Stock code: 6414

Ennoconn Technology Co., Ltd. And Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

2022 and 2021

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Declaration

The entities of the Company that are required to be included in the combined financial statements for the year of 2022 (from January 1, 2021 to December 30, 2021) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements of associates is included in the consolidated financial statements. Consequently, we do not prepare a separate set of consolidated financial statements of associates.

Hereby certify

Company Name: Ennoconn Corporation

Chairman: Chu, Fu-Chuan

Date: March 30, 2023

CPA Report

To the Board of Directors of Ennoconn Corporation:

Auditor's Opinion

We have audited the accompanying consolidated balance sheets of Ennoconn Technology Co., Ltd. and Subsidiaries (the "Group") as of December 31, 2022 and 2021, and the related consolidated statements of income, changes in equity, and cash flows for the years ended December 31, 2022 and 2021, and the related consolidated notes to the financial statements, which include a summary of significant accounting policies.

Based on the audit results and the audit report of other accountants (please refer to Other Matters), we have concluded that the consolidated financial statements have been compiled based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and their preparation recognized and put in effect by the Financial Supervisory Committee. The report adequately presents the consolidated financial position of Ennoconn Technology Co., Ltd. and Subsidiaries up to December 31 of 2022 and 2021, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31 of 2022 and 2021.

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 will be further explained in the section of "CPA's Responsibility for Auditing Individual Financial Statements." The independently regulated personnel of our firm has also maintained its independence with Ennoconn Technology Co., Ltd. and Subsidiaries 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 consolidated financial statements from Ennoconn Technology Co., Ltd. in 2022 based on our professional judgment. These items have been covered in the verification process of the overall consolidated financial statements and the audit opinion. Hence, the CPA shall not express a separate opinion on these items. The key audit items that, in our judgment, should be communicated on the audit report are as follows:

I Impairment of Goodwill

Please refer to Note 4 (15) to the financial statements for the accounting policy on impairment of goodwill. Please refer to Note 5 (3) to the consolidated financial statements for details of the accounting estimates and assumption uncertainties of goodwill. Please refer to Note 6(11), Intangible Assets, to the consolidated financial statements for the disclosure of goodwill.

Key Audit Matters Explanation:

Ennoconn Technology Co., Ltd. and Subsidiaries have increased their marketing presence and product lines through reinvestment, resulting in goodwill on consolidation. The management conducted impairment testing in accordance with IAS 36, "Impairment of Assets". The goodwill mainly originated from major mergers and acquisitions of domestic and foreign listed companies, and the fair value less costs to sell was used as the recoverable amount. Because of the significant impact of the impairment assessment on the financial statements and the high degree of uncertainty involved in management's measurement calculations, the impairment assessment of goodwill is a matter of great concern to us in performing our audits of the financial statements.

In response to the verification process:

Our audit procedures for the above critical review items included understanding the design and implementation of management's internal control, reviewing and verifying the correctness of the recoverable amount and the carrying amount, and performing a sensitivity analysis to evaluate the reasonableness of the impairment assessment of goodwill.

Other Matters

The financial statements of some of the subsidiaries included in the consolidated financial statements of Ennoconn Technology Co., Ltd. and Subsidiaries for the year ended December 31, 2021 were not audited by us but by other auditors. Therefore, our opinion on the parts in relation to the amounts specified for the three months ended December 31, 2021 consolidated financial statements of such company one based on the review reports of other auditors. As of December 31, 2021, the total assets of these subsidiaries amounted to NT$42,046,974 thousand, accounting for 41.79% of the consolidated total assets. The net operating revenues from January 1, 2021 to December 31, 2021 amounted to NT$43,810,897 thousand, accounting for 45.37% of the consolidated net operating revenues.

Ennoconn Technology Co., Ltd. and Subsidiaries has prepared the individual financial statements for the years of 2022 and 2021, and the audited reports issued by this accountant and other accountants with unqualified opinions and other items are on file for reference.

Responsibility of Management and Governing Bodies for the Consolidated Financial Statements

The responsibility of management is to prepare consolidated financial statements that are fairly stated in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations and Interpretations issued by the Financial Supervisory Commission, and to maintain such internal control relevant to the preparation of consolidated financial statements as is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing for the individual financial statements, it is also management's responsibility to assess Ennoconn Technology Co., Ltd. and Subsidiaries'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 Technology Co., Ltd. and Subsidiaries, or there is no practicable measure other than liquidation or termination of the business.

The governing bodies of Ennoconn Technology Co., Ltd. and Subsidiaries (including audit committee) have the responsibility of overseeing financial reporting procedures.

CPA's Responsibility for Auditing Individual Financial Statements

The purpose of our audit of the consolidated financial statements is to attain reasonable assurance as to whether the consolidated 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 consolidated financial statement. Misstatements may be attributable to fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated 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. Identify and assess the risks of material misrepresentation in the consolidated financial statements due to fraud or error, design and implement proper countermeasures for the assessed risks, and attain sufficient and appropriate audit evidence as to the basis of audit opinions. 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 Technology Co., Ltd. and Subsidiaries.
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 Technology Co., Ltd. And Subsidiaries's ability to Subsidiary continue as a going concern. If we believe that there is a material uncertainty in such events or circumstances, we shall remind the users of consolidated financial statements to pay attention to the relevant disclosure of the consolidated financial statements in the audit report. Or we shall amend the audit opinion when such disclosure is inadequate. 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. and Subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statement, including the related notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statement. We are responsible for direction, supervision and implementation of the audit, as well as forming Group an audit opinion on the Group.

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. and Subsidiaries. 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. and Subsidiaries

Consolidated Balance Sheets

For the year ended December 31, 2022 and 2021

Unit: NT$1,000

Code	Assets	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1) and (24))	$ 25,963,256	22	17,522,321	17
1110	Financial assets measured at fair value through profit and loss - current (Note 6 (24))	103,087	-	189,816	-
1136	Financial assets measured at amortized cost - current (Note 6 (24))	23,655	-	864,112	1
1140	Contract assets - current (Notes 6 (21) and (24))	10,834,081	9	9,538,944	10
1150	Notes receivable, net (Notes 6(2), (21), and (24))	42,133	-	60,171	-
1170	Accounts receivable, net (Notes 6 (2), (21), and (24) and 7)	17,111,050	14	16,550,819	16
1180	Accounts receivable - related parties, net (Notes 6(2), (21), (24), and 7)	279,448	-	769,363	1
130X	Inventories (Note 6 (3))	21,987,870	19	15,971,415	16
1460	Other non-current assets (Notes 6 (4))	206,496	-	-	-
1470	Other current assets (Note 6 (12))	9,540,219	8	4,917,814	5
	Total Current Assets	86,091,295	72	66,384,775	66
	Non-Current Assets:				
1510	Financial assets measured at fair value through profit and loss - Non current (Note 6 (24))	1,046,133	1	984,540	1
1517	Financial assets measured at fair value through other comprehensive income - non current (Note 6 (24))	1,031,281	1	926,755	1
1550	Investments accounted for using equity method (Note 6(5))	553,155	-	128,693	-
1600	Property, plant, and equipment (Note 6 (10))	6,209,063	5	6,697,993	7
1760	Investment properties, net	51,099	-	51,656	-
1755	Right-of-use assets	3,263,759	3	2,977,436	3
1805	Goodwill (Note 6 (11))	13,300,272	11	13,285,999	13
1821	Other intangible assets (Note 6 (11))	5,174,060	5	6,374,149	6
1840	Deferred tax assets (Note 6 (17))	1,406,488	1	1,564,709	2
1960	Advance payment for investment (Note 6 (12))	22,944	-	27,680	-
1990	Other Non current assets (Note 6 (12))	1,015,264	1	1,221,508	1
	Total Non-current Assets	33,073,518	28	34,241,118	34
	Total Assets	**$ 119,164,813**	**100**	**100,625,893**	**100**

Code	Liabilities and Equity	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current Liabilities				
2100	Short-term loans (Notes 6 (13) and (24))	$ 15,115,437	13	9,476,954	9
2120	Financial liabilities measured at fair value through profit and loss - current (Note 6 (24))	215	-	713	-
2130	Contract liabilities - current (Notes 6 (21) and (24))	9,508,609	8	7,151,404	7
2150	Notes payable (Note 6 (24))	2,159,990	2	1,721,962	2
2160	Notes payable - related parties (Notes 6 (24) and 7)	7,487	-	15,218	-
2170	Accounts payable (Note 6 (24))	19,229,648	16	18,718,569	19
2180	Accounts payable - related parties (Notes 6 (24) and 7)	151,330	-	709,342	1
2200	Other payables - related parties (Notes 6 (24) and 7)	5,210,456	4	5,181,431	5
2230	Current income tax liabilities	963,755	-	454,685	-
2250	Provisions for liabilities - current	887,944	1	992,243	1
2260	Liabilities directly related to non-current assets held for sale (Notes 6 (4))	155,725	-	-	-
2280	Lease liabilities - current (Note 6 (24))	1,073,368	1	974,736	1
2321	Corporate bonds matured or exercised redemption rights within one year or one operating cycle (Notes 6 (15) and (24))	812,275	1	1,137,035	1
2322	Long-term loans matured within one year or one operating cycle (Notes 6 (14) and (24))	1,369,006	1	11,926	-
2399	Other current liabilities	954,521	1	768,632	1
	Total Current Liabilities	57,599,766	48	47,314,850	47
	Non-current Liabilities:				
2500	Financial liabilities measured at fair value through profit and loss - Non current (Note 6 (24))	1,423	-	-	-
2530	Corporate bonds payable (Notes 6 (15) and (24))	7,996,895	7	8,967,735	9
2540	Long-term borrowings (Notes 6 (14) and (24))	6,713,309	6	7,833,098	8
2550	Provisions for liabilities - non-current	433,136	-	485,942	-
2570	Deferred tax liabilities (Note 6 (17))	381,031	1	535,929	1
2580	Lease liabilities - Non current (Note 6 (24))	2,591,985	2	2,485,942	2
2640	Net defined benefit liabilities - non-current (Note 6(16))	373,121	-	475,690	1
2670	Other non-current liabilities	362,757	-	1,156,520	1
	Total Non-current Liabilities	18,853,657	16	21,940,856	22
	Total Liabilities	76,453,423	64	69,255,706	69
	Equity attributable to owners of parent (Notes 6(18) and (19)):				
3110	Share capital	1,060,370	1	1,018,120	1
3200	Capital surplus	9,285,324	8	8,865,780	9
	Retained earnings:				
3310	Legal reserve	812,521	1	754,561	1
3320	Special reserve	1,768,490	1	1,010,924	1
3350	Unappropriated earnings	3,513,463	3	1,157,171	1
	Total retained earnings	6,094,474	5	2,922,656	3
3400	Other equity	(905,934)	(1)	(1,768,490)	(2)
3500	Treasury stock	-	-	(233,608)	-
	Total equity attributable to owners of parent	15,534,234	13	10,804,458	11
36XX	Non-controlling equity (Note 6(9)	27,177,156	23	20,565,729	20
	Total Equity	42,711,390	36	31,370,187	31
	Total Liabilities and Equity	**$ 119,164,813**	**100**	**100,625,893**	**100**

(Please refer to Notes to the Consolidated Financial Statements)

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

Ennoconn Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the year ended December 31, 2022 and 2021

Unit: NT$1,000

		2022		2021	
		Amount	%	Amount	%
4100	**Sales revenue, net (Notes 6 (21) and 7)**	$ 108,228,533	100	85,367,035	100
5000	**Operating costs (Notes 6(3), (10), (11), (16), (22) and 7)**	88,617,581	82	68,322,139	80
5900	**Gross profit**	19,610,952	18	17,044,896	20
	Operating expenses (Notes 6(2), (10), (11), (16) and (22)):				
6100	Selling Expenses	2,838,188	3	2,791,233	3
6200	General and administrative expenses	5,436,466	5	4,396,840	5
6300	Research and development expense	7,975,853	7	7,397,394	9
6450	Expected credit losses	277,381	-	45,097	-
	Total operating expenses	16,527,888	15	14,630,564	17
6900	**Net operating profit**	3,083,064	3	2,414,332	3
	Non-operating income and expenses (Note 6 (5), (8) and (23)):				
7100	Interest income	99,940	-	47,927	-
7190	Other income	48,866	-	28,928	-
7020	Other gains and losses	1,044,039	1	1,560,468	2
7050	Financial costs	(617,750)	(1)	(510,797)	(1)
7060	Share of profit or loss of associates accounted for using the equity method	51,115	-	(6,529)	-
	Total non-operating income and expenses	626,210	-	1,119,997	1
	Net profit before tax	3,709,274	3	3,534,329	4
7950	**Less: Income tax expense (Note 6 (17))**	1,325,888	1	787,453	1
8000	**Net profit for continuing operations**	2,383,386	2	2,746,876	3
8100	**Gain or loss on discontinued operations (Note 12 (2))**	7,824,229	7	605,248	1
8200	**Net income for period**	10,207,615	9	3,352,124	4
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified to profit or loss**				
8311	Remeasurement of defined benefit plans	134,396	-	15,552	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	9,741	-	(21,044)	-
8320	Share of other comprehensive income of associates accounted for using the equity method	790	-	-	-
8349	Less: Income tax relating to items that will not be reclassified to profit or loss	11,668	-	3,894	-
	Total of components of other comprehensive income that will not be reclassified to profit or loss	133,259	-	(9,386)	-
8360	**Components of other comprehensive income that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	1,639,822	2	(2,274,474)	(3)
8370	Share of other comprehensive income of associates accounted for using the equity method	1,322	-	(9,751)	-
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	1,641,144	2	(2,284,225)	(3)
8300	**Other comprehensive income for period**	1,774,403	2	(2,293,611)	(3)
	Total comprehensive income for period	$ 11,982,018	11	1,058,513	1
	Net income attributable to:				
	Owners of parent	$ 3,452,916	3	1,334,944	2
	Non-controlling interests	6,754,699	6	2,017,180	2
		$ 10,207,615	9	3,352,124	4
	Total comprehensive income attributable to:				
	Owners of parent	$ 4,352,485	4	582,025	1
	Non-controlling interests	7,629,533	7	476,488	-
		$ 11,982,018	11	1,058,513	1
9750	**Basic earnings per share (Unit: NT$) (Note 6 (20))**	$	32.60		13.91
9850	**Diluted earnings per share (Unit: NT$) (Note 6 (20))**	$	24.32		11.05

(Please refer to Notes to the Consolidated Financial Statements)

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

Ennoconn Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the year ended December 31, 2022 and 2021

Unit: NT$1,000

	Equity attributable to owners of parent												
			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 attributable to owners of parent	Non-controlling interests	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	21,251,225	30,439,909
Net income for period	-	-	-	-	1,334,944	1,334,944	-	-	-	-	1,334,944	2,017,180	3,352,124
Other comprehensive income for period	-	-	-	-	4,647	4,647	(739,065)	(18,501)	(757,566)	-	(752,919)	(1,540,692)	(2,293,611)
Total comprehensive income for period	-	-	-	-	1,339,591	1,339,591	(739,065)	(18,501)	(757,566)	-	582,025	476,488	1,058,513
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)	-	(480,785)
Convertible corporate bonds converted to ordinary shares	-	84,825	-	-	-	-	-	-	-	-	84,825	-	84,825
Employee stock option costs	-	15,345	-	-	-	-	-	-	-	-	15,345	-	15,345
Capital increase by cash	50,000	925,000	-	-	-	-	-	-	-	-	975,000	-	975,000
Changes in ownership interests in subsidiaries	-	215,750	-	-	-	-	-	-	-	-	215,750	(215,750)	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,064,739)	(1,064,739)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	342,119	342,119
Issuance of new shares for other company's shares	35,400	886,770	-	-	(698,556)	(698,556)	-	-	-	-	223,614	(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	20,565,729	31,370,187
Net income for period	-	-	-	-	3,452,916	3,452,916	-	-	-	-	3,452,916	6,754,699	10,207,615
Other comprehensive income for period	-	-	-	-	37,013	37,013	843,056	19,500	862,556	-	899,569	874,834	1,774,403
Total comprehensive income for period	-	-	-	-	3,489,929	3,489,929	843,056	19,500	862,556	-	4,352,485	7,629,533	11,982,018
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)	-	(742,259)
Capital increase by cash	48,800	1,056,570	-	-	-	-	-	-	-	-	1,105,370	-	1,105,370
Cancellation of treasury stock	(6,550)	(227,058)	-	-	-	-	-	-	-	233,608	-	-	-
Change in associates accounted for using the equity method	-	472	-	-	-	-	-	-	-	-	472	-	472
Changes in ownership interests in subsidiaries	-	13,708	-	-	-	-	-	-	-	-	13,708	(13,708)	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,179,005)	(1,179,005)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	174,607	174,607
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	27,177,156	42,711,390

