposure information of notes receivable and accounts receivable.

Other financial assets measured at amortized cost include other receivables and certificates of deposit. The above are financial assets with low credit risk, so the allowance loss in this period is measured according to the expected credit loss amount of 12 months (Please refer to Note 4 (6) for details of how the Company determines the credit risk is low).

2. Liquidity Risks

The contracts of financial liabilities are sorted by their maturity dates as follows. The estimated interests are included, but the effect of net value agreement is excluded.

	Book value	Contract cash flow	Within 6 months	6-12 months	More than 1 year
December 31, 2022					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 1,144,559	(1,144,559)	(1,144,559)	-	-
Floating rate instruments	5,195,000	(5,199,364)	(5,199,364)	-	-
Instruments with fixed interest rates	7,996,895	(7,996,895)	-	-	(7,996,895)
	$ 14,336,454	**(14,340,818)**	**(6,343,923)**	**-**	**(7,996,895)**
December 31, 2021					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 812,069	(812,069)	(812,069)	-	-
Floating rate instruments	2,300,000	(2,300,896)	(2,300,896)	-	-
Instruments with fixed interest rates	9,053,935	(9,053,935)	(1,137,035)	-	(7,916,900)
	$ 12,166,004	**(12,166,900)**	**(4,250,000)**	**-**	**(7,916,900)**

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significant different amounts.

3. Exchange Rate Risks

(1)Exposure to exchange rate risk

The Company's financial assets and liabilities exposed to significant foreign currency exchange rate risk are as follows:

	2022.12.31			2021.12.31		
	Foreign currency	Rate	TWD	Foreign currency	Rate	TWD
Financial assets						
Monetary items						
USD	$ 96,630	30.7100	2,967,507	57,873	27.6800	1,601,925
Financial liabilities						
Monetary items						
USD	35,093	30.7100	1,077,706	23,423	27.6800	648,349

(2)Sensitivity analysis

The exchange rate risk of the Company's monetary items mainly comes from foreign currency-denominated cash and cash equivalent, accounts receivable and other receivables, financial assets measured at fair value through other comprehensive profits and losses, borrowings, accounts payable and other accounts payable, resulting into gains and losses of conversion of foreign currency when exchanging. As of December 31, 2022 and 2021, if NTD had depreciated or appreciated by 1% relative to USD, EURO and RMB held by the Company and all other factors remained constant, net income would have increased or deceased by NT$18,898 thousand and NT$9,536 thousand. The same basis is used for both periods of analysis.

(3)Exchange gains and losses of monetary items

As the Company transacts in various currencies, the exchange gains and losses from monetary items were disclosed by means of consolidation. The foreign currency exchange gains and losses (including realized and unrealized) in 2022 and 2021 were NT$55,930 thousand and NT$25,933 thousand, respectively.

4. Interest Rate Risks

The details of the Company's financial assets and financial liabilities exposed to interest rate risks are described in the liquidity risk management of this note.

The following sensitivity analysis is based on the interest rate exposure of derivative and non-derivative instruments on the reporting date. For floating rate liabilities, the analysis method assumes that the amount of liabilities outstanding on the reporting date is outstanding throughout the year. The rate of change used by the Company when reporting interest rates to key management personnel is 1% increase or decrease in interest rates, which also represents the management's assessment of the reasonable range of possible changes in interest rates.

If the interest rate increased or decreased by 1%, and other variable were held constant, the Company's net income before tax for the year ended December 31, 2022 and 2021 would have decreased or increased by NT$51,950 thousand and NT$23,000 thousand.

5. Other Price Risks

Changes in price of equity securities at the reporting date (on the same basis for both periods and assuming no change in other factors) would have the following effects on the consolidated income statement:

	2022		2021	
Securities price as of the reporting date	**Other comprehensive income before tax**	**Profit after tax**	**Other comprehensive income before tax**	**Profit after tax**
Increased by 1%	$ -	(14)	-	40
Decreased by 1%	$ -	14	-	(40)

6. Information on fair value

(1)Classification of financial instruments and at fair value

The fair value of financial assets, liabilities and other hedging assets of the Company are measured at fair value through profit or loss on a recurring basis. The carrying amount and fair value of various types of financial assets and financial liabilities (including information on the level of fair value, but the book amount of financial instruments not measured at fair value is a reasonable approximation of fair value, and lease liabilities are not required to disclose fair value information according to regulations) are as follows:

	2022.12.31				
		Fair value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets as measured at amortized cost					
Financial assets as measured at amortized cost	$ 4,255	-	-	-	-
Cash and cash equivalents	623,358	-	-	-	-
Notes and accounts receivable	1,252,124	-	-	-	-
Other receivables	998,745	-	-	-	-
Total	$ 2,878,482	-	-	-	-
Financial liabilities at FVTPL	$ 1,423	-	1,423	-	1,423
Financial liabilities at amortized cost					
Convertible bond	7,996,895	-	-	-	-
Bank loans	5,195,000	-	-	-	-
Notes and accounts payable	681,815	-	-	-	-
Other payables	462,744	-	-	-	-
Lease liabilities	16,035	-	-	-	-
Subtotal	14,352,489	-	-	-	-
Total	$14,353,912	-	1,423	-	1,423

	2021.12.31				
		Fair value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	$ 4,643	-	4,643	-	4,643
Financial assets as measured at amortized cost					
Financial assets as measured at amortized cost	4,225	-	-	-	-
Cash and cash equivalents	1,355,059	-	-	-	-
Notes and accounts receivable	787,391	-	-	-	-
Other receivables	404,862	-	-	-	-
Total	$ 2,556,180	-	4,643	-	4,643

	2021.12.31				
		Fair value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL	$ 598	-	598	-	598
Financial liabilities at amortized cost					
Convertible bond	9,053,935	-	-	-	-
Bank loans	2,300,000	-	-	-	-
Notes and accounts payable	408,198	-	-	-	-
Other payables	403,871	-	-	-	-
Total	**$12,166,602**	**-**	**598**	**-**	**598**

(2)Fair value evaluation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

When a market is considered active, the quoted price in the market should be used as the fair value for the financial instrument. The market prices announced by TPEx are the basis for the fair value for equity instruments listed on TWSE/TPEx and debt instruments with open quotations in the active market.

If the public quotation of a financial instrument can be obtained from the exchange, broker, underwriter, industry association, pricing service institution or competent authority in a timely and frequent manner, and the price represents the actual and frequent fair market transactions, the financial instrument has an active market public quotation. If the above conditions are unavailable, this market is deemed as inactive. Generally speaking, a large bid-ask spread, a significant increase in bid-ask spread, or a small trading volume are indicators of an inactive market.

If the financial instruments held by the Company have an active market, their fair values are listed as follows by category and attribute:

・ Listed redeemable corporate bonds, stocks, bills of exchange, and corporate bonds listed on TWSE/TPEx are financial assets and financial liabilities with standard terms and conditions and trade on the active market, and their fair values are determined by reference to the market quotations respectively.

Except for the above-mentioned financial instruments with active market, the fair value of other financial instruments is obtained by using evaluation technique or referring to the quotation of the counterpart. The fair value obtained through the evaluation technique can be calculated by referring to the current fair value of other financial instruments with substantially similar conditions and characteristics, the discounted cash flow method, or other evaluation techniques, including using the model based on the market information available on the consolidated reporting date (for example, the TWSE yield curve) Reuters commercial promissory note interest rate (average quotation).

B. Derivative financial instruments

It is evaluated based on the evaluation model widely accepted by market players, such as discount method and option pricing model. Structured interest rate derivative financial instruments are priced based on an appropriate option pricing model (e.g. Black-Scholes model).

(v) Financial risk management

1. Overview

The Company is exposed to the following risks the use of financial instruments:

(1)Credit Risks

(2)Liquidity Risks

(3)Market Risks

This note presents the Consolidated Company's risk information for each of these risks and the Consolidated Company's objectives, policies and procedures for measuring and managing risk. For further quantitative disclosures, please refer to the respective notes to the parent company only financial statements.

2. Risk management structure

The Chairman has the sole responsibility for establishing and overseeing the Company's risk management structure and reports regularly to the Board on its operation. The board of directors has established a risk management committee to be responsible for developing and controlling the Company's risk management policies and reporting its operation to the board of directors on a regular basis.

The Company's risk management policy is designed to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor compliance with the risks and risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's operations. The Company develops a disciplined and constructive control environment through training, management guidelines and operating procedures to enable all employees to understand their roles and responsibilities.