(Please refer to Notes to the Consolidated Financial Statements)

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

Ennoconn Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the year ended December 31, 2022 and 2021

Unit: NT$1,000

	2022	2021
Cash flows of operating activities:		
Cash flows of continuing operations	$ 3,709,274	3,534,329
Unit Net income before tax of discontinued operations	8,173,256	714,924
Net profit before income tax for the period	11,882,530	4,249,253
Adjustments:		
Adjustments for:		
Depreciation expenses	1,740,192	1,774,142
Amortization expenses	2,173,947	1,402,723
Expected credit losses	277,381	81,984
Net losses (gains) from financial assets and liabilities at fair value through profit or loss	135,296	(446,577)
Interest expenses	662,604	546,034
Interest income	(104,472)	(54,176)
Dividend income	(16,437)	(10,038)
Share-based payment compensation	133	23,813
Share of (profits) losses of associates accounted for using the equity method	(51,115)	6,529
Loss (Gains) on disposal of property, plant, and equipment	19,734	(77,323)
Loss (Gains) on disposal of investments	27,196	(104,364)
Gains on lease modification	(1,950)	(1,680)
Inventory losses from market declines	328,975	6,341
Impairments of non-financial assets	12,509	47,309
Bond recovery loss	-	2,189
Losses on inventory scrap	206,064	51,150
Disposal of discontinued units interests	(7,504,112)	-
Total adjustments to reconcile profit (loss)	(2,094,055)	3,248,056
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	-	(934,076)
Contract assets	(1,264,546)	(3,407,483)
Notes and accounts receivable	837,828	(2,424,943)
Inventories	(6,740,764)	(3,192,577)
Other current assets	(4,753,079)	(531,925)
Contract liabilities	2,338,691	1,200,471
Notes payable (including related parties)	430,297	578,930
Accounts payable (including related parties)	664,271	4,227,903
Other payables	307,483	(77,962)
Provisions for liabilities	(173,896)	(540,157)
Other current liabilities	233,104	415,399
Other liabilities	(773,392)	304,195
Total adjustments	(10,988,058)	(1,134,169)
Cash inflow generated from operations	894,472	3,115,084
Interest received	104,472	54,176
Dividends received	16,437	10,038
Interest paid	(573,993)	(517,065)
Income taxes paid	(1,180,866)	(1,017,191)
Net cash (outflow) inflow from operating activities	(739,478)	1,645,042

(Please refer to Notes to the Consolidated Financial Statements)

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

Ennoconn Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the year ended December 31, 2022 and 2021

Unit: NT$1,000

		2022	2021
Cash flows of investing activities:			
Acquisition of financial assets measured at fair value through other comprehensive income	$	(77,327)	(313,467)
Financial assets measured at amortized cost decrease (increase)		840,457	1,438,255
Acquisition of financial assets at fair value through profit or loss designated on initial recognition		(130,302)	-
Return of capital from financial assets at FVTPL		19,699	-
Acquisition of investments accounted for using the equity method		(319,463)	-
Disposal of investments accounted for using the equity method		30,877	362,898
Acquisition of subsidiaries (after deduction of cash obtained)		(358,998)	(128,032)
Disposal of subsidiaries		23,985	(65,402)
Acquisition of property, plant, and equipment		(1,022,623)	(1,785,970)
Proceeds from disposal of property, plant, and equipment		165,176	216,898
Decrease (Increase) in refundable deposits		-	52,628
Acquisition of intangible assets		(986,061)	(977,634)
Proceeds from disposal of intangible assets		-	17,204
Decrease in other financial assets		204,775	68,661
Cash and cash equivalents of non-current assets classified as held for sale		45,603	-
Disposal of discontinued units		6,143,064	-
Net cash inflow (outflow) from investment activities		4,578,862	(1,113,961)
Cash flows of financing activities:			
Increase in short-term loans		5,729,937	631,150
Proceeds from issuance of convertible corporate bonds		-	2,501,356
Repayments of corporate bonds payable		(1,139,508)	(205,283)
Proceeds from long-term loans		41,584	-
Repayments of long-term loans		(18,803)	(241,979)
Repayments of lease principal		(771,460)	(657,387)
Distribution of cash dividends		(742,259)	(480,785)
Capital increase by cash		1,105,370	975,000
Cash dividends paid to non-controlling interests		(1,179,005)	(1,064,739)
Change in non-controlling interests		10,754	566,383
Net cash flows generated from financing activities		3,036,610	2,023,716
Effect of exchange rate changes on cash and cash equivalents		1,564,941	(988,828)
Increase in cash and cash equivalents of the period		8,440,935	1,565,969
Cash and cash equivalents at the beginning of the period		17,522,321	15,956,352
Cash and cash equivalents at the end of the period	$	25,963,256	17,522,321

(Please refer to Notes to the Consolidated Financial Statements)

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

Ennoconn Technology Co., Ltd. And Subsidiaries
Notes to Consolidated 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. The registered place of business operations of the Company is 3–6F, No. 10, Jiangkang Rd., Zhonghe Dist., New Taipei City. The Company and its subsidiaries ("the Consolidated Company") mainly engage in data storage, processing equipment, and manufacturing and sales of industrial motherboards.

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 consolidated 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 Consolidated Company adopts the amendments to the International Financial Reporting Standards (IFRS) from January 1, 2022, which did not result in significant change on the consolidated financial reports.

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous 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 Consolidated Company has assessed the application of the following newly revised IFRSs effective from January 1, 2023, and it would not have a significant impact on the consolidated financial statements.

- 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

The Consolidated Company expects that the following newly issued and amended standards but not yet endorsed, which does not result in significant changes on the consolidated 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 “the classification of liabilities as current or non-current
- 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 consolidated financial statements are described as follows: The following accounting policies have been consistently applied to all expression periods of this consolidated financial statement.

(a) Statement of Compliance

These consolidated financial statements has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”), the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Notices (hereinafter referred to as IFRSs recognized by the FSC) recognized and issued by the FSC.

(b) Basis of Preparation

1. Measurement bases

The consolidated 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(17).

2. Functional currency and expressive currency

Each entity under the Consolidated Company takes the currency of the primary economic environment in which each operation is located as its functional currency. This consolidated 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) Basis for Consolidation

1. Principles for the preparation of the Consolidated Financial Statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries). When the Company is exposed to or entitled to variable remuneration arising from participation in such entity and is able to influence such remuneration through its power over such entity.

From the date when the subsidiary obtains control, its financial report shall be included in the consolidated financial report until the date of loss of control. The consolidated inter-company transactions, balances and any unrealized gains and losses have been completed eliminated at the time of preparing the consolidated financial report. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Company.

Where the charge in the Consolidated Company's ownership interest in the subsidiary does not result in the loss of control, it shall be treated as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

2. Subsidiaries included in consolidated financial statements

Subsidiaries included in the consolidated financial statements are as below:

Name of Investor	Subsidiary Name	Business Nature	Proportion of Ownership (%) 2022.12.31	Proportion of Ownership (%) 2021.12.31	Description
The Company	Innovative Systems Integration Limited (Innovation Systems)	Professional investment	100.00%	100.00%	
The Company	Ennoconn International Investment Co., Ltd. (Ennoconn International)	Professional investment	100.00%	100.00%	
The Company	Ennoconn Investment Holdings Co.,Ltd (EIH)	Professional investment	100.00%	100.00%	
The Company and EIH	AIS Cayman Technology	Professional investment	100.00%	100.00%	
EIH	Ennoconn Hungary KFT	Manufacturing and marketing of industrial computers	100.00%	100.00%	
The Company and Ennoconn International	Caswell, Inc. and its subsidiaries (Caswell)	Electronic components, computer and peripheral equipment manufacturing, electronic material wholesale, and information software services	31.77%	31.77%	Note 1
Innovation Systems	Nanjing Asiatek Co., Ltd. (Nanjing Asiatek)	Engaged in the research, development and sales of software and hardware products, and provide installation, commissioning, and technical consultation.	100.00%	100.00%	
Innovation Systems	ENGA Technology Co., Ltd.	Wholesale, manufacturing, service, import and export of software and hardware related to industrial computers and industrial control systems	100.00%	100.00%	
Innovation Systems	Ennoconn (Suzhou) Technology Co., Ltd. (Suzhou Ennoconn)	R&D, production, and sales of industrial computers	100.00%	100.00%	
Innovation Systems	Sheng-Li-Jia Holdings Co., Ltd. (Sheng-Li-Jia)	Import and export trading	100.00%	100.00%	
Innovation Systems	Hua-En Investment Co., Ltd. (Hua-En)	Professional investment	100.00%	100.00%	
Innovation Systems and Hua-En	Ennoconn (Foshan) Investment Co., Ltd.	Professional investment	100.00%	100.00%	
Suzhou Ennoconn	Ennoconn (Kunshan) Technology Co., Ltd. (Kunshan Ennoconn)	Intelligent technology development and hardware sales	70.00%	70.00%	
Nanjing Asiatek	Shenzhen Asiatek Co., Ltd. (Shenzhen Asiatek)	R&D, production, and sales of electronic materials required for software and hardware products	25.00%	73.51%	Note 2
Ennoconn International	Goldtek Technology Co., Ltd. (Goldtek)	Wholesale and retail of telecommunications control RF equipment input and information software	56.74%	56.74%	
Ennoconn International	EnnoMech Precision (Cayman) Co., Ltd.	Professional investment	100.00%	100.00%	
Ennoconn International	Ennowyse Corporation (Ennowyse)	Research, design and sales of mobile payment, electronic signature, and information security products	100.00%	100.00%	

Name of Investor	Subsidiary Name	Business Nature	Proportion of Ownership (%) 2022.12.31	Proportion of Ownership (%) 2021.12.31	Description
Ennoconn International	Thecus Technology Corp.	Electronic components, computer and peripheral equipment manufacturing, electronic material wholesale, and information software services	60.00%	60.00%	
Ennoconn International	Dexatek Technology Ltd.	Multimedia product R&D and design and manufacturing business	56.00%	56.36%	Note 3
Ennoconn International	Marketech International Corp. and its subsidiary (MIC Inc.)	High-tech industry plant services and process system planning integration service	42.80%	44.04%	Note 4
Ennoconn International	Poslab Technology Co. (Poslab)	Manufacturing, wholesale and sales of electronic and peripheral equipment	70.00%	70.00%	
Ennoconn International	Renown Information Technology Corp. (Renown Information)	Electronic components, computer and peripheral equipment manufacturing, electronic material wholesale, and information software services	37.14%	- %	Note 5
Goldtek	Keenest Electronic Corp.	Professional investment	100.00%	100.00%	
Keenest Electronic Corp.	Goldtek Technology (Shenzhen) Co., Ltd.	Research, design and sales of electronic products, communication devices and their spare parts, and after-sales service of the above products.	100.00%	100.00%	
Keenest Electronic Corp.	Sunlit Precision Technology Co., Ltd. (Sunlit)	Metal stamping and casting industry	40.30%	40.30%	
Ennoconn International and EIH	Kontron AG and its subsidiary	Information system software and hardware integration service	27.64%	27.64%	Note 6
AIS Cayman	American Industrial Systems Inc. (AIS)	Human-machine interface, industry 4.0, and other related products	100.00%	100.00%	
AIS Cayman	Vecow Co., Ltd.	Manufacturing, processing, trading, import and export of communication machinery and equipment, electronic equipment, and electronic devices	100.00%	100.00%	
EnnoMech Cayman	DOMINATE UNITED ENTERPRISE LTD.	Professional investment	- %	100.00%	
EnnoMech Cayman	ENNOMECH PRECISION Co., Ltd.	Electronic components, computer and peripheral equipment manufacturing, electronic material wholesale, and information software services	100.00%	100.00%	
EnnoMech Cayman	HighAim Technology Inc. (HighAim)	Professional investment	67.65%	67.65%	
HighAim	HighAim Technology Inc. and its subsidiary	Design, development and production of various molds, servers and communication equipment.	100.00%	100.00%	
HighAim	Andrix International LTD.	Import and export trading	100.00%	100.00%	
HighAim	Funology Investment Inc.	Import and export trading	100.00%	100.00%	
Thecus	Thecus U.S.A.,Inc.	Sales of network storage equipment and maintenance services	100.00%	100.00%	
Ennowyse Corporation	Hua Qun Venture Management Corporation (Hua Qun)	General investment and investment consultancy	40.00%	40.00%	

Note 1: The Company and Ennoconn International hold 27.33% and 4.44% of equity, respectively. The Consolidated Company acquires the majority voting rights of the board of directors of CASwell Inc. and could dominantly make personnel, financial and operational decisions, so it is listed as a subsidiary.

Note 2: Nanjing Asiatek increased investments to Shenzhen Asiatek in Oct. 2021, increased the shares held. However, the shareholding ratio decreased due to not participating in the capital increase of Shenzhen Asiateck in January 2022. Nanjing Asiatek disposed of 45% of Shenzhen Asiatek’s shares in June 2022, lost the control over this company.

Note 3: During the shareholding period, the shareholding ratio decreased due to the increase of equity resulted from the exercise of stock options issued by this company.

Note 4: The Consolidated Company considered the proportion of voting rights held by other shareholders, and it was judged to have substantial control. Therefore, it was listed as a subsidiary. During the holding period, the shareholding ratio decreased due to the increase of equity from the exercise of stock options issued by the Company.

Note 5: Renown Information was formerly an investee accounted for using the equity method of Ennoconn International. Ennoconn International originally indirectly held 21.03% of the equity of Renown Information through Caswell, Goldtek, and MIC Inc. Due to their participation in the cash capital increase by Renown Information on May 27, 2022, the shareholding ratios of Ennoconn International, Caswell, Goldtek, and MIC Inc in Renown Information increased to 20%, 12.4%, 12.4%, and 14.4%, respectively, totaling 59.2%. The percentage of indirect shareholding increased to 37.14%, thus obtaining substantial control over the company and classifying it as a subsidiary.

Note 6: The company (formerly known as S&T AG, renamed Kontron AG in June 2022) is a listed company in Frankfurt, Germany and is a group holding company. Due to the dispersed equity structure of the company, the shareholding ratio of the Consolidated Company relative to other shareholders is significant, and it is the largest shareholder and takes up more than half of the board seats, with substantial control. Therefore, it is listed as a subsidiary.

3. Subsidiaries excluded from consolidated financial statements: None.

(d) 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.

(e) 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.

(f) 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.

(g) 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company are limited to cash flow terms derived from specific assets (e.g. non-recourse nature).

(5)Impairment of financial assets

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company can collect under the contract and the cash flows that the Consolidated Company expects to collect. The expected credit loss is discounted at the effective interest rate of the financial asset.

On each reporting date, the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company shall analyze the date and amount of the write-off on the basis of whether it is reasonable to expect recovery. The Consolidated 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 Consolidated Company for recovering overdue amounts.

(6)Derecognition of Financial Assets

When the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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.