The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the appropriateness of the Company's risk management framework in relation to the risks it is exposed to. Internal auditor assists the Company's audit committee in its oversight role. These personnel conduct regular and exceptional reviews of risk management controls and procedures and report the results of these reviews to the audit committee.

3. Credit Risks

Credit risk is the risk of financial loss arising from the failure of the Company's customers or trading partners to fulfill their contractual obligations, mainly from the Consolidated Company's accounts receivable from customers and investments in securities.

(1)Accounts receivable and other receivables

The policies adopted by the Company are to trade only with well-reputed counterparties, and, as it is necessary, sufficient collateral must be obtained to reduce the risk of financial losses. The Company only trades with enterprises rated equivalent to investment grade. Such information is provided by an independent rating agency; If such information is not available, the Company will use other publicly available financial information and mutual transaction records to rate major customers. The Company continuously monitors the credit risk and the credit rating of counterparties, distributes the total transaction amount to customers with qualified credit rating, and controls the credit risk through the credit limit of counterparties reviewed and approved by the risk management committee every year.

The Company does not hold any collateral or other credit enhancement to avoid the credit risk of financial assets.

(2)Investment

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the financial department of the Company. Since the trading partners and other performing parties of the Company are banks with good credit and financial institutions, corporate organizations and government agencies with investment grade and above, there are no major performance concerns without significant credit risks.

(3)Guarantee

The Company's policy stipulates that guarantees are only provided to its wholly-owned subsidiaries. Please refer to note 7 for details of endorsements and guarantees provided by the Company as of December 31, 2022 and 2021.

4. Liquidity Risks

Liquidity risk refers to the risk that the Company is unable to deliver cash or other financial assets to pay off financial liabilities and fails to perform relevant obligations. To management the liquidity, the Company shall ensure its sufficient working capital to meet the due liabilities under normal and stressful conditions, without unacceptable loss or risk of damage to the Company's reputation.

5. Market Risks

Market risk refers to the risk arisen from market price changes, such as exchange rate, interest rate and equity instrument price changes, which will affect the Company's income or the value of financial instruments held. The market risk management aims to control the market risk within an acceptable level and optimize the return on investment.

To manage market risks, the Company engages in derivative instrument transactions, resulting in financial liabilities. All transactions are executed in accordance with the guidelines of risk management committee. Generally speaking, the Company adopts hedge accounting to manage profit and loss fluctuations.

(1)Exchange Rate Risks

The Company uses derivative transactions to hedge exchange rate risk due to its exposure to exchange rate risk arising from sales and purchase transactions that are not denominated in the Company's functional currency. The Company's functional currency is denominated in New Taiwan dollar, along with Euro, USA and RMB. These transactions are traded in NTD, Euro, USA and RMB.

The Company holds accounts receivable denominated in foreign currencies other than functional currencies, and the exchange gains and losses arising from exchange rate changes offset the exchange gains and losses of short-term borrowings denominated in foreign currencies. Therefore, the risk exposed to the Company is reduced due to exchange rate.

The Company keeps abreast of changes in exchange rates at all times, takes a stable and conservative exchange rate as the basis for quotation, carefully considers the changes of current and future exchange rates, and uses hedging instruments in a timely manner such as forward foreign exchange to avoid the impact of exchange rate changes.

(2)Interest Rate Risks

The company holds assets and liabilities with floating interest rates and exposes to cash flow interest rate. The details of the company's financial assets and financial liabilities with floating interest rates are described in the liquidity risk management of this note.

(w) Capital management

Given the current operating industry and the future development, and considering the changes of the external environment and other factors, the Company plans the working capital and dividend expenditure and other needs required by the Company in the future, so as to ensure that the Company can continue to operate and maintain the best capital structure, so as to maximize shareholders' remuneration and enhance shareholders' value in the long run. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. In addition, the Company is not required to comply with other external capital requirements.

(x) Investment and financing activities of non-cash transactions

The Company's non-cash transaction investment and financing activities in 2022 and 2021 are as follows:

1. Please refer to 6(16) for details of issuing common shares to acquire subsidiaries.

VII. Related Party Transactions

(a) Name and relationship of related party

The related parties that transact with the Company within the coverage of this parent company only financial statements are below:

Name of Related Party	Relationship with the Company
Hon Hai Precision Industry Co., Ltd.	Associates
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	Associates
FIH (Hong Kong) Co., Ltd.	Associates
WT Microelectronics Co., Ltd.	Associates (Note)
Ever Light Technology Limited Taiwan Branch	Associates
FORTUNEBAY TECHNOLOGY PTE LTD.	Associates
Hongfujin Precision Industry (Shenzhen) Co., Ltd.	Associates
Foxconn Global Network	Associates
Chiun Mai Communication Systems, Inc.	Associates
Arbor Technology Corporation	Associates
Ennowell Co., Ltd.	Associates
Taiwan Applied Module Corporation	Subsidiary
POSLAB TECHNOLOGY CORPORATION	Subsidiary
EnnoMech Precision Co., Ltd.	Subsidiary
Ennoconn International Investment Co., Ltd.	Subsidiary
Ennoconn (Suzhou) Technology Co., Ltd.	Subsidiary
Goldtek Technology Co., Ltd.	Subsidiary
Ezoom Information, Inc.	Subsidiary
Dexatek Technology Ltd.	Subsidiary
Vecow Co., Ltd.	Subsidiary
CASO, Inc.	Subsidiary
Kontron Europe GmbH	Subsidiary
Kontron Canada Inc.	Subsidiary
Kontron Asia Pacific Design Sdn.Bhd	Subsidiary
Kontron America Inc.	Subsidiary
Kontron Modular Computers S.A.S.	Subsidiary

Name of Related Party	Relationship with the Company
American Industrial Systems, Inc.	Subsidiary
HighAim Technology Inc.	Subsidiary
Victor Plus Holdings Ltd.	Subsidiary
Kontron AG	Subsidiary
ENNOCONN HUNGARY KFT.	Subsidiary
Original shareholder AIS Cayman	Main management

Note: WT Microelectronics Co., Ltd. is no longer a related party of the Company from December 2022.

(b) Significant transactions with related parties

1. Operating revenue

The Company has the following major sales with related parties:

Accounts Item	Category of related party/Name	2022	2021
Sales revenue	Subsidiary:		
	American Industrial Systems, Inc.	$ 174,832	559
	ENNOCONN HUNGARY KFT.	228,467	-
	Kontron Europe GmbH	728,162	506,794
	Others	274,042	300,155
	Associates:		
	Others	652	1,665
		$ 1,406,155	809,173

The sales transaction price of the Company to the related parties is determined according to the agreement of both parties, and the collection policy is the payment term of 2 months.

2. Purchase and processing fees

The purchase of the Company from related parties is as follows:

Category of related party/Name	2022	2021
Subsidiary:		
Victor Plus Holdings Ltd.	$ 2,871,135	2,273,299
Others	66,403	37,854
Associates:		
Others	47,491	95,750
	$ 2,985,029	2,406,903

The sales transaction price of the Company to the related parties according to the agreement of both parties, and the payment policy is 1-2 months of monthly settlement.

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

Details of accounts receivable from related parties of the Company are as follows:

Accounts Item	Category of related party/Name	2022.12.31	2021.12.31
Accounts receivable - related parties	Subsidiary:		
	American Industrial Systems, Inc.	$ 171,087	598
	ENNOCONN HUNGARY KFT.	139,285	-
	Kontron Europe GmbH	47,464	171,546
	Others	38,779	74,661
Accounts receivable - related parties	Associates:		
	Others	77	-
Other receivables - related parties	Subsidiary:		
	ENNOCONN HUNGARY KFT.	4,424	-
	Victor Plus Holdings Ltd.	265,910	53,892
	Ennoconn (Suzhou) Technology Co., Ltd.	17,058	19,638
	Taiwan Applied Module Corporation	79,873	71,086
	Others	3,760	72,689
	Associates:		
	Hon Hai Precision Industry Co., Ltd.	1,558	1,082
	Others	-	5,035
		$ 769,275	470,227

Guarantees from outstanding accounts receivable of related parties are not collected. No loss allowance was set aside for receivable from related parties for the year ended Dec. 31, 2022 and 2021.

4. Accounts payable to related parties (excluding loans to related parties)

Details of the Company's payables to related parties are as follows:

Accounts Item	Category of related party/Name		2022.12.31	2021.12.31
Accounts payable	Subsidiary:			
	Victor Plus Holdings Ltd.	$	147,778	121,154
	Others		13,289	1,564
	Associates:			
	Others		4,872	38,970
Expenses payable (classified under other accounts payable)	Subsidiary:			
	Victor Plus Holdings Ltd.		22,775	-
	Others		5,433	16,380
	Associates:		-	-
	Others		1,198	8,965
		$	195,345	187,033

The balance of the outstanding payables to related parties is not guaranteed and will be settled in cash.