(h) 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.

(i) Non-current assets held for sale (disposal group) and discontinued operations

1. Non-current assets held for sale and discontinued operations (disposal group)

Kontron AG approved the sale of some IT service businesses through a board resolution on August 11, 2022, and passed an antitrust review on December 29, 2022. Therefore, it adopts accounting policies related to non-current assets held for sale (disposal group).

Non-current assets or disposal group composed of assets and liabilities are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The components in the asset or disposal group are remeasured in accordance with the accounting policies of the Consolidated Company before being originally classified for sale. After being classified as held for sale, it is measured on the basis of the lower of its carrying amount and fair value less costs to sell. Any impairment loss on a disposal group will first be allocated to goodwill, and then the remaining assets and liabilities will be apportioned on a pro rata basis, except that no loss is allocated to assets not in the scope of IAS 36 - Impairment of Assets. Such assets will continue to be measured in accordance with the Consolidated Company’s accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale are intangible assets or property, plant, and equipment. In addition, when a associate recognized by the equity method is classified as held for sale, the equity method shall not be adopted.

2. Discontinued operation

A discontinued operation is a component of Consolidated Company that either has been disposed of, or is classified as held for sale, and

(1)represents a separate major line of business or geographical area of operations,

(2)is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or

(3)is a subsidiary acquired exclusively with a view to resale.

The operation should be classified as a discontinued operation at the earlier of its disposal date, or when that operation meets the held-for-sale criteria.

(j) Investments in associates

Associates refer to those that the Consolidated Company has a significant impact on its financial and operating policies, but are not controlled or jointly controlled.

The Consolidated Company adopts the equity method to deal with the equity of associates. Under the equity method, an investment in associates is initially recognized at cost, and the investment cost includes the transaction cost. The carrying amount of investment in associates including goodwill is recognized at the time of the initial investment, less any accumulated impairment losses.

The Consolidated Company recognizes profits and losses and other comprehensive profits and losses in associates based on its ownership. The consolidated financial statement includes the amount of profit and loss and other comprehensive profit and loss of each associate recognized by the Consolidated Company according to its ownership from the date of significant influence to the date of loss of significant influence, after the accounting policies adjusted consistent with the Consolidated Company. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Consolidated Company’s ownership percentage of the associate, the Consolidated Company recognizes change in ownership interests in the associate in capital reserve in proportion to its ownership.

Unrealized benefits and losses arising from transactions between the Company and associates are recognized in the Company’s financial statements only to the extent that they are not related to the investors’ interests in associates. When the Consolidated Company’s share of losses of an associate equals or exceeds its interest in that associate, the Consolidated Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Consolidated Company has incurred legal obligations, or constructive obligations or made payments on behalf of that associate.

The Consolidated Company discontinues the use of the equity method from the date when the Company ceases to have significant influence over an associate. When the Consolidated Company retains an interest in the former associate, the Consolidated Company measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. The Consolidated Company shall account for all amounts recognized in other comprehensive income in relation to the associates on the same basis as would be required if the Consolidated Company had directly disposed of the related assets and liabilities. Namely, If the cumulative gain or loss previously recognized in other comprehensive profit or loss is required to be reclassified as profit or loss (or retained earnings) when disposing of relevant assets or liabilities, when the Consolidated Company discontinues the use of the equity method, the gain or loss is reclassified from equity to profit or loss (or retained earnings). If the Consolidated Company's ownership interest in associates decreases, but the equity method continues to apply, the Consolidated Company will reclassify and adjust the interests or losses related to the reduction of ownership interest and previously recognized in other comprehensive profits and losses according to the reduction proportion in the above way.

If the Consolidated Company's investment in associates becomes an investment in joint ventures or an investment in joint ventures becomes an investment in associates, the Consolidated Company will continue to apply the equity method without remeasuring the retained equity.

When an associate issues new shares, if the Consolidated Company fails to subscribe according to the shareholding ratio, resulting in a change in the shareholding ratio, resulting in an increase or decrease in the net equity value of the investment, the increase or decrease shall be adjusted to the capital reserve and the investment using the equity method; if the adjustment is to offset the capital reserve, but the balance of the capital reserve generated by the investment using the equity method is insufficient, the difference will be debited to the retained surplus. However, if the Consolidated Company fails to subscribe according to the shareholding ratio, resulting in the reduction of its ownership interest in the associates, the amount previously recognized in other comprehensive profits and losses related to the associates is reclassified according to the reduction ratio, and such amount shall be recorded on the same basis of the associate if it directly disposes of relevant assets or liabilities.

(k) Investment properties

Investment properties are real estate held for rent or capital appreciation or both, rather than for selling, production, providing products or services, or for administrative purposes in normal business operations. Investment property is measured at cost when it is initially recognized, and the subsequent measurement is also processed based on the cost model. After the initial recognition, the depreciation expense is calculated and withdrawn based on the depreciable amount. The depreciation method, service life and residual value are compared with the provisions of property, plant and equipment. The cost includes the expenses directly attributable to the acquisition of investment property.

When the investment property is reclassified as property, plant and equipment due to the change of purpose, the book amount at the time of change of purpose shall be reclassified.

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

(m) Leases

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company will be used. Generally speaking, the Consolidated 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 Consolidated 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 Consolidated Company allocates the consideration in the contract to individual lease components based on a relatively separate price. However, when leasing land and buildings, the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company recognizes the lease payments received as rental income on a straight-line basis during the lease period.

(n) 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 consolidated 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 consolidated 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 and trademark	5 years
(2)Computer software	3～5 years
(3)Customer relationship	10 years

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

(o) Non-financial asset impairment

At each reporting date, the Consolidated 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.

(p) Liability provisions

Liability provisions are recognized as present obligations due to past events that make it probable that the Consolidated 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 Consolidated 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 Consolidated 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.

(q) Income recognition

1. Revenue from customer contracts

Income is measured in consideration for the expected entitlement to transfer goods or services. The Consolidated Company recognizes revenue from the transfer of control of goods or services. The Consolidated 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 Consolidated 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 Consolidated Company has objective evidence that all criteria for acceptance have been satisfied.

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

(2)Service revenue

The Consolidated 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 Consolidated Company has the right to issue invoices. The Consolidated Company asks for payment from customers every month and can receive consideration after issuing invoices.

(3)Engineering contract

For the engineering business conducted by the Consolidated Company, since the assets are controlled by the customer at the time of construction, the revenue is gradually recognized over time based on the proportion of the engineering cost incurred so far in the estimated total contract cost. If the amount of recognized revenue has not been claimed, it is recognized as contract assets. Once the Company’s right to the consideration becomes unconditional, the contract assets will be transferred to accounts receivable.

If it is impossible to reasonably measure the completion of the performance obligations of the project contract, the contract revenue is recognized only within the range of the expected recoverable cost.

When the Consolidated Company expects that the inevitable cost of performing the obligations of an engineering contract exceeds the expected economic benefits from the contract, the liability provision for the onerous contract shall be recognized.

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.

(r) 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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.

(s) Share-based payment

In the share based payment agreement for equity settlement, based on the fair value on the date of granting, the expenses shall be recognized and the relative equity shall be increased during the acquired period of such granting. The recognized fees are adjusted according to the expected amount of awards that meet the service conditions other than market vesting conditions; the amount finally recognized is measured on the basis of the amount of awards that meet the service conditions other than market vesting conditions on the vesting day.

The non-vested conditions related to the payment of share-based awards have been reflected in the measurement of the fair value on the date of payment of share based rewards, and the difference between the expected and actual results does not need to be verified and adjusted.

The fair value of the share appreciation right for cash settlement to be paid to employees is recognized as expenses and increased corresponding liabilities during the period when employees can obtain unconditional remuneration. On each reporting date and settlement date, the liability is re-measured according to the fair value of the share appreciation right, and any change is recognized as profit or loss.

(t) 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 Consolidated 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 Consolidated 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 Consolidated Company meets the following conditions, the deferred income tax can offset the deferred income 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.

(u) Business Combination

The Consolidated Company applies the acquisition method for each business combination. Goodwill is measured at the fair value of the consideration transferred at the date of acquisition, including the amount attributable to any non-controlling interest in the acquiree, less the net amount of the identifiable assets acquired and liabilities assumed (generally the fair value). If the resulting balance is negative, the Consolidated Company reassesses whether all assets acquired and liabilities assumed have been correctly identified before recognizing the gain on bargain purchase in profit or loss.

Except for those related to the issuance of debt or equity instruments, transaction costs associated with a business combination should be recognized as expenses of the combining company immediately when incurred.

If the non-controlling interest in the acquiree is a present ownership interest and the holder is entitled to a proportionate share of the net assets of the enterprise at the time of liquidation, the Consolidated Company elects, on a transaction-by-transaction basis, to measure the acquisition date fair value or the proportionate share of the present ownership instrument to the recognized amount of the acquiree's identifiable net assets. Other non-controlling interests are measured at the fair value at the acquisition date or on other bases in accordance with IFRSs recognized by the FSC.

For a business combination concluded in stages, the Consolidated Company remeasures the interests of the acquiree previously held based on the fair value on the acquisition date. Any resulting gain or loss is recognized as profit or loss. Changes in the value of the acquiree's interest that were recognized in other comprehensive income before the acquisition date should be treated in the same manner as if the Consolidated Company had directly disposed of its previously held interest. If it is appropriate to reclassify the interest to profit or loss upon disposal, the amount is reclassified to profit or loss.

If the original accounting treatment for a business combination is not completed before the reporting date of the combination transaction, the Consolidated Company recognizes provisional amounts for incomplete accounting items and makes retroactive adjustments or recognizes additional assets or liabilities during the measurement period to reflect the new information about the existing facts and conditions on the acquisition date. The measurement period will not exceed one year from the date of acquisition.

(v) Earnings per Share

The Consolidated 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 Consolidated 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 Consolidated Company include convertible corporate bonds and stock options for employees.

(w) Department Information

The operating department is an integral part of the Consolidated Company and is engaged in operating activities that may earn income and incur expenses (including income and expenses related to transactions between other divisions in the Consolidated Company). The operating results of all operating departments are regularly reviewed by the main operating decision-makers of the Consolidated Company to make decisions on the allocation of resources to the departments and evaluate their performance. Each operating department has separate financial information.

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

When the management prepares the consolidated 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 Consolidated Company's accounts receivable is estimated based on the assumption of default risk and expected loss rate. The Consolidated 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 Consolidated 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) Goodwill impairment evaluation

In assessing goodwill for impairment, the Consolidated Company shall decide such matters as identifying the cash generating unit, allocating goodwill to the relevant 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	$ 46,657	34,944
Demand deposits and check deposits	25,172,531	17,213,071
Time deposits	744,068	274,306
Cash and cash equivalents listed on the consolidated statement of cash flow	**$ 25,963,256**	**17,522,321**

Please refer to Note 6 (24) for the disclosure of interest rate risk and sensitivity analysis of the Consolidated Company's financial assets and liabilities.

(b) Notes receivable and accounts receivable

	2022.12.31	2021.12.31
Notes receivable	$ 42,293	60,171
Accounts receivable	18,195,677	17,448,314
Accounts receivable - related parties	279,289	769,363
Less: Allowance for loss	(1,084,628)	(897,495)
	$ 17,432,631	**17,380,353**

The Consolidated 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 Consolidated Company's notes and accounts receivable is as follows:

	2022.12.31		
	Carrying amount of accounts and notes receivable	**Weighted average expected credit loss rate**	**Expected credit loss during the allowance**
	$ 14,019,317	0.12%	85,704
1–30 days past due	1,866,594	0.55%	21,972
31–150 days past due	1,242,737	1.87%	71,863
151–270 days past due	283,051	11.18%	19,626
271–365 days past due	197,791	12.21%	26,110
1–2 years past due	357,030	57.19%	308,614
Over 2 years past due	550,739	100%	550,739
	$ 18,517,259		**1,084,628**

	2021.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Expected credit loss during the allowance**
Not past due	$ 14,638,212	0.03%	3,887
1–30 days past due	1,190,397	0.48%	5,735
31–150 days past due	942,045	3.30%	31,132
151–270 days past due	250,384	15.37%	38,491
271–365 days past due	169,792	27.14%	46,082
1–2 years past due	616,185	48.90%	301,335
Over 2 years past due	470,833	100%	470,833
	$ 18,277,848		**897,495**

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

	2022	2021
Beginning Balance	$ 897,495	1,086,892
Impairment losses recognized	432,782	215,948
Impairment loss reversal	(155,401)	(133,964)
Write-off due to being unrecoverable this year	(23,326)	(227,204)
Profit/loss from foreign currency translation	(49,125)	(44,177)
Acquisition through combinations	(17,797)	-
Ending Balance	$ 1,084,628	897,495

Please refer to note 8 for details of the pledge set as loan guarantee by the Consolidated Company as of December 31, 2022 and 2021.

Please refer to note 6(24) for other credit risk information.

(c) Inventories

	2022.12.31	2021.12.31
Raw materials	$ 15,734,400	9,931,443
Raw materials in transit	210,687	100,419
Work in progress	1,419,205	1,437,202
Semi-finished products	1,016,661	931,012
Finished products	3,118,647	2,868,430
Merchandise inventory	2,580,757	2,364,534
Less: Allowance for inventory market price decline	(2,092,487)	(1,661,625)
	$ 21,987,870	15,971,415

The inventory related expenses and losses recognized by the Consolidated Company in 2022 and 2021 were NT$535,039 thousand and NT$57,491 thousand respectively, under the operating costs:

	2022	2021
Gains on price recovery of inventory	$ 328,975	6,341
Loss on inventory scrap	206,064	51,150
Total	$ 535,039	57,491

Inventory costs recognized as operating costs and expenses in 2022 and 2021 were:

	2022	2021
Inventory costs recognized as operating costs and expenses	$ 89,070,107	76,016,202
Less: operating costs attributable to the discontinued operation	(987,565)	(7,751,554)
	$ 88,082,542	68,264,648

Please refer to note 8 for details of the inventory set as loan guarantee by the Consolidated Company as of December 31, 2022 and 2021.

(d) Disposal group held for sale

Kontron AG approved the sale of some IT service businesses through a board resolution on August 11, 2022, and passed an antitrust review on December 29, 2022. Therefore, the assets and liabilities related to the business are reported in the disposal group held for sale accordingly. The assets and liabilities of the disposal group to be sold on December 31, 2022 were NT$206,496 thousand and $155,725 thousand respectively, and the details are as follows:

	2022.12.31
Property, plant and equipment	$ 12,478
Inventories	37,501
Accounts receivable and other receivables	110,914
Cash and cash equivalents	45,603
Assets of the group to be sold	**$ 206,496**
Accounts payable and other payables	$ 155,725
Liabilities of the group to be sold	**$ 155,725**

(e) Investment based on equity method

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

	2022.12.31	2021.12.31
Associates	**$ 553,155**	**128,693**

1. Associates

On Feb 24, 2022, the subsidiary of the Consolidated Company -Hua Cheng International Investment Co., Ltd. subscribed the private placement of new shares of ARBOR Technology, at NT$18.5 per share, acquired 16,000 thousand shares, held 17.11% of shares and a total amount of NT$296,000 thousand.

On May 23, 2022, the Consolidated Company acquired 900 thousand shares of Smart Health Corp. for NT$9,000 thousand, with a shareholding ratio of 30%, thus gaining significant influence over the company. The company’s main operating projects include smart building system integration, energy management services, and cloud services..

The Consolidated Company disposed of the equity of DIVA Laboratories Ltd. in October 2021 and lost significant influence on it. The disposal price was NT$362,898thousand, the disposal income was NT$104,364thousand included under other benefits and losses in the statement of comprehensive income.

The Consolidated Company disposed 20% of the equity of Shenzhen Pictographic Technology Co., Ltd. in April 2, 2022 and lost significant influence on it. The disposal price was NT$30,883 thousand (RMB7,000 thousand), the disposal income was NT$1,652 thousand included under other benefits and losses in the statement of comprehensive income.