5. Other related party transactions

Accounts Item	Category of related party/Name		2022.12.31	2021.12.31
Manufacturing expenses	Subsidiary	$	7,939	37,198
	Associates		-	20,100
Operating expenses	Subsidiary:			
	Victor Plus Holdings Ltd.		8,993	-
	Vecow Co., Ltd.		8,268	-
	KONTRON AG		5,554	-
	Others		974	1,285
	Associates:			
	Others		1,263	12,512
		$	32,991	71,095

6. Endorsements/guarantees

Category of related party/Name	**2022**	**2021**
Ennoconn Hungary kft	$ 2,149,700	-
Ennoconn International Investment Co., Ltd.	1,000,000	1,000,000
Dexatek Technology Ltd.	160,000	160,000
Thecus Technology Corp.	100,000	100,000
HighAim Technology Inc.	552,780	664,320
Highaim Technology Inc.	46,065	41,520
POSLAB TECHNOLOGY CORPORATION	50,000	-
Innovative Systems Integration Limited	-	830,400
	$ 4,058,545	**2,796,240**

7. Loans to related parties

The Company's actual expenses for loans to related parties is as follows:

Category of related party/Name	**2022.12.31**	**2021.12.31**
Subsidiary:		
Ennoconn (Suzhou) Technology Co., Ltd.	$ 184,260	-
Ennoconn Hungary Kft	399,230	-
	$ 583,490	**-**

The Company's loans to related parties accrue interest at the average interest rate of the Company's short-term borrowings from financial institutions in the current year. The loans to related parties are unsecured. There are no provisions for impairment loss required after management's assessment.

8. Acquisition of financial assets

The Company issues new shares for the equity of transferred company AIS Cayman Technology, the transaction partners are shareholders of AIS Cayman, including related parties, non-related parties, of which related parties could exchange the Company's shares, calculated on the base date of share exchange (Jan.21, 2021), at an amount of NT$279 million.

(c) Transactions with major managers

Remuneration for major managers include:

	2022	**2021**
Short-term employee benefits	$ 29,249	15,278
Post-employment benefits	193	108
	$ 29,442	**15,386**

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

VIII. Pledged Assets

The carrying value of the assets pledged as collateral by the Company was as follows:

Name of asset	Subject of pledge guarantee	2022.12.31	2021.12.31
Financial assets as measured at amortized cost	Tariff guarantee	$ 4,255	4,225

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments: None.

X. Losses due to Major Disasters: None.

XI. Significant Events after Balance Sheet Date

On March 24, 2023, the Company's subsidiary -Vecow Co., Ltd. subscribed new shares issued by Array Networks (-KY,3664), at NT$12.84 per shares, a total of around 6,000 thousand shares and NT$77,040 thousand, held around 10.32% of shares.

XII. Others

(a) Summary of employee benefits, depreciation, and amortization expenses by function for the current period:

By function / By nature	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Wages and salaries	-	348,497	348,497	17,231	208,694	225,925
Labor Insurance and National Health Insurance expenses	-	16,820	16,820	1,377	13,919	15,296
Pension costs	-	8,889	8,889	720	7,403	8,123
Director compensation	-	5,325	5,325	-	5,195	5,195
Other Employee Benefit Expenses	-	13,252	13,252	1,083	9,048	10,131
Depreciation expenses	3,272	7,884	11,156	5,854	8,016	13,870
Amortization expenses	-	4,035	4,035	28	3,372	3,400

Additional information about number of employees and employee benefit expenses in 2022 and 2021.