If the associates of the Consolidated Company adopting the equity method are individually insignificant, the summarized financial information is as follows. The financial information is the amount included in the consolidated financial report of the Consolidated Company:

	2022.12.31	2021.12.31
Ending summary carrying amount of equity of individual insignificant associates	$ 553,155	128,693

	2022	2021
Shares attributable to the Consolidated Company:		
Net income for period	$ 51,115	(6,529)
Other comprehensive income	2,112	(212)
Total comprehensive income	$ 53,227	(6,741)

As of December 31, 2022 and 2021, the associates that the Consolidated Company adopts the equity method did not provide pledge, guarantee or without the restrictive circumstances.

(f) Business Combination

The Consolidated Company expands its business by acquiring the following companies and obtains relevant development, design and production technologies.

	Main operating activities	**Acquisition date**	**Proportion purchased**	**Fair value of transfer consideration**
HC Solutions GmbH	IoT industry	2021.01.01	100.00%	46,056
Axino Solutions GmbH	Information technology services	2021.04.01	100.00%	22,167
PSB IT-Service GmbH	Information technology services	2021.07.01	100.00%	-
Enterprise Concept S.R.L	Information technology services	2021.1.11	100.00%	78,300
Ultraschall technik Halle Gmb	IoT industry	2021.1.12	100.00%	54,807 (Note)
CNP GmbH/CNT GmbH	Information services	2022.01.01	100.00%	14,739 (Note)
Renown Information Technology Corp.	Information software services	2022.05.27	59.20%	10,000
LUCOM GmbH	IoT industry	2022.09.01	100.00%	156,800
Arce Mobility Solution S.A.U.	IoT industry	2022.12.31	100.00%	238,336 (Note)
Nationgate Integration (M) SDN. BHD.	Eletronic product manufacturing	2022.06.01	60.00%	4,072

Note: consolidation by merger.

The main categories of transfer consideration, asset acquisition, and liability assumption on the acquisition date and the amount of goodwill recognized are as follows:

1. The fair values of the main categories of transfer consideration at the acquisition date are as follows:

2022:

	CNP GmbH/ CNT GmbH	Renown Information	LUCOM GmbH	Arce Mobility Solution S.A.U.	Nationgate Integration (M) SDN. BHD.
Transfer consideration					
Cash	$ 14,739	10,000	156,800	238,336	4,072

2021:

	HC Solutions GmbH	Anixo Solutions GmbH	PSB IT-Service GmbH	Enterprise Concept S.R.L	Ultraschalltechnik Halle GmbH
Transfer consideration					
Cash	$ 40,716	6,264	-	78,300	39,147
Contingent consideration agreement	3,915	15,217	-	-	15,660
	$ 44,631	21,481	-	78,300	54,807

2. Fair value of net identifiable assets acquired and liabilities assumed:

   2022:

	CNP GmbH/ CNT GmbH	Renown Information	LUCOM GmbH	Arce Mobility Solutions S.A.U.	Nationgate Integration (M) SDN. BHD.
Cash and cash equivalents	$ -	25,354	2,365	30,900	6,330
Notes and accounts receivable	-	13,219	6,504	65,697	-
Inventories	-	11,244	27,912	10,589	-
Contract assets	-	-	-	30,592	-
Other current assets	-	6,449	2,301	1,264	-
Property, plant and equipment	923	1,094	205	818	-
Right-of-use assets	11,035	-	6,959	3,372	-
Intangible assets	8,363	6,031	23,716	58,851	-
Deferred tax assets	-	-	1,667	9,195	-
Others	-	-	-	94	-
Short-term borrowing	-	-	-	(7,344)	-
Accounts payable	-	-	(6,913)	(64,908)	-
Contract liabilities	-	-	-	(18,513)	-
Lease liabilities - current	(1,991)	-	-	(1,657)	-
Other payables	(409)	(25,940)	(2,871)	-	(93)
Liability provisions	-	-	(1,895)	(14,896)	-
Deferred income tax liabilities	(2,509)	-	(7,352)	(14,713)	-
Lease liabilities - non-current	(9,044)	-	(4,541)	(1,714)	-
Other current liabilities	-	(251)	(4,653)	(15,174)	-
	$ 6,368	37,200	43,404	72,453	6,237

Notes to Consolidated Financial Statements of Ennoconn Technology Co., Ltd. and its Subsidiaries (Continued)

2021:

	HC Solutions GmbH	Anixo Solutions GmbH	PSB IT-Service GmbH	Enterprise Concept S.R.L	Ultraschalltechnik Halle GmbH
Cash and cash equivalents	$ 4,634	29,534	111	2,116	-
Notes and accounts receivable	10,735	25,586	17,681	9,774	-
Other receivables	4	8,326	3,277	1,321	-
Inventories	791	-	9,612	10,400	28,217
Prepayments	598	7,290	12,052	1,492	-
Contract assets	15,701	17,709	-	-	-
Others	210	-	30,225	-	-
Property, plant and equipment	1,807	817	3,434	391	18,792
Right-of-use assets	-	3,140	394	6,492	-
Intangible assets	14,190	33,600	12,843	28,752	10,065
Deferred tax assets	-	-	5,336	-	-
Others	2,042	-	-	1,013	-
Notes and accounts payable	(12,087)	(41,474)	(31,292)	(1,714)	-
Lease liabilities	-	(1,783)	(212)	(3,279)	-
Liability provisions	(6,239)	(22,431)	(30,120)	-	-
Contract liabilities	(8,272)	(41,707)	(69,322)	(1,139)	-
Other payables	(294)	(18,158)	(10,288)	(44)	-
Current income tax liabilities	(4,682)	(8,239)	(11)	(351)	-
Others	(11,073)	(21,299)	(22,150)	(285)	-
Contract liabilities	-	-	(35,392)	-	-
Deferred income tax liabilities	(3,594)	-	-	(4,845)	(3,020)
Lease liabilities	-	(1,358)	(182)	(3,436)	-
Liability provisions	(12,382)	-	-	-	-
Others	(1,746)	-	-	-	-
	$ (9,657)	(30,447)	(104,004)	46,658	54,054

The original accounting treatment for the acquisition of assets has not been reviewed, the companies' assets on the balance sheet date are only provisional. At the date of issuance of this consolidated financial statement, the required market evaluation and other calculations have not been completed. Therefore, the tentative value is only based on the best possible estimate of the management of the Consolidated Company.

The fair value and book value of the accounts receivable obtained from these companies in the merger transaction are close to each other, and there is no expected unrecoverable amount on the acquisition date.

3. Goodwill

Goodwill generated from the acquisition:

2022:

	CNP GmbH/ CNT GmbH	Renown Information	LUCOM GmbH	Arce Mobility Solutions S.A.U.	Nationgate Integration (M) SDN. BHD.
Transfer consideration	$ 14,739	10,000	156,800	238,336	4,072
Less: fair value of identifiable net assets (liabilities) acquired	6,368	37,200	43,404	72,453	6,237
Add: non-controlling interests (measured as the ratio of identifiable net assets to non-controlling interests)	-	23,384	-	-	2,495
Add: fair value of the original interest in the acquiree	-	11,393	-	-	-
Goodwill arising on acquisition	**$ 8,371**	**7,577**	**113,396**	**165,883**	**330**

2021:

	HC Solutions GmbH	Anixo Solutions GmbH	PSB IT-Service GmbH	Enterprise Concept S.R.L	Ultraschal ltechnik Halle GmbH
Transfer consideration	$ 44,631	21,481	-	78,300	54,807
Less: fair value of identifiable net assets (liabilities) acquired	(9,657)	(30,447)	(104,004)	46,658	54,054
Goodwill arising on acquisition	**$ 54,288**	**51,928**	**104,004**	**31,642**	**753**

The goodwill arising from the acquisition mainly comes from control of premium. In addition, the consideration paid for the combination includes the expected combination synergies, revenue growth, and future market development. However, such benefits do not meet the requirements for recognition of identifiable intangible assets, thus they are not recognized separately.

4. Since the acquisition date, the income and net profit contributed by the acquired company are as follows:

2022:

	Renown Information	LUCOM GmbH	Nationgate Integration (M) SDN. BHD.
Operating revenue	$ 11,837	56,302	-
Net income (loss) for period	$ (2,371)	3,126	(5)

2021:

	HC Solutions GmbH	Anixo Solutions GmbH	PSB IT-Service GmbH	Enterprise Concept S.R.L	Ultraschallt echnik Halle GmbH
Operating revenue	**$ 220,230**	**186,168**	**103,373**	**9,682**	**-**
Net income (loss)	**$ 7,899**	**39,786**	**(3,819)**	**(1,040)**	**-**

(g) Changes in ownership interests in subsidiaries

1. The transactions in which the consolidated company changed its equity in subsidiaries and did not change its control over the company in 2022 and 2021 are as follows:

In January 2021, the Company issued new shares through capital increase, transferred the remained shares of AIS Cayman, increased the Company and EIH's consolidated shares from 62.36% to 100%.

CASWELL, INC. exercised the conversion right of convertible corporate bonds in 2021, resulted the shares held by CASWELL, INC. and Ennoconn International reduced from 31.91% to 31.77%.

In January 2022, Nanjing Asiatek did not subscribe Shenzhen Aisatek's capital increase by its shareholding ratio, which shares are increased from 70% to 73.51%. Please refer to Note 6(7) for details about 45% of equity to be disposed in June 2022.

MIC Inc. increased its equity through the exercise of stock options in 2022 and 2021, resulting in a decrease in the shareholding ratio of Ennoconn International from 44.04% to 42.80%, and a decrease in the shareholding ratio from 44.59% to 44.04%, respectively.

Kontron AG increased the comprehensive shareholding ratio of EIH and Ennoconn International from 27.22% to 27.64% in 2021 due to the execution of treasury stock repurchases.

Kontron AG increased its investment in its subsidiaries between 2022 and 2021, resulting in a change in net equity value.

In October 2022, Dexatek Technology Ltd. increased its equity due to the exercise of stock options, resulting in a decrease in the shareholding ratio of Ennoconn International from 56.36% to 56%.

As the above transactions, except for the disposal of 45% equity interest of Nanjing Asiatek, do not change the control over the subsidiary, they are treated as equity transactions.

2022:

	Marketech International Corp.	Kontron AG	Shenzhen Asiatek	Dexatek
The amount of non-controlling interests that should be transferred out (in) is calculated by the carrying amount of net assets of subsidiaries calculated by the equity change.	$ 27,191	(11,278)	(1,672)	(533)
Difference in equity transactions	**$ 27,191**	**(11,278)**	**(1,672)**	**(533)**

2021:

	Marketech International Corp.	S & T AG	Shenzhen Asiatek	Caswell	AIS Cayman	HghAim	YUH-WEI	Dexatek
Cash consideration received (paid)	$ -	-	(43,375)	-	(922,170)	(9,361)	-	-
The amount of non-controlling interests that should be transferred out (in) is calculated by the carrying amount of net assets of subsidiaries calculated by the equity change.	222,058	(4,447)	43,599	7,254	223,614	9,652	(9,039)	(590)
Difference in equity transactions	**$ 222,058**	**(4,447)**	**224**	**7,254**	**(698,556)**	**291**	**(9,039)**	**(590)**

In the balance of equity transactions listed above, except for AIS Cayman balance of equity transactions deducted from the retained earnings, the rest are adjusted as capital reserve.

(h) Loss of control over subsidiaries

In 2022, the Consolidated Company separately disposed of Shenzhen Asiatek, RTSoft Project OOO, Russia, RTSoft Training Center, BeeIN d.o.o., Iskratel Ukraine LTD, S&T Services Bel, Kontron Transportation, and Shenzhen Shengrong Precision Plastic Co., Ltd., and lost control over its subsidiaries. The relevant information is as follows:

1. Consideration received

	Shenzhen Asiatek	RTSoft Project OOO, Russia	RTSoft Training Center	BeeIN d.o.o.	Iskratel Ukraine LTD	S&T Services Bel	Kontron Transportation	Shenzhen Shengrong Precision Plastic Co., Ltd.
Cash and cash equivalents	**$ 121,318**	**410**	**-**	**314**	**-**	**3**	**-**	**3,085**

2. Assets and liabilities that have lost control

	Shenzhen Asiatek	RTSoft Project OOO, Russia	RTSoft Training Center	BeeIN d.o.o.	Iskratel Ukraine LTD	S&T Services Bel	Kontron Transportation	Shenzhen Shengrong Precision Plastic Co., Ltd.
Cash and cash equivalents	$ 45,691	30,689	129	51	16,429	1,120	6,407	627
Notes and accounts receivable	576,862	(8,547)	1,060	782	-	3,602	-	1,774
Inventories	195,728	41,644	11	-	-	-	-	1,341
Other current assets	82,599	30,193	-	-	-	-	-	173
Property, plant and equipment	203,752	-	37	39,297	-	2,433	-	7,213
Deferred tax assets	-	5,151	-	-	-	-	-	-
Goodwill	-	14,582	-	-	-	-	-	-
Intangible assets	-	81,440	-	-	-	-	-	-
Short-term borrowing	(80,260)	(18,537)	-	-	-	-	-	-
Accounts payable	(773,967)	-	-	-	-	-	-	(462)
Other payables	(14,852)	(110,028)	(136)	(1,828)	(789)	(870)	(789)	(107)
Other current liabilities	(62,936)	-	-	-	-	-	-	(16)
Other non-current liabilities	-	(4,091)	-	(458)	-	-	-	(5)
Deferred income tax liabilities	-	(285)	-	-	-	(11)	-	-
	$ 172,617	**62,211**	**1,101**	**37,844**	**15,640**	**6,274**	**5,618**	**10,538**

3. Losses incurred by subsidiaries

	Shenzhen Asiatek	RTSoft Project OOO, Russia	RTSoft Training Center	BeeIN d.o.o.	Iskratel Ukraine LTD	S&T Services Bel	Kontron Transportation	Shenzhen Shengrong Precision Plastic Co., Ltd.
Consideration received	$ 121,318	410	-	314	-	3	-	3,085
Net assets disposed of	(172,617)	(62,211)	(1,101)	(37,844)	15,640	(6,274)	(5,618)	(10,538)
Non-controlling interests	51,785	-	-	-	-	-	-	3,582
Net profit and loss	**$ 486**	**(61,801)**	**(1,101)**	**(37,530)**	**15,640**	**(6,271)**	**(5,618)**	**(3,871)**

4. Net cash outflow from subsidiaries

	Shenzhen Asiatek	RTSoft Project OOO, Russia	RTSoft Training Center	BeeIN d.o.o.	Iskratel Ukraine LTD	S&T Services Bel	Kontron Transportation	Shenzhen Shengrong Precision Plastic Co., Ltd.
Consideration received	$ 121,318	410	-	314	-	3	-	3,085
Less: Disposal of cash and cash equivalents	(45,691)	(30,689)	(129)	(52)	(16,429)	(1,120)	(6,407)	(627)
Net cash outflow from subsidiaries	**$ 75,627**	**(30,279)**	**(129)**	**262**	**(16,429)**	**(1,117)**	**(6,407)**	**2,458**

The Consolidated Company disposed of S&T IT Service S.R.L, Kontron ECT desing S.R.O及Kontron (Beijing) Information and Communication on Technology Co., Ltd. (Kontron (Beijing)) in 2021 and lost control over its subsidiaries. The relevant information is as follows:

1. Consideration received

	S&T IT Service S.R.L	Kontron ECT desing s.r.o.	Kontron (Beijing)
Cash and cash equivalents	**$ 23,497**	**6,890**	**-**

2. Assets and liabilities that have lost control

	S&T IT Service S.R.L	Kontron ECT desing s.r.o.	Kontron (Beijing)
Cash and cash equivalents	$ 91,614	4,175	-
Accounts receivable	66,977	10,244	-
Property, plant and equipment	171	18,613	-
Payable	(75,427)	(6,116)	-
Other payables	(23,978)	(3,107)	(420)
Borrowings	-	(2,303)	-
Net assets disposed of	**$ 59,357**	**21,506**	**(420)**

3. Losses incurred by subsidiaries

		S&T IT Service S.R.L	Kontron ECT desing s.r.o.	Kontron (Beijing)
Consideration received	$	23,497	6,890	-
Net assets disposed of		(59,356)	(21,505)	420
Non-controlling interests		29,284	-	-
Net profit (loss)	**$**	**(6,575)**	**(14,615)**	**420**

4. Net cash outflow from subsidiaries

		S&T IT Service S.R.L	Kontron ECT desing s.r.o.	Kontron (Beijing)
Consideration received	$	23,497	6,890	-
Less: Disposal of cash and cash equivalents		(91,614)	(4,175)	-
Net cash outflow from subsidiaries	**$**	**(68,117)**	**2,715**	**-**

(i) Subsidiary with significant non-controlling interests

The non-controlling interests of subsidiaries significant to the Consolidated Company are as follows:

Subsidiary Name	Country of main business premises/registration	Proportion of ownership interests and voting rights of non-controlling interests 2022.12.31	2021.12.31
Caswell, Inc.	Taiwan	68.23%	68.23%
Kontron AG	Austria	72.36%	72.36%
MIC Inc.	Taiwan	57.20%	55.96%

The summary financial information of the above subsidiaries is as follows. The financial information is prepared in accordance with the international financial reporting standards recognized by the FSC, and has reflected the fair value adjustment made by the Consolidated Company on the acquisition date and the adjustment made for the difference in accounting policies, and the financial information includes the amount before the cancellation of transactions between the Consolidated Company and subsidiaries.

1. Summary financial information of Caswell, Inc. and its subsidiary

	2022.12.31	2021.12.31
Current assets	$ 4,537,955	4,357,648
Non-current assets	761,511	598,297
Current liabilities	(1,646,584)	(1,446,133)
Non-current liabilities	(108,109)	(283,411)
Net assets	**$ 3,544,773**	**3,226,401**
Ending carrying amount of non-controlling interests	**$ 2,578,755**	**2,400,879**

	2022	2021
Operating revenue	**$ 4,982,672**	**4,673,944**
Net income for period	$ 452,533	240,065
Other comprehensive income	12,217	(23,576)
Total comprehensive income	**$ 464,750**	**216,489**
Current net profit (loss) attributable to non-controlling interests	**$ 268,915**	**122,738**
Total comprehensive profit and loss attributable to non-controlling interests	**$ 8,834**	**105,778**

	2022	2021
Cash flows of operating activities	$ 406,826	275,400
Cash flows of investing activities	(198,030)	(56,587)
Cash flows of financing activities	(185,619)	(305,325)
Effect of exchange rate changes on cash	11,004	(20,419)
Increase (decrease) in cash and cash equivalents	**$ 34,181**	**(106,931)**
Dividends paid to non-controlling interests	**$ 99,878**	**181,977**

2. Summary financial information of Kontron AG and its subsidiaries

	2022.12.31	2021.12.31
Current assets	$ 33,661,106	26,092,951
Non-current assets	13,483,831	16,255,863
Current liabilities	(18,080,002)	(18,187,780)
Non-current liabilities	(8,265,936)	(10,904,440)
Net assets	**$ 20,798,999**	**13,256,594**
Ending carrying amount of non-controlling interests	**$ 17,423,504**	**12,094,778**

	2022	2021
Operating revenue	**$ 34,422,378**	**44,494,457**
Net income for period	$ 7,412,625	1,613,864
Other comprehensive income	195,435	(236,069)
Total comprehensive income	**$ 7,608,060**	**1,377,795**
Current net profit (loss) attributable to non-controlling interests	**$ 5,168,276**	**988,034**
Total comprehensive profit and loss attributable to non-controlling interests	**$ 774,652**	**(468,571)**

	2022	2021
Cash flows of operating activities	$ 1,122,128	2,789,992
Cash flows of investing activities	4,505,449	(2,077,016)
Cash flows of financing activities	(1,210,993)	(385,353)
Effect of exchange rate changes on cash	12,922	133,739
Increase in cash and cash equivalents	**$ 4,429,506**	**461,362**
Dividends paid to non-controlling interests	**$ 502,818**	**11,280**

3. MIC INC

	2022.12.31	2021.12.31
Current assets	$ 30,098,714	22,945,728
Non-current assets	5,228,344	4,914,806
Current liabilities	(23,946,207)	(17,612,523)
Non-current liabilities	(1,899,849)	(2,445,871)
Net assets	**$ 9,481,002**	**7,802,140**
Ending carrying amount of non-controlling interests	**$ 5,514,864**	**4,487,298**

		2022	2021
Operating revenue	$	50,366,704	34,458,674
Net income for period	$	2,149,807	1,508,422
Other comprehensive income		91,713	(80,714)
Total comprehensive income	$	2,241,520	1,427,708
Current net profit (loss) attributable to non-controlling interests	$	1,175,581	794,755
Total comprehensive profit and loss attributable to non-controlling interests	$	52,124	750,072

		2022	2021
Cash flows of operating activities	$	1,395,070	437,799
Cash flows of investing activities		(18,098)	(605,570)
Cash flows of financing activities		791,593	1,389,807
Effect of exchange rate changes on cash		125,077	(26,760)
Increase in cash and cash equivalents	$	2,293,642	1,195,276
Dividends paid to non-controlling interests	$	496,151	363,344

(j) Property, plant and equipment

The details of changes in the cost, depreciation and impairment losses 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	$	592,113	6,004,696	3,526,732	56,363	769,179	10,949,083
Additions		-	93,050	530,818	3,785	394,970	1,022,623
Acquisition through business combinations		-	475	1,798	86	3,280	5,639
Non-current assets held for sale and discontinued operations		-	-	(11,436)	-	-	(11,436)
Disposal		(33,250)	(87,229)	(497,771)	(26,398)	(91,167)	(735,815)
Reclassification		34,119	(103,430)	157,217	(3,833)	(80,987)	3,086
Effects of exchange rate changes		3,281	(255,151)	(299,092)	13,111	14,139	(523,712)
Balance as of December 31, 2022	$	596,263	5,652,411	3,408,266	43,114	1,009,414	10,709,468
Balance as of January 1, 2021	$	626,395	6,838,304	5,538,002	97,303	803,508	13,903,512
Additions		9,902	374,916	846,786	8,362	227,128	1,467,094
Acquisition through business combinations		-	16,644	8,597	-	-	25,241
Disposal		(22,537)	(32,799)	(189,690)	-	(53,712)	(298,738)
Reclassification		(16,923)	(806,783)	(1,878,842)	(40,940)	(207,291)	(2,950,779)
Effects of exchange rate changes		(4,724)	(385,586)	(798,121)	(8,362)	(454)	(1,197,247)
Balance as of December 31, 2021	$	592,113	6,004,696	3,526,732	56,363	769,179	10,949,083

		Land	Houses and buildings	Machinery and equipment	Leasehold improvements	Other equipment	Total
Depreciation:							
Balance as of January 1, 2022	$	-	1,881,964	1,894,118	29,668	445,340	4,251,090
Depreciation of the current year		-	232,965	484,682	11,341	117,955	846,943
Impairment loss		-	12,509	-	-	-	12,509
Acquisition through business combinations		-	-	104	86	2,409	2,599
Non-current assets held for sale and discontinued operations		-	-	(8,198)	-	-	(8,198)
Disposal		-	(430)	(267,398)	(12,101)	(54,044)	(333,973)
Reclassification		-	(149,228)	127,772	(11,036)	(4,460)	(36,952)
Effects of exchange rate changes		-	(34,423)	(205,530)	183	6,157	(233,613)
Balance as of December 31, 2022	$	-	1,943,357	2,025,550	18,141	513,357	4,500,405
Balance as of January 1, 2021	$	-	2,601,757	4,148,346	32,044	397,763	7,179,910
Depreciation of the current year		-	237,409	502,354	10,709	102,692	853,164
Impairment loss		-	47,309	-	-	-	47,309
Disposal		-	(3,562)	(111,265)	(3,597)	(40,739)	(159,163)
Reclassification		-	(951,632)	(2,572,439)	(9,366)	(10,698)	(3,544,135)
Effects of exchange rate changes		-	(49,317)	(72,878)	(122)	(3,678)	(125,995)
Balance as of December 31, 2021	$	-	1,881,964	1,894,118	29,668	445,340	4,251,090
Book value:							
December 31, 2022	$	596,263	3,709,054	1,382,716	24,973	496,057	6,209,063
December 31, 2021	$	592,113	4,122,732	1,632,614	26,695	323,839	6,697,993

1. Impairment loss

The property, plant and equipment of the Consolidated Company includes a impairment loss of NT$17,632 thousand. Due to the disposal of the IT Service department and the termination of some intangible asset projects, corresponding impairment losses should be included.

2. Guarantee

Please refer to note 8 for details of using long-term borrowing and financing lines as loan guarantee by the Consolidated Company as of December 31, 2022 and 2021.

(k) Intangible assets

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

		Goodwill	Trademarks	Patent	Computer software	Customer relations	Others	Total
Cost or recognized cost:								
Balance as of January 1, 2022	$	13,347,834	2,165,186	621,691	4,954,251	1,964,731	2,527,167	25,580,860
Acquired separately		-	-	515	975,362	-	10,184	986,061
Acquired through business combinations		295,557	4,704	-	10,252	-	86,226	396,739
Non-current assets held for sale and discontinued operations		(4,002)	(141,272)	-	(113,404)	-	(533,772)	(792,450)
Disposal		(887,261)	(8,165)	-	(794,625)	-	(21,604)	(1,711,655)
Reclassification		-	-	(3,000)	(10,720)	-	(36,194)	(49,914)
Effects of exchange rate changes		616,659	78,334	-	419,999	75,854	105,100	1,295,946
Balance as of December 31, 2022	$	13,368,787	2,098,787	619,206	5,441,115	2,040,585	2,137,107	25,705,587

	Goodwill	Trademarks	Patent	Computer software	Customer relations	Others	Total
Balance as of January 1, 2021	$ 13,850,405	2,459,261	593,269	4,439,746	2,185,790	2,572,235	26,100,706
Acquired separately	-	-	45,913	902,488	-	29,233	977,634
Acquired through business combinations	242,615	2,566	24,524	1,476	-	70,884	342,065
Disposal	-	(32,493)	-	(86,619)	-	(1,682)	(120,794)
Reclassification	-	-	-	(45)	-	-	(45)
Effects of exchange rate changes	(745,186)	(264,148)	(42,015)	(302,795)	(221,059)	(143,503)	(1,718,706)
Balance as of December 31, 2021	$ 13,347,834	2,165,186	621,691	4,954,251	1,964,731	2,527,167	25,580,860
Amortization:							
Balance as of January 1, 2022	$ 61,835	627,328	378,377	2,207,176	1,010,259	1,635,737	5,920,712
Current amortization	-	95,763	61,810	1,496,766	233,421	286,187	2,173,947
Acquired through business combinations	-	-	-	4,221	-	-	4,221
Non-current assets held for sale and discontinued operations	-	(127,973)	-	(55,523)	-	(422,816)	(606,312)
Disposal	-	(5,519)	-	(640,760)	-	(18,365)	(664,644)
Reclassification	-	-	(3,000)	(10,720)	-	3,000	(10,720)
Effects of exchange rate changes	6,680	15,531	-	270,490	46,114	75,236	414,051
Balance as of December 31, 2022	$ 68,515	605,130	437,187	3,271,650	1,289,794	1,558,979	7,231,255
Balance as of January 1, 2021	$ 62,786	633,201	358,393	1,681,951	1,026,254	1,274,813	5,037,398
Current amortization	-	96,942	62,018	645,901	244,242	353,620	1,402,723
Disposal	-	(32,493)	-	(69,415)	-	(1,682)	(103,590)
Effects of exchange rate changes	(951)	(70,322)	(42,034)	(51,261)	(260,237)	8,986	(415,819)
Balance as of December 31, 2021	$ 61,835	627,328	378,377	2,207,176	1,010,259	1,635,737	5,920,712
Book value:							
December 31, 2022	$ 13,300,272	1,493,657	182,019	2,169,465	750,791	578,128	18,474,332
December 31, 2021	$ 13,285,999	1,537,858	243,314	2,747,075	954,472	891,430	19,660,148

1. Impairment loss

   The accumulated and amortized amount of computer software includes a impairment loss of NT$813,734 thousand yuan, which is due to Kontron AG’s restructuring of the overall organization in 2022, including the disposal of the IT Service department, resulting in the termination of some software development projects. Therefore, a impairment loss is included.

2. Intangible assets with indefinite useful lives

   Some trademark rights from business combinations can have their legal lives extended by application at very little cost. The Consolidated Company is expected to continue to apply for extending the legal lives of these and to produce these series of products. Therefore, it is expected that the trademark rights will continue to generate net cash inflow, and thus they are regarded as intangible assets with indefinite useful lives.

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

	2022.12.31	2021.12.31
Other receivables	$ 1,099,860	1,145,262
Current income tax assets	101,519	92,251
Prepayments	1,556,041	1,360,349
Other financial assets	44,525	42,119
Refundable deposits	112,092	340,854
Prepayments for equipment	16,165	16,210
Contract assets-non-current	34,711	6,067
Others	7,590,570	3,136,210
	$ 10,555,483	**6,139,322**
Current	$ 9,540,219	4,917,814
Non-current	1,015,264	1,221,508
	$ 10,555,483	**6,139,322**

1. Other financial assets

Mainly pledged bank deposits, which are used as guarantees for long-term loans and financing lines. Please refer to Note 8 for details.

(m) Short-term borrowing

	2022.12.31	2021.12.31
Unsecured bank borrowings	$ 14,514,898	8,534,442
Guaranteed bank loan	600,539	942,512
	$ 15,115,437	**9,476,954**
Unused quota	**$ 21,943,239**	**19,411,317**
Interest rate range	**0.50%~19.25%**	**0.25%~5.50%**

The Consolidated Company sets out the assets as pledged collateral for bank loans in Note 8.

1. Issuance and repayment of loans

The newly increased amount of short-term borrowings of the Consolidated Company in 2022 was NT$5,729,937 thousand, with borrowing rates ranging from 1.19% to 13.8%. The maturity date was from October 11, 2022 to March 24, 2023. Please refer to note 6(23) of interest rate fees.

2. Collateral for bank loans

The Consolidated Company sets out the assets as pledged collateral for bank loans in Note 8.

(n) Long-term loans

	2022.12.31		
	Interest rate range (%)	**Maturity year**	**Amount**
Unsecured bank borrowings	1.05%~3.32%	112~120	$ 7,106,552
Guaranteed bank loan	0.44%~2.03%	119~127	975,763
Subtotal			8,082,315
Less: Those maturing within one year			(1,369,006)
Total			**$ 6,713,309**

	2021.12.31		
	Interest rate range (%)	**Maturity year**	**Amount**
Unsecured bank borrowings	1.00%~1.44%	112~124	$ 6,893,258
Guaranteed bank loan	0.44%~1.50%	120~127	951,766
Subtotal			7,845,024
Less: Those maturing within one year			(11,926)
Total			**$ 7,833,098**

The Consolidated Company sets out the assets as pledged collateral for bank loans in Note 8.

(o) Bonds payable

The Consolidated 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
Unsecured convertible corporate bonds of subsidiaries	812,275	1,050,835
Less: Those maturing or able to have redemption rights exercised within one year	(812,275)	(1,137,035)
Ending balance of corporate bonds payable	**$ 7,996,895**	**8,967,735**

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.