	2022	2021
Numbers of Employees	198	183
Directors who did not concurrently serve as employees	5	5
Average employee benefits expense	$ 2,008	1,458
Average employee salary expense	$ 1,806	1,269
Adjustment to average employee salary expense	42.32%	30.02%
Supervisor remuneration	$ -	-

The Company's salary and remuneration policies (including directors, supervisors, managers and employees) are as follows:

The Company's salary policy aims to institutionalize the Company's salary. These salary measure is hereby formulated as the basis. The salary of all colleagues employed by the Company shall be determined according to their educational background, experience, skills, potential and the function of the position. By the end of the year, if there is profit, employee compensation will be provided in accordance with the Articles of Incorporation. The remuneration received by the Directors of the Company is determined in accordance with the Articles of Incorporation. The Board of Directors drafts and reports the proposal for the distribution of the remuneration to the shareholders' meeting. The salary remuneration of directors and managerial officers shall be distributed after being deliberated by the Remuneration Committee and resolved by the Board of Directors. The remuneration for managerial officers of the Company is mainly divided into salary, bonus, and employee compensation. Salary and bonus are deliberated by the Remuneration Committee and then resolved by the Board of Directors. Employee compensation is based on the Company's operating conditions and the allocation proportion stipulated in the Company's Articles of Incorporation, which shall be reported to the shareholders' meeting after the resolution of the Board of Directors. The remuneration evaluation items for the Company's directors and managerial officers include the target achievement rate, the Company's profit margin, contribution, and important aspects such as whether a moral hazard event has occurred.

(b) Seasonality of operation:

The Company's operation is not subject to seasonal or periodical fluctuations.

XIII. Supplementary Disclosures

(a) Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company shall re disclose the following information on major transactions in the year of 2022:

1. Loans to others: Please refer to Table 1.
2. Provision of endorsements and guarantees to others: Please refer to Table 2.
3. Holding of marketable securities at the end of the period (excluding equity of subsidiaries, associates and joint ventures): Please refer to Table 3.
4. Acquisition or sale of the same security with the accumulated cost reaching NT$300 million or 20% of paid-in capital or more: Please refer to Table 4.
5. Acquisition of property reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of property 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: Please refer to Table 5.

8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Table 6.
9. Engagement in derivative transactions: None.

(b) Re-investment information (excluding investees in Mainland China): Please refer to Table 7.

(c) Information on investments in mainland China: None.

1. Name, major businesses and related information about investees in Mainland China: please refer to Table 8(1).
2. Investment limit in Mainland China: please refer to Table 8(2).
3. Major transactions with investees in mainland China:

Please refer to the explanation of the “Information on Significant Transactions” in the consolidated financial statement for the significant or indirect transactions between the Company and the investees in mainland China in 2022 (already write-off during the preparation of the consolidated report).

(d) Information on Major Shareholders:

Shares / Name of Major Shareholder	Shares Held	Shareholding ratio
Baoxin International Investments Ltd.	33,178,179	31.28%

Note: (1) The information of main shareholder in this table is calculated by the TDCC on the last business day at the end of each quarter. The total number of common shares and special shares held by the shareholders who have completed the delivery of the company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company’s financial report and the number of shares actually delivered by the company without physical registration may be different due to the calculation basis.

(2) If the information above belongs to the trust on behalf of the shareholders, it is disclosed by the individual and trustor who opened the trust account by the trustee. As for shareholders to declare shares who hold more than 10% of their shares in accordance with the Securities and Exchange Act, its shareholding includes personal holding of shares plus the shares delivered to the trust with decision right and others. Please refer to the Public Information Observatory for information on insider shareholding declarations.

XIV. Department Information

The consolidated financial statement for the year ended December 31, 2022.

Ennoconn Technology Co., Ltd.

Statement of Cash and Cash Equivalents

As of December 31, 2022 **Unit: NT$ thousand**

Item	Summary (Exchange Rate)		Original Currency	Amount
Petty cash	NTD	-	$ -	190
Cash	USD	(30.71)	0.92	28
	EUR	(32.72)	4.81	157
	CNY	(4.41)	5.48	24
	HKD	(3.95)	0.02	1
	CAD	(22.67)	0.75	17
	GBP	(37.09)	1.05	39
Demand deposits	NTD	-	-	91,222
Foreign currency deposits	USD	(30.71)	8,808.93	270,491
	JPY	(0.23)	330.75	77
	GBP	(37.09)	2.06	76
Time deposits	USD	(30.71)	8,500.00	261,035
Check deposit			-	1
				$ 623,358

Ennoconn Technology Co., Ltd.

Statement of Financial Assets Measured at Amortized Cost - Current

As of December 31, 2022 **Unit: NT$ thousand**

Insitutions	Summary	Amount
First Bank Zhonghe Branch	Fixed deposit	$ 4,255

Ennoconn Technology Co., Ltd.