These 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— NT$9,592 thousand—have not been reviewed)	5,675,016
Interest calculated at effective interest rate of 1.1542%	245,780
Loss (benefit) from financial product evaluation	(12,088)
Converting corporate bonds payable into ordinary shares	(349,057)
The liability components as of December 31, 2022	**$ 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.

These 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 period of 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 issuer will repay the bonds in full cash on the maturity date according to the nominal amount of the bonds.

These 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 0.479%.

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$1,464,589 thousand and financial liabilities at fair value through profit or loss - non-current of NT$150 thousand)	1,464,439
Interest calculated at effective interest rate of 0.479%	9,324
Loss (benefit) from financial asset evaluation	600
The liability components as of December 31, 2022	**$ 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, 2021) 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 (February 26, 2022), 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 three years (November 27, 2024) to 40 days before the maturity date (January 17, 2026), if the closing price of the Company's ordinary shares exceeds the current conversion price for 30 consecutive business days by 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.

A. 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 cash on the maturity date according to the nominal amount of the bonds.

These 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**

5. The main conditions related to the issuance of unsecured convertible corporate bonds of subsidiaries are as follows:

(1)Total issuance: NT$700,000 thousand

(2)Face value: NT$100 thousand each

(3)Coupon rate: 0%

(4)Effective interest rate: 0.5%

(5)Term: 2020.02.10～2023.02.10

(6)Conversion period: The bondholders may, from the day following the expiration of three months from the issuance date of the convertible corporate bonds to the expiration date, except for the period when ordinary shares are ceased from transferring by law, the period from the 15 business days before the book closure date of issuance of bonus shares, the book closure date of cash dividends, or the book closure date of the cash capital increase to the record date of rights distribution of the issuer, or from the record date of the capital reduction to one day before the trading date starting to process the capital reduction for issuance of new shares, at which point conversion may not be requested, file a request at any time to convert the convertible corporate bonds held into the issuer's ordinary shares in accordance with regulation through trading securities firms, and will inform the Taiwan Depository & Clearing Corporation and the issuer's stock affairs agency.

(7)Conversion price and adjustment:

The conversion price at issue was NT$104.1 and is changed to NT$96.5 from August 21, 2022.

(8)Redemption right:

A. From the day following the expiration of three months from the issuance date to 40 days before the expiration of the issuance period, if the closing price of the ordinary shares of the issuer at the business premises of the securities firm exceeds the current conversion price by more than 30% (inclusive) for 30 consecutive business days, the issuer may redeem all the outstanding convertible corporate bonds in cash according to the face value of the bonds within the next 30 business days.

B. From the day following the expiration of three months from the date of issuance to 40 days before the expiration of the issuance period, if the outstanding balance of the convertible corporate bonds is less than 10% of the total amount of the original issuance, the issuer may redeem all the outstanding convertible corporate bonds in cash at any time thereafter according to the face value of the bonds.

C. If the bondholder fails to reply in writing to the agency of the issuer before the benchmark date of bond retirement specified in the "Bond Retirement Notice", the issuer will redeem all outstanding principal convertible corporate bonds in cash according to the face value of the bonds within five business days after the benchmark date of bond retirement.

6. The main conditions related to the issuance of unsecured convertible corporate bonds of subsidiaries 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: 1.0255%

(5)Term: 2020.12.15～2023.12.15

(6)Conversion period: from the day after the expiration of three months after the date of bond issuance to the maturity date, except for the period during which the transfer of ownership is suspended in accordance with the conversion measures or laws and regulations, the bondholders may request the subsidiary to convert into ordinary shares of the subsidiary. The rights and obligations of the ordinary shares after conversion are the same as those of the originally issued ordinary shares.

(7)Conversion price and adjustment:

The conversion price of this convertible corporate bond is determined in accordance with the prescribed model set forth in the conversion regulations. In case of the Company's anti-dilution clause coming into effect, the conversion price will be adjusted in accordance with the prescribed model set forth in the conversion regulations; subsequently, on the benchmark date of the regulation, the conversion price shall be re-set according to the setting mode specified in the conversion regulation. If it is higher than the conversion price before the re-setting in the current year, it shall not be adjusted.

(8)Redemption right:

A. Redemption at maturity: After the issuance of this bond expires, the subsidiary will repay the principal at one time.

B. Early redemption: From the day following the issuance of the convertible corporate bonds for three months to 40 days before the expiration of the issuance period, when the closing price of the ordinary shares of the subsidiary exceeds the current conversion price by 30% for 30 consecutive business days, or from the day after the issuance of the convertible corporate bonds for three months to 40 days before the expiration of the issuance period, when the outstanding balance of the convertible corporate bonds is less than 10% of the total face value of the original issue, the subsidiary may redeem all its bonds in cash at any time thereafter according to the face value of the bonds.

C. According to the regulations on conversion method, all redeemed, repaid, or converted corporate bonds of all subsidiaries will be written-off, and all the rights and obligations attached to the corporate bonds will be extinguished and will not be issued.

(p) 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 Consolidated Company is as follows:

		2022.12.31	2021.12.31
The present value of defined benefit obligations	$	563,984	659,932
Fair value of plan assets		(191,803)	(184,993)
Net defined benefit liabilities	**$**	**372,181**	**474,939**

		2022.12.31	2021.12.31
Defined benefit assets (account as other non-current assets)	$	(940)	(751)
Defined benefit liabilities		373,121	475,690
Net defined benefit liabilities	**$**	**372,181**	**474,939**

The Company and its domestic subsidiaries 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. Foreign subsidiaries contribute and pay pensions to relevant statutory bodies for administration in accordance with relevant local laws and regulations.

(1)Plan asset composition

The Company and its domestic subsidiaries 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.

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 Consolidated Company in 2022 and 2021 are as follows:

		2022	2021
Defined benefit obligations on January 1	$	659,932	731,106
Current service cost and interest		18,646	14,101
－Actuarial gains (losses) - changes in population statistics assumption		119	1,545
－Actuarial gains (losses) - changes in financial assumptions		(118,414)	(23,150)
－Actuarial gains (losses) - experience adjustments		11,298	9,036
Benefits paid by the plan		(19,027)	(23,288)
Settlements		(88)	-
Exchange differences of foreign schemes		11,518	(49,418)
December 31 Defined benefit liabilities	**$**	**563,984**	**659,932**

(3)Changes in fair value of plan assets

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

		2022	2021
Fair value of plan assets on January 1	$	184,993	194,634
Interest income		1,295	757
－Plan asset remuneration (excluding current interest)		27,399	2,983
Amount allocated to the scheme		5,056	5,079
Benefits paid by the plan		(3,484)	(13,650)
Exchange differences of foreign schemes		(23,456)	(4,810)
Fair value of plan assets on December 31	**$**	**191,803**	**184,993**

(4)Recognized gain (loss) expenses

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

		2022	2021
Current service costs	$	13,499	10,788
Net defined benefit liabilities (assets)		3,852	2,556
	$	**17,351**	**13,344**

(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 Consolidated Company in 2022 and 2021 were NT$134,396 thousand and NT$15,552 thousand, respectively.

(6)Actuarial assumption

The material actuarial assumptions used by the Consolidated 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%~4.21%	0.65%~1.7%
Increase in future salary	0%~3%	0.0%～3.0%
Mortality Rate	90% of 5th Period Taiwan Life Tables	90% of 5th Period Taiwan Life Tables
Turnover rate	0%~34%	0%～34%

The Consolidated 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, 2021 is NT$23,839 thousand.

The weighted average duration of defined benefit plans is 10 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	$ (20,747)	22,164
Increase in future salary	13,287	(12,801)
December 31, 2021		
Discount rate	(33,969)	37,415
Increase in future salary	18,489	(17,533)

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 Consolidated Company and its domestic subsidiaries 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 Consolidated 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 2021 and 2020 are NT$239,385 thousand and NT$306,230 thousand respectively, which have been contributed to the Bureau of Labor Insurance or local authorities.

(q) Income taxes

1. Income tax expenses

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

	2022	2021
Income tax expenses for the period		
Recognized for the period	$ 1,530,129	903,406
Adjustment of the income tax in the previous year	29,206	(3,886)
	1,559,335	899,520
Deferred income tax expenses		
Occurrence and reversal of temporary differences	(122,324)	(2,391)
Income tax expenses (excluding income tax on the sale of discontinued operations)	1,437,011	897,129
Less: income tax expenses attributable to the discontinued operation	(111,123)	(109,676)
Income tax expenses	$ 1,325,888	787,453

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

	2022	2021
Net profit before tax of continuing operations	$ 3,709,274	3,534,329
Income tax calculated at domestic tax rate	$ 2,216,307	849,851
Effect of tax rate differences in foreign jurisdictions	202,216	489,113
Adjustment according to tax laws	(613,221)	(66,871)
Tax-exempted income	(46,016)	(148,133)
Tax incentives	-	(3,118)
Changes in unrecognized temporary differences	(405,246)	(299,748)
Overestimate in the previous year	25,751	39,228
Surtax on undistributed retained earnings	5,943	30,107
Basic income tax	491	4,086
Repatriation of surplus of subsidiaries	-	2,051
Overseas profit repatriated to withholding tax	50,786	563
Income tax expenses (excluding income tax on the sale of discontinued operations)	1,437,011	897,129
Less: income tax expenses attributable to the discontinued operation	(111,123)	(109,676)
Income tax expenses	$ 1,325,888	787,453

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 Consolidated 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)Unrecognized deferred income tax assets

The item not recognized as deferred income tax assets by the Consolidated Company is as follows:

	2022.12.31	2021.12.31
Tax loss	$ -	1,564,708

The loss due to taxation is subject to the income tax law, and the net profit of the ten years before the loss is deducted by the tax collection authority. These items are not recognized as deferred income tax assets because it is not likely that the Consolidated Company will have sufficient tax offices for such temporary differences in the future.

As of December 31, 2022, the tax losses of the Consolidated Company that have not been recognized as deferred income tax assets are deducted as follows:

Loss not deducted	Last year that can be deducted
$ 5,370	2023
23,393	2024
29,740	2025
41,960	2026
54,437	2027
80,855	2028
11,673	2029
34,570	2030
1,722,572	2034
16,507	2035
21,029	2036
6,123,109	No limit
$ 8,165,215	

(3)Recognized deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities:

Deferred income tax liabilities:

	Defined benefit plan	Fiscal and tax difference	Asset revaluation	Others	Total
January 1, 2022	$ 617	465,958	69,354	-	535,929
Debit/(credit) income statement	37	(263,383)	-	-	(263,346)
Debit/(credit) other comprehensive profit and loss	-	1,726	-	-	1,726
Exchange differences on translation of foreign financial statements	-	106,722	-	-	106,722
December 31, 2022	**$ 654**	**311,023**	**69,354**	**-**	**381,031**
January 1, 2021	$ 612	458,936	69,354	-	528,902
Debit/(credit) income statement	-	(16,127)	-	-	(16,127)
Debit/(credit) other comprehensive profit and loss	6	-	-	-	6
Exchange differences on translation of foreign financial statements	(1)	23,149	-	-	23,148
December 31, 2021	**$ 617**	**465,958**	**69,354**	**-**	**535,929**

Deferred income tax assets:

	Allowance for inventory market price decline	Loss deduction	Bad debt loss	Liability provisions	Others	Total
January 1, 2022	$ 59,090	1,157,935	35,792	294,786	17,106	1,564,709
Debit/(credit) income statement	(11,702)	(225,970)	12,379	(34,217)	31,421	(228,089)
Debit/(credit) other comprehensive profit and loss	-	-	-	(32,909)	(23,580)	(56,489)
Exchange differences on translation of foreign financial statements	246	47,696	-	17,778	60,637	126,357
December 31, 2022	**$ 47,634**	**979,661**	**48,171**	**245,438**	**85,584**	**1,406,488**
January 1, 2021	$ 251,104	826,741	73,365	285,205	199,117	1,635,532
Debit/(credit) income statement	(13,004)	139,201	(37,261)	(75,409)	(33,583)	(20,056)
Debit/(credit) other comprehensive profit and loss	-	-	-	(1,664)	20,526	18,862
Exchange differences on translation of foreign financial statements	(179,010)	191,993	(312)	86,654	(168,954)	(69,629)
December 31, 2021	**$ 59,090**	**1,157,935**	**35,792**	**294,786**	**17,106**	**1,564,709**

3. Income tax assessments

The income tax returns of the Company, Ennoconn International, Goldteck Technology, Thecus, CASWELL and MIC INC. through 2020 have been assessed by the tax authorities. 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.

(r) 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 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 and associates	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 will take into account the environment and growth of the Company and the distribution of earnings should take into account the Company's future capital expenditure budget and capital requirements, and pay cash dividends of not less than 10% of the dividends distributed in the current 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 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) and non-controlling interests

	Exchange differences on translation of foreign financial statements	**Unrealized gain or loss on financial assets at FVTOCI**	**Non-controlling interests**	**Total**
Balance as of January 1, 2022	$ (1,673,323)	(95,167)	20,565,729	18,797,239
Net income for period	-	-	6,754,699	6,754,699
Exchange differences on translating the net assets of foreign operations	842,050	-	797,772	1,639,822
Share of associates accounted for using the equity method	1,006	487	316	1,809
Unrealized gain or loss on financial assets at FVTOCI	-	19,013	(9,272)	9,741
Remeasurement of defined benefit plan	-	-	86,018	86,018
Cash dividends distributed by subsidiaries	-	-	(1,179,005)	(1,179,005)
Changes in percentage of ownership in subsidiaries	-	-	(13,708)	(13,708)
Non-controlling interests acquired through combinations	-	-	23,384	23,384
Effect of loss of control	-	-	(90,053)	(90,053)
Other changes	-	-	241,276	241,276
Balance as of December 31, 2022	**$ (830,267)**	**(75,667)**	**27,177,156**	**26,271,222**

	Exchange differences on translation of foreign financial statements	Unrealized gain or loss on financial assets at FVTOCI	Non-controlling interests	Total
Balance as of January 1, 2021	$ (934,258)	(76,666)	21,251,225	20,240,301
Net income for period	-	-	2,017,180	2,017,180
Exchange differences on translating the net assets of foreign operations	(738,853)	-	(1,535,621)	(2,274,474)
Share of conversion difference of associates accounted for using the equity method	(212)	-	(9,539)	(9,751)
Unrealized gain or loss on financial assets at FVTOCI	-	(18,501)	(2,543)	(21,044)
Remeasurement of defined benefit plan	-	-	7,011	7,011
Cash dividends distributed by subsidiaries	-	-	(1,064,739)	(1,064,739)
Changes in percentage of ownership in subsidiaries	-	-	(215,750)	(215,750)
Other changes	-	-	118,505	118,505
Balance as of December 31, 2021	$ (1,673,323)	(95,167)	20,565,729	18,797,239

(s) Share-based payment

1. CASWELL, INC. had no share-based payment as of the end of 2022. The share-based payment in 2021 is listed below:

	Equity settlement
	Treasury shares transferred to employees
Granting day	2021.1.6
Granting number	210 thousand shares
Contract period	-
Granting person	All employees
Vested conditions	Immediately vested

(1)Measurement parameters of fair value on the granting date

Caswell, Inc. adopts the Black-Scholes option evaluation model to estimate the fair value of share-based payment on the granting day, which values are listed below:

	2021
	Treasury shares transferred to employees
Fair value at the granting day (NT$)	$ 122.00
Share price on the granting day (NT$)	122.00
Execution price (NT$)	85.02

The determination of fair value does not take into account the services and non-market performance conditions contained in the transaction.

(2)Information on treasury stock transfer regulations

Details of the above treasury share transfer regulations are as follows:

(in thousands)

	2021	
	Treasury shares transferred to employees	
	Weighted average performance price (NT$)	**Stock option quantity**
Outstanding shares as of January 1	$ -	-
Granting number in the current period	85.02	210
Lost number in the current period	-	-
Executed number in the current period	(85.02)	(210)
Outstanding shares as of Dec 31	-	-
Exercisable options as of Dec 31	-	-

(3)Employee expenses

Remuneration expenses recognized by employees of CASWELL, INC. for the transfer of treasury shares in 2021 was NT$7,764 thousand.

2. MIC INC. and ADAT (a subsidiary of MIC INC.) paid the share-based payment in 2022 and 2021 as below:

Issuer	Category of agreements	Granting day	Number granted shares (in thousand shares)	Contract period	Vested conditions
MIC Inc.	Employee stock options plan	September 11, 2015	3,956	6 years	2–4 years, service expired
ADAT		April 1, 2019	436	〃	0–2 years, service expired
〃		September 1, 2019	314	〃	〃
〃		May 1, 2020	27	〃	〃
〃		September 1, 2020	137	〃	〃

(1)The abovementioned share-based payment agreements are equity-settled share-based payment transactions.

(2)The details of the above share-based payment agreements are as follows:

MIC Inc.:

	2021	
	Weighted average performance price (NT$)	**Stock option quantity**
Outstanding stock options as of January 1	$ 15.20	169
Exercise of stock options in the current period	(15.11)	(169)
Outstanding warrants as of Dec 31	-	-
Exercisable options as of Dec 31		-

Note: the Company's employee stock option scheme expired on September 10, 2021.

ADAT:

	2022		2021	
	Weighted average performance price (NT$)	**Stock option quantity**	**Weighted average performance price (NT$)**	**Stock option quantity**
Outstanding stock options as of January 1	$ 10.00	122	10.00	446
Exercise of stock options in the current period	10.00	(116)	10.00	(298)
Forfeiture of stock options in the current period	-	(6)	-	(26)
Outstanding options as of Dec 31	20.00	- (Note)	10.00	122
Exercisable options as of Dec 31		- (Note)		64

Note: the Company's subsidiary-ADAT employee stock option scheme expired on December 31, 2022.

(3)The maturity date and strike price of options outstanding on the balance sheet date are as follows:

			2021.12.31	
Issuer	**Approved issue date**	**Maturity date**	**Number of shares (thousand shares)**	**Performance price (NT$)**
ADAT	April 1, 2019	March 31, 2025	50	10.00
〃	September 1, 2019	August 31, 2025	9	10.00
〃	May 1, 2020	April 30, 2026	15	10.00
〃	September 1, 2020	August 31, 2026	48	10.00

(4)MIC Inc. and ADAT adopt the Black-Scholes option evaluation model to estimate the fair value of share-based payment on the granting day as below:

Issuer	Category of agreements	Granting day	Share price (NT$)	Performance price (NT$)	Expected volatility	Expected duration	Expected dividends yield	Risk-free interest rate	Fair value per unit (NT$)
MIC Inc.	Employee stock options plan	September 11, 2015	$ 19.60	19.60	34.91%	4.375年	0%	0.81%	5.8326
ADAT	〃	April 1, 2019	10.00	10.00	47.77%	3.550年	0%	0.61%	2.4727
〃	〃	September 1, 2019	10.00	10.00	44.29%	3.550年	0%	0.54%	2.7873
〃	〃	May 1, 2020	10.00	10.00	38.58%	3.550年	0%	0.38%	10.4014
〃	〃	September 1, 2020	10.00	10.00	38.10%	3.550年	0%	0.38%	9.9910

(5)MIC INC. did not incur any expenses due to share based payment in 2022 and 2021.

(6)ADAT paid NT$121 thousand and NT$704 thousand shared-based payment in 2022 and 2021, respectively.

(t) 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

(1)Net profit attributable to the Company

	2022			2021		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Net profit attributable to the Company	$ 1,290,604	2,162,312	3,452,916	1,168,180	166,764	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

	2022			2021		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Basic Earnings per Share	$ 12.18	20.42	32.60	12.17	1.74	13.91

2. Diluted earnings per share

(1)Net profit (diluted) attributable to the Company

	2022			2021		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Net profit attributable to the holders of ordinary share equity of the Company (basic)	$ 1,290,604	2,162,312	3,452,916	1,168,180	166,764	1,334,944
After tax interest expenses and financial evaluation gains and losses of convertible corporate bonds	82,943	-	82,943	82,709	-	82,709
Net profit attributable to the holders of ordinary share equity of the Company (diluted)	$ 1,373,547	2,162,312	3,535,859	1,250,889	166,764	1,417,653

(2)Weighted average share outstanding (diluted)

	2022	2021
Weighted average number of outstanding ordinary shares (basic)	105,903	95,990
Effect of conversion of convertible corporate bonds	38,977	32,136
Effect of employee remuneration	498	139
Weighted average outstanding ordinary shares (diluted) as of December 31	145,378	128,265

	2022			2021		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Diluted earnings per share	$ 9.45	14.87	24.32	9.75	1.30	11.05

(u) Revenue from customer contracts

1. Description of Revenue

The Consolidated Company has the following revenues:

	2022	2021
Revenue from sales of goods	$ 77,512,079	64,494,465
Service revenue	11,880,229	13,337,549
Project revenue	30,999,634	18,724,632
	120,391,942	96,556,646
Less: operating revenue attributable to the discontinued operation	(12,163,409)	(11,189,611)
	$ 108,228,533	85,367,035

2. Balance of contracts

	2022.12.31	2021.12.31	2021.1.1
Accounts receivable	$ 17,390,498	17,320,182	14,986,228
Contract assets-construction contracts	$ 9,059,781	8,510,574	5,306,618
Contract assets-sales contracts	1,398,269	513,642	436,573
Contract assets-labor service contracts	410,742	520,795	388,270
Total	$ 10,868,792	9,545,011	6,131,461

	2022.12.31	2021.12.31	2021.1.1
Contract liabilities-construction contracts	$ 5,723,089	3,643,508	2,478,159
Contract liabilities-sales contracts	1,688,212	1,797,413	1,802,828
Contract liabilities-labor service contracts	1,681,358	1,731,704	1,564,782
Contract liabilities-extended warranty service	596,973	509,719	676,797
Total	$ 9,689,632	7,682,344	6,522,566

Please refer to Note 6(2) for the disclosure of notes and accounts receivable and their impairment.

(v) 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 consolidated financial statements for the year 2022 and 2021. The related information is available on the Market Observation Post System (MOPS).

(w) Non-operating income and expenses

1. Other income

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

	2022	2021
Rental income	$ 36,235	23,305
Dividend income	16,437	10,038
	52,672	33,343
Less: other income attributable to the discontinued operation	(3,806)	(4,415)
Total other income	**$ 48,866**	**28,928**

2. Other gains and losses

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

	2022	2021
Gains (losses) from disposal of property, plant and equipment	$ (19,734)	77,323
Gains on disposal of investments	27,196	104,364
Bond recovery loss	-	(2,189)
Gain (loss) on foreign exchange	453,048	(185,315)
Net (loss) gain of financial assets and liabilities	(135,296)	446,577
Impairments of non-financial assets	(1,029,708)	(47,309)
Gains on lease modification	1,950	-
Gains from disposal of discontinued operation	7,504,112	-
Others	1,858,152	1,127,546
	8,659,720	1,520,997
Less: other gains and losses attributable to the discontinued operation	(7,615,681)	39,471
Other net gains and losses	**$ 1,044,039**	**1,560,468**

3. Financial costs

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

	2022	2021
Interest on bank loans	$ 478,351	313,006
Interest on lease liabilities	77,140	119,790
Accrued interest on corporate bonds payable	107,113	113,238
	662,604	546,034
Less: financial costs attributable to the discontinued operation	**(44,854)**	(35,237)
Net financial cost	**$ 617,750**	**510,797**

(x) 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(2) 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.

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	$ 26,758,911	(26,758,911)	(26,758,911)	-	-
Lease liabilities	3,665,353	(4,106,392)	(875,771)	(234,078)	(2,996,543)
Floating rate instruments	23,197,752	(23,992,694)	(14,496,598)	(2,782,786)	(6,713,310)
Instruments with fixed interest rates	8,809,170	(8,815,490)	(167,395)	(651,200)	(7,996,895)
	$ 62,431,186	**(63,673,487)**	**(42,298,675)**	**(3,668,064)**	**(17,706,748)**
December 31, 2021					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 26,346,522	(26,346,522)	(26,346,522)	-	-
Lease liabilities	3,460,678	(3,804,632)	(493,541)	(489,214)	(2,821,877)
Floating rate instruments	17,321,978	(17,343,725)	(6,393,882)	(3,114,516)	(7,835,327)
Instruments with fixed interest rates	10,104,770	(10,126,036)	-	(1,137,035)	(8,989,001)
	$ 57,233,948	**(57,620,915)**	**(33,233,945)**	**(4,740,765)**	**(19,646,205)**

The Consolidated Company does not expect that the timing of the cash flows for the maturity analysis will occur significantly earlier, or that the actual amounts will be significantly different.

3. Exchange Rate Risks

(1)Exposure to exchange rate risk

The Consolidated 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	$ 395,448	30.71 (USD:TWD)	12,144,208	642,351	27.68 (USD:TWD)	17,780,276
USD	100,746	0.9386 (USD:EUR)	3,094,010	80,385	0.8838 (USD:EUR)	2,225,106
USD	43,616	6.9637 (USD:CNY)	1,339,444	35,321	6.3779 (USD:CNY)	978,589
Financial liabilities						
Monetary items						
USD	170,153	30.71 (USD:TWD)	5,255,399	595,317	27.68 (USD:TWD)	16,478,375
USD	70,469	0.9386 (USD:EUR)	2,164,173	71,939	0.8838 (USD:EUR)	1,991,316
USD	43,613	6.9637 (USD:CNY)	1,339,352	35,321	6.3779 (USD:CNY)	978,589

Note: the exchange rates of Euro and CNY against the Taiwan dollar listed above are as follows:

	2022.12.31	2021.12.31
EUR:TWD	$ 32.72	31.32
CNY:TWD	4.41	4.344

(2)Sensitivity analysis

The exchange rate risk of the Consolidated Company mainly comes from foreign currency-denominated cash and cash equivalent, accounts receivable and other receivables, 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 held by the Company and all other factors remained constant, net income would have increased or deceased by NT$78,187 thousand and NT$15,357 thousand. The same basis is used for both periods of analysis.

(3)Exchange gains and losses of monetary items

As the Consolidated 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$453,048 thousand and NT$185,315 thousand, respectively.

4. Interest Rate Risks

The interest rate exposure to the Consolidated Company's financial assets and financial liabilities is 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 Consolidated 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$216,014 thousand and NT$173,220 thousand, mainly due to changes in loan interest rate of the Consolidated Company.

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%	$ 10,313	11,492	9,268	11,744
Decreased by 1%	$ (10,313)	(11,492)	(9,268)	(11,744)

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 Consolidated 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 at FVTPL					
Derivative financial assets	$ 195	-	-	195	195
Investment in equity instruments					
- Publicly traded shares	141,934	141,934	-	-	141,934
- Non-TWSE/TPEx-listed and emerging stocks	673,430	-	-	673,430	673,430
- Fund beneficiary certificates	333,661	-	-	333,661	333,661
Subtotal	1,149,220	141,934	-	1,007,286	1,149,220
Financial assets measured at fair value through other comprehensive income					
Investment in equity instruments					
- Publicly traded shares	208,131	208,131	-	-	208,131
- Non-publicly traded shares	823,150	-	-	823,150	823,150
Subtotal	1,031,281	208,131	-	823,150	1,031,281

	2022.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets as measured at amortized cost					
Cash and cash equivalents	$ 25,963,256	-	-	-	-
Financial assets as measured at amortized cost	23,655	-	-	-	-
Contract assets	10,868,792	-	-	-	-
Notes and accounts receivable (including related parties)	17,432,631	-	-	-	-
Other receivables	1,099,860	-	-	-	-
Refundable deposits	691,647	-	-	-	-
Subtotal	56,079,841	-	-	-	-
Total	**$ 58,260,342**	**350,065**	-	**1,830,436**	**2,180,501**
Financial liabilities at FVTPL					
Derivative financial liabilities	$ 1,638	-	1,638	-	1,638
Subtotal	1,638	-	1,638	-	1,638
Financial liabilities at amortized cost					
Bank loans	23,197,752	-	-	-	-
Contract liabilities	9,689,632	-	-	-	-
Notes and accounts payable (including related parties)	21,548,455	-	-	-	-
Other payables	5,210,456	-	-	-	-
Lease liabilities	3,665,353	-	-	-	-
Convertible bond	8,809,170	-	9,111,595	-	9,111,595
Subtotal	72,120,818	-	9,111,595	-	9,111,595
Total	**$ 72,122,456**	-	**9,113,233**	-	**9,113,233**

	2021.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Derivative financial assets	$ 194,182	175,306	-	18,876	194,182
Investment in equity instruments					
- Publicly traded shares	26,290	22,224	-	4,066	26,290
- Non-TWSE/TPEx-listed and emerging stocks	769,260	-	-	769,260	769,260
- Fund beneficiary certificates	184,624	-	-	184,624	184,624
Subtotal	1,174,356	197,530	-	976,826	1,174,356

	2021.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income					
Investment in equity instruments					
- Non-publicly traded shares	$ 926,755	-	-	926,755	926,755
Subtotal	926,755	-	-	926,755	926,755
Financial assets as measured at amortized cost					
Cash and cash equivalents	17,522,321	-	-	-	-
Financial assets as measured at amortized cost	864,112	-	-	-	-
Contract assets	9,545,011	-	-	-	-
Notes receivable and accounts receivable	17,380,353	-	-	-	-
Other receivables	1,145,262	-	-	-	-
Refundable deposits	340,854	-	-	-	-
Subtotal	46,797,913	-	-	-	-
Total	$ 48,899,024	197,530	-	1,903,581	2,101,111
Financial liabilities at FVTPL					
Derivative financial liabilities	$ 713	-	713	-	713
Subtotal	713	-	713	-	713
Financial liabilities at amortized cost					
Bank loans	17,321,978	-	-	-	-
Contract liabilities	7,151,404	-	-	-	-
Notes and accounts payable (including related parties)	21,165,091	-	-	-	-
Other payables	5,181,431	-	-	-	-
Lease liabilities	3,460,678	-	-	-	-
Convertible bond	10,104,770	-	10,104,770	-	10,104,770
Subtotal	64,385,352	-	10,104,770	-	10,104,770
Total	$ 64,386,065	-	10,105,483	-	10,105,483

(2)Fair value evaluation techniques for financial instruments not measured at fair value

The methods and assumptions used by the Company to estimate instruments not measured at fair value are as follows:

For financial assets and liabilities measured at amortized cost, if there is quotation information on transactions or market makers, the latest transaction price and quotation information shall be used as the basis for the evaluation of fair value. If the market value is not available for reference, the evaluation method shall be used for estimation. Discounted cash flow is adopted to estimate the fair value based on the estimates and assumptions used in the evaluation method.

(3)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 Consolidated 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).

If the financial instruments held by the Consolidated Company have no active market, their fair values are listed as follows by category and attribute:

- Equity instruments without public quotation: the fair value is estimated by using the discounted cash flow model. The main assumption is that the expected future cash flow of the investee is discounted at the rate of return reflecting the time value of money and investment risk.
- Equity instruments without public quotation: the fair value is estimated using the market comparable company method, and its main assumptions are measured based on the estimated pre-tax earnings before interest, depreciation and amortization of the investee, and the earnings multiplier derived from the market quotation of comparable listed companies. The estimate has adjusted the discount impact of the lack of market liquidity of the equity securities.

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. Forward foreign exchange contracts are usually evaluated based on the current forward exchange rate. Structured interest rate derivative financial instruments adopt an option evaluation model (e.g. Black-Scholes) or other evaluation model (e.g. Monte Carlo simulation).

C. Contingent consideration of business combination

The fair value is estimated by adopting the discounted cash flow method. The main assumption is to estimate the current value after considering the probability of occurrence based on the possible pre-tax earnings before interest, depreciation and amortization under various scenarios, and discounting at the risk adjusted discount rate.

(4)Transfer between level 1 and level 2

No transfer in 2022 and 2021.

(5)Quantitative information of fair value measurement using significant unobservable input value (Level 3)

The fair value measurement of the Consolidated Company is classified into the third level, mainly including financial assets measured at fair value through profit or loss - equity securities investment, derivative financial instruments, private fund investment and financial assets measured at fair value through other comprehensive profit or loss - equity securities investment.

Most of the fair values of the Consolidated Company are classified as level 3, with only a single significant unobservable input value, and only the equity instrument investments without active markets have complex significant unobservable input values. The significant unobservable inputs of equity instrument investments without active markets are independent of each other, so there is no correlation.

The quantitative information of significant unobservable inputs is listed as follows:

Item	**Valuation technique**	**Significant unobservable input**	**Relationship between significant unobservable input and fair value**
Equity instrument investments without active markets	Comparable companies in the market	·Lack of market liquidity discount (December 31, 2022 and December 31, 2021 were 15~25%)	·The higher the discount for lack of marketability, the lower the fair value

(y) Financial risk management

1. Overview

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

(1)Credit Risks

(2)Liquidity Risks

(3)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 Consolidated Company's income or the value of financial instruments held. For further quantitative disclosures, please refer to the respective notes to the consolidated financial statements.

2. Risk management structure

The Chairman has the sole responsibility for establishing and overseeing the Consolidated 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 consolidated company's risk management policies and reporting its operation to the board of directors on a regular basis.

The Consolidated Company's risk management policy is designed to identify and analyze the risks faced by the Consolidated 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 Consolidated Company's operations. The Consolidated 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 Consolidated Company oversees how management monitors compliance with the Consolidated 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 assist the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company will use other publicly available financial information and mutual transaction records to rate major customers. The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company as of December 31, 2022 and 2021.

4. Liquidity Risks

Liquidity risk refers to the risk that the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company engages in derivative instrument transactions, resulting in financial liabilities. All transactions are executed in accordance with the policies of risk management committee.

(1)Exchange Rate Risks

The Consolidated 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.

(z) Capital management

Given the current operating industry and the future development, and considering the changes of the external environment and other factors, the Consolidated Company plans the working capital and dividend expenditure and other needs required by the Consolidated Company in the future, so as to ensure that the Consolidated 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 Consolidated Company may adjust the amount of dividends paid to shareholders or issue new shares. In addition, the Consolidated Company is not required to comply with other external capital requirements.

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

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

VII. Related Party Transactions

(a) Name and relationship of related party

The related parties that transact with the Consolidated Company within the coverage of this consolidated financial statements are as below:

Name of Related Party	Relationship with the Consolidated Company
Cloud Network Technology Singapore Pte. Ltd.	Associates
Cloud Network Technology Kft.	Associates
FOXCONN CZ s.r.o.	Associates
Competition Team Ireland Limited	Associates
Universal Field International Limited	Associates
Triple Win Technology (ShenZhen) Co., Ltd.	Associates
Chung Hsin Electric & Machinery Manufacturing Corp.	Associates
WT Microelectronics Co., Ltd.	Associates (Note)
Dongguan Oyu Precision Technology Co., Ltd.	Associates
Anpinda Precision Industry (Huizhou) Co., Ltd.	Associates
Everlasting Digital ESG Co., Ltd.	Associates
Macrotec Technology Corp.	Associates
Jiangsu Chunghsin Fine Mechanical Co., Ltd.	Associates
Premier Image Technology (China) Ltd.	Associates
Iwei Venture Capital Company	Associates
Kunshan Fuchengke Precision Electronical Co.,Ltd.	Associates
Dongguan Oyu Precision Technology Co., Ltd.	Associates

Name of Related Party	Relationship with the Consolidated Company
Wuhan Jusda Supply Chain Management Co., Ltd.	Associates
HeNan FuChi Technology Co., Ltd.	Associates
HeNan YuZhan Technology Limited	Associates
Fortune International Corporation	Associates
Wechin Electronics Corp.	Associates
Poslab Electronic and Technology (Shenzhen) Corporation	Associates
Glory Technology Service Inc.	Associates
Servtech Co., Ltd.	Associates
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)	Associates
Chongqing Fertile Plan Logistics Co., Ltd.	Associates
Chongqing Hongteng Technology Co., Ltd.	Associates
ChongQing FuGui Electronics Co., Ltd	Associates
Chongqing Jingmei Precision Electronics Co., Ltd.	Associates
Hong Kong Ennopower Information Technology Co., Ltd.	Associates
Triple Win Technology (JinCheng) Co., Ltd.	Associates
Jincheng Futaihua Precision Electronic Co., Ltd.	Associates
Jincheng Hongzhi Nano Optical-mechanical-electrical Institute Co., Ltd.	Associates
Kangzhun Electronic Technology (Kunshan) Co., Ltd.	Associates
Shenzhen Zhunxuntong Technology Co., Ltd.	Associates
Shenzhen Kangni Intelligent Technology Co., Ltd.	Associates
Shenzhen Fertile Plan International Logistics Co., Ltd.	Associates
Shen Zhen Fu Neng New Energy Technology Co., Ltd.	Associates
Shenzhen Fuhungchieh Technology Service Co., Ltd.	Associates
Shenzhen Pictographic Technology Co., Ltd.	Associates
Shenzhen Hyper Power Information Technology Co., Ltd.	Associates
Shenzhen Oyu Industry Co., Ltd.	Associates

Name of Related Party	Relationship with the Consolidated Company
Yantian Jusda Supply Chain Management Co., Ltd.	Associates
Shenzhen Asiatek Inc.	Associates
Shenzhen Fugui Precision Industrial Co., Ltd.	Associates
Shenzhen FuTaiHong Precision Industry Co., Ltd.	Associates
Shenzhen Fulian Fugui Precision Industry Co., Ltd.	Associates
Foxconn (KunShan) Computer Connector Co., Ltd.	Associates
Foxconn Industrial Internet Co., Ltd.	Associates
Foxconn Electronic Industry Development (Kunshan), Co., Ltd.	Associates
Foxconn Precision Electronics (Taiyuan) Co., Ltd.	Associates
Fujin Precision Industry (Shenzhen) Co., Ltd.	Associates
Fuyu Energy Technology (Kunshan) Co., Ltd.	Associates
Fujin Precision Industry (Jincheng) Co., Ltd.	Associates
Futaichieh Technology Development(Shenzhen) Co., Ltd.	Associates
Futaihua Industry (Shenzhen) Co., Ltd.	Associates
Futaihua Precision Industrial (Weihai) Co., Ltd.	Associates
Futaihua Industry (Zhengzhou) Co., Ltd.	Associates
Fuding Precision Component (Shenzhen) Co., Ltd.	Associates
FIH (Nanjing) Communications Co., Ltd.	Associates
FIH (Hong Kong) Limited	Associates
Fuxiang Precision Industry (Kunshan) Co., Ltd.	Associates
Fuguikang Precision Electronics (Guizhou) Co., Ltd.	Associates
Fulian Technology (Shanxi) Co., Ltd. (previously known as Shanxi Yuding Precision Technology Co., Ltd.)	Associates
Fulian Technology (Wuhan) Co., Ltd. (previously known as Wuhan Yuzhan Precision Technology Co., Ltd.)	Associates
Fulian Technology (Jiyuan) Co., Ltd. (previously known as Futaihua Precision Electronics (Jiyuan) Co., Ltd.)	Associates
Fulian Technology (Lankao) Co., Ltd. (previously known as Lankao Yuzhan Intelligent	Associates

Name of Related Party	Relationship with the Consolidated Company
Manufacturing Technology Co., Ltd.)	
Fulian Technology (Hebi) Co., Ltd. (previously known as Hebi Yuzhan Precision Technology Co., Ltd.)	Associates
Fulian Yuzhan Technology (Shenzhen) Co., Ltd. (previously known as Shenzhen Yuzhan Precision Technology Co., Ltd.)	Associates
Fulian Yuzhan Technology (HengYang) Co., Ltd. (previously known as Hengyang Yuzhan Precision Technology Co., Ltd.)	Associates
Fulian Precision Electronics (Tianjin) Co., Ltd. (previously known as Hongfujin Precision Electronics (Tianjin) Co., Ltd.)	Associates
Fulian Precision Electronics (Guiyang) Co., Ltd.	Associates
Fujun Precision Electronics (Chongqing) Co., Ltd.	Associates
Foxconn Global Network	Associates
Fuyun Acoustics Technology (Shenzhen) Co., Ltd.	Associates
Guizhou Fuzhikang Precision Electronics Co., Ltd.	Associates
Chiun Mai Communication Systems, Inc.	Associates
Coiler Corporation	Associates
Arbor Technology Corporation	Associates
Forward Science Corp.	Associates
Ennowell Co., Ltd.	Associates
Hengyang Futaihong Precision Industry Co., Ltd.	Associates
Ur Materials Industry (ShenZhen) Co., Ltd.	Associates
Ur Hongxin Detection Technology (Shenzhen) Co., Ltd	Associates
ProbeLeader Co., Ltd.	Associates
Hongzhun Precision Tooling (Kunshan) Co., Ltd.	Associates
Hon Hai Precision Industry Co., Ltd.	Associates
Hong Fu Sheng Precision Electronics (Zhengzhou) Co., Ltd.	Associates
Hongfujin Precision Industry (Wuhan) Co., Ltd.	Associates
Hongfujin Precision Industry (Shenzhen) Co., Ltd.	Associates
Hongfujin Precision Electronics (Chongqing) Co.,	Associates

Name of Related Party	Relationship with the Consolidated Company
Ltd.	
Honfujin Precision Electronics (Yantai) Co., Ltd.	Associates
Hongfujin Precision Electronics (Zhengzhou) Co., Ltd.	Associates
Hon Young Semiconductor Corporation	Associates
Hon-Ling Technology Co., Ltd.	Associates
Elecbay Technology Ltd.	Associates
Lankao YuFu Precision Technology Co., Ltd.	Associates
LanKao YuDe Environment Material Technology Inc.	Associates
Altus Technology Inc.	Associates
Former shareholders of AIS Cayman Technology	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 Consolidated Company has the following major sales with related parties:

Accounts Item	Category of related party/Name	2022	2021
Sales revenue	Associates:		
	Fulian Yuzhan Technology (Shenzhen) Co., Ltd.	$ 42,776	387,308
	Hon Hai Precision Industry Co., Ltd.	6,078	14,612
	Foxconn Global Network	30,182	9,049
	Fulian Precision Electronics (Tianjin) Co., Ltd.	26,895	39,049
	Hongfujin Precision Industry (Shenzhen) Co., Ltd.	26	423,945
	Futaihua Industry (Shenzhen) Co., Ltd.	1,482	196,853
	Others	73,435	582,499
Project revenue	Associates	58,086	76,592
		$ 238,960	1,729,907

The sales transaction price of the Consolidated 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 purchases of the Consolidated Company from related parties are:

Category of related party/Name		**2022**	**2021**
Associates:			
Hongfujin Precision Industry (Shenzhen) Co., Ltd.	$	79,798	354,866
Foxconn Interconnect Technology Limited Taiwan Branch (Cayman)		60,326	41,877
WT Microelectronics Co., Ltd.		59,708	63,194
Hon Hai Precision Industry Co., Ltd.		711	1,015,305
Others		97,570	592,173
	$	**298,113**	**2,067,415**

The sales transaction price of the Consolidated Company to the related parties according to the agreement of both parties, and the payment policy is one to two months of monthly settlement.

3. Accounts receivable from related parties

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

Accounts Item	**Category of related party/Name**		**2022.12.31**	**2021.12.31**
Accounts receivable - related parties	Associates:			
	Hong Kong Ennopower Information Technology Co., Ltd.	$	47,928	66,951
	Shenzhen Asiatek Inc.		30,128	-
	Fulian Yuzhan Technology (Shenzhen) Co., Ltd.		16,459	284,625
	HeNan FuChi Technology Co., Ltd.		70,987	146,329
	Others		113,787	271,458
		$	**279,289**	**769,363**

Note: The accounts receivable due to purchases on behalf of others are included.

Guarantees from outstanding accounts receivable of related parties are not collected. As of Dec 31, 2022 and 2021, the allowance for losses on accounts receivable from related parties was NT$4796 thousand and NT$54,389 thousand.

4. Accounts payable to related parties

Details of accounts payable to related parties of the Consolidated Company are as follows:

Accounts Item	Category of related party/Name	2022.12.31	2021.12.31
Accounts payable	Associates:		
	Hongfujin Precision Industry (Shenzhen) Co., Ltd.	$ 38,365	131,948
		-	-
	Cloud Network Technology Kft.	50,520	-
	Hon Hai Precision Industry Co., Ltd.	13,486	382,837
	Others	48,959	194,557
		$ 151,330	**709,342**
Expenses payable (classified under other accounts payable)	Associates	**$ 31,940**	**79,561**

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

5. Endorsements/guarantees

Category of related party/Name	2022	2021
Innovative Systems Integration Limited	$ -	830,400
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	692,000
Highaim Technology Inc.	46,065	41,520
Kontron AG and its subsidiary	7,233,411	6,118,231
MIC Inc. and its subsidiary	5,704,038	5,695,123
Ennoconn Huangary kft	2,149,700	-
Poslab Technology Corporation	50,000	-
Nanjing Asiatek	132,240	-
	$ 17,128,234	**14,637,274**

6. 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	$	356,044	311,182
Post-employment benefits		1,400	1,075
	$	357,444	312,257

Please refer to Note 6(18) for the description of share based payment.

VIII. Pledged Assets

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

Name of asset	Subject of pledge guarantee		2022.12.31	2021.12.31
Pledged time deposits (recognized as financial assets measured at amortized cost)	Bank loans, tariff guarantee, performance guarantee, and warranty guarantee	$	24,687	55,839
Pledged demand deposits (recognized as other financial assets)	Bank loans and performance guarantee		40,110	22,219
Accounts receivable	Bank loans and performance guarantee		136,314	59,779
Inventories	Performance guarantee		17,302	16,400
Land	Bank loans		122,198	-
Buildings, net	Bank loans		670,799	895,930
Investment properties	Bank loans		51,099	51,656
Refundable deposits	Tender deposit, performance bond, and warranty deposit		276,048	318,636
		$	1,338,557	1,420,459

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

X. Losses due to Major Disasters: None.

XI. Significant Events after the Balance Sheet Date: None.

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	1,778,071	11,379,181	13,157,252	1,463,347	12,556,572	14,019,919
Labor Insurance and National Health Insurance expenses	126,237	2,131,235	2,257,472	104,024	160,174	264,198
Pension costs	115,079	144,393	259,472	102,373	217,201	319,574
Other Employee Benefit Expenses	222,544	148,907	371,451	186,368	163,721	350,089
Depreciation expenses	451,636	1,288,556	1,740,192	348,772	1,425,370	1,774,142
Amortization expenses	14,080	2,159,867	2,173,947	10,828	1,391,895	1,402,723
Less: operating costs and operating expenses attributable to the discontinued operation	(788,924)	(2,270,555)	(3,059,479)	(771,410)	(2,220,151)	(2,991,561)

(b) Discontinued operation:

As stated in Note 6 (4), Kontron AG sold part of its IT service business through a resolution of the board of directors in 2022. Since the department related to the business was not a discontinued operation or an asset to be sold on December 31, 2021, the consolidated income statement of the previous period has been restated to show the discontinued operation and the continuing operation separately.

Please refer to Note 6 (20) for the amount of income attributable to the owners of the parent company from continuing operations and discontinued operations.

The operating results and cash inflows of the discontinued operations are as follows