Statement of Accounts Receivable

As of December 31, 2022 **Unit: NT$ thousand**

Name of clients	Summary	Amount
Non-related party		
Company A	Operation	$ 495,253
Company B	Operation	220,301
Other (less than 5% of the balance in this account)	Operation	202,516
Subtotal		918,070
Less: Allowance for loss		(62,638)
Total		**$ 855,432**
Related party		
American Industrial Systems, Inc.	Operation	$ 171,087
ENNOCONN HUNGARY KFT.	Operation	139,285
Kontron Europe GmbH	Operation	47,464
Other (less than 5% of the balance in this account)	Operation	38,856
		$ 396,692

Ennoconn Technology Co., Ltd.

Statement of Inventories

As of December 31, 2022 **Unit: NT$ thousand**

Item	Amount	
	Cost	Net realized value
Merchandise inventory	$ 11	-
Finished products	82,059	72,892
Semi-finished products	84,773	81,288
Raw materials	618,202	568,566
Work in progress	61,905	61,905
Stock in transit	116	116
Less: Allowance for price decline	(62,299)	-
Total	**$ 784,767**	**784,767**

Ennoconn Technology Co., Ltd.

Investment change based on equity method

As of December 31, 2022

Unit: NT$ thousand

Name	Beginning Balance		Increase for the current period		Decrease for the current period		Investment (loss) income	Conversion adjustment	Recognized as other comprehensive income and loss	Other (Note 1)	Ending Balance				
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Amount	Amount	Share amount	Amount	Number of shares (thousand shares)	Shareholding ratio	Amount	Net equity value	Conditions of Guarantee or Pledge Provided
Non-TWSE/TPEx-Listed Companies															
Innovative Systems Integration Limited	518,217	$ 2,119,539	-	-	-	-	(112,207)	47,426	-	(1,672)	518,217	100.00%	2,053,086	2,053,086	None
Ennoconn International Investment Co., Ltd.	711,735	8,332,639	100,000	1,000,000	-	-	1,205,615	88,815	29,005	(743,101)	811,735	100.00%	9,912,973	9,912,973	None
Caswell Inc.	20,000	1,081,045	-	-	-	-	98,022	2,908	-	(40,005)	20,000	27.33%	1,141,970	3,339,916	None
HIGHAIM TECHNOLOGY INC. TAIWAN BRANCH (SAMOA))	239,360	7,738,960	70,150	2,102,589	-	-	2,058,909	683,541	27,361	(50,930)	309,510	100.00%	12,560,430	12,606,405	None
AIS Cayman Technology Group	4,028	280,666	-	-	-	-	85,574	20,366	-	-	4,028	37.64%	386,606	1,026,993	None
		$ 19,552,849		3,102,589		-	3,335,913	843,056	56,366	(835,708)			26,055,065	28,939,373	

Note 1: Received cash dividends of (NT$809,755) thousand, adjusted equity net worth of NT$14,180 thousand, and unrealized sales gross profit of NT$40,133 thousand.

Ennoconn Technology Co., Ltd.

Statement of Short-term Borrowings

As of December 31, 2022

Unit: NT$ thousand

Type of loans	Description	Ending Balance	Term of the agreement	Interest rate range	Unused quota	Collaterals or guarantees
Credit loan	First Bank Zhonghe Branch	$ 570,000	2022/12/30-2023/12/29	1.93%-1.95%	430,000	None
Credit loan	Bank SinoPac	-	2022/09/23-2023/09/30		1,000,000	None
Credit loan	Land Bank of Taiwan	-	2022/10/27-2023/04/27		600,000	None
Credit loan	E. Sun Bank Liancheng Branch	-	2022/06/20-2023/06/20		1,000,000	None
Credit loan	Taishin International Bank	660,000	2022/08/31-2023/07/31	1.85%-1.98%	140,000	None
Credit loan	Far Eastern International Bank	600,000	2022/06/17-2023/06/17	2.20%	200,000	None
Credit loan	Cathay United Bank	800,000	2022/11/17-2023/11/16	1.70%	-	None
Credit loan	Mega International Commercial Bank	400,000	2022/01/03-2023/11/02	1.80%	400,000	None
Credit loan	KGI Commercial Bank	-	2021/01/28-2023/01/28		1,500,000	None
Credit loan	Citibank Taiwan	-	No limit		767,750	None
Credit loan	CTBC Bank	800,000	2022/01/31-2023/01/31	1.67%-1.78%	-	None
Credit loan	Sumitomo Mitsui Bank	1,365,000	2022/03/04-2023/03/04	1.67%-1.98%	170,500	None
Credit loan	DBS Bank	-	2022/06/13-2023/06/13		1,000,000	
		$ 5,195,000			7,208,250	

Ennoconn Technology Co., Ltd.

Statement of Accounts Payable

As of December 31, 2022 **Unit: NT$ thousand**

Name of clients	Summary	Amount
Non-related party		
Company A	Loan	$ 139,424
Company B	Loan	64,182
Company C	Loan	60,769
Company D	Loan	30,571
Other (less than 5% of the balance in this account)	Loan	220,930
Total		**$ 515,876**
Related party		
HighAim Technology Inc.	Loan	$ 8,553
Victor Plus Holdings Ltd.	Loan	147,778
Other (less than 5% of the balance in this account)	Loan	9,608
		$ 165,939

Ennoconn Technology Co., Ltd.

Statement of Trade Payable

As of December 31, 2022

Unit: NT$ thousand

Bond name	Trustee	Date of issuance	Interest rate	Amount: Issued amount	Amount: Repaid amount	Amount: Ending Balance	Amount: Unamortized discount	Amount: Book value	Repayment method	Status of collateral
3rd domestic unsecured convertible bonds in 2019	Yuanta Securities	2019.02.26	- %	$ 6,000,000	364,900	5,635,100	74,322	5,560,778	Note 6(12)	None
4th domestic unsecured convertible bonds in 2021	Bank SinoPac	2021.11.16	- %	1,000,000	-	1,000,000	37,796	962,204	Note 6(12)	None
First unsecured privately placed convertible bonds in 2021		2021.09.02	- %	1,500,000	-	1,500,000	26,087	1,473,913	Note 6(12)	None
				$ 8,500,000	**364,900**	**8,135,100**	**138,205**	**7,996,895**		

Ennoconn Technology Co., Ltd.

Statement of Operating Revenue

For the Year Ended December 31, 2022

Unit: NT$ thousand

Item	Amount
Motherboard	$ 5,571,819
Repairs and maintenance	810
Operating return and allowance	(267,699)
	$ 5,304,930

Ennoconn Technology Co., Ltd.

Statement of Operating Cost

For the Year Ended December 31, 2022 **Unit: NT$ thousand**

Item	Amount
Raw materials, beginning	$ 405,172
Materials purchased in the period	1,678,208
Transferred costs and others	(28,338)
Raw materials, ending (including inventory in transit)	(618,318)
Materials consumed in the period	1,436,724
Manufacturing expenses	299,704
Manufacturing cost	1,736,428
Work in progress, beginning	61,433
Work in progress, ending	(61,905)
Manufacturing cost of finished goods	1,735,956
Semi-finished goods, beginning	66,422
Semi-finished goods purchased in the period	1,166,718
Transferred costs and others	(8,627)
Semi-finished goods, ending	(84,773)
Cost of semi-finished goods and finished goods	2,875,696
Finished goods, beginning	43,753
Finished goods purchased in the period	1,724,186
Transferred costs and others	(3,758)
Finished goods, ending	(82,059)
Cost of finished goods sold	4,557,818
Merchandise cost	
Inventory, beginning	11
Inventory, ending	(11)
Gains on price recovery of inventory	(56,647)
Loss on inventory scrap	17,377
Operating costs	4,518,548
Operating costs in this period	**$ 4,518,548**

Ennoconn Technology Co., Ltd.

Statement of Operating Expense

For the Year Ended December 31, 2022 **Unit: NT$ thousand**

Item	Selling Expenses	Management fee	Research and development expense	Expected credit losses
Salary and bonus	$ 62,945	185,005	105,278	-
Expected credit losses	-	-	-	1,034
Insurance expense	3,107	8,547	5,167	-
Other professional services	-	-	66,650	-
Testing fees	5,379	-	-	-
Miscellaneous purchases	-	11,759	-	-
CPA auditing fees	-	13,039	-	-
Other (Note)	38,598	36,130	14,245	-
Total	**$ 110,029**	**254,480**	**191,340**	**1,034**

Note: the amount of each item does not exceed 5% of the balance of this account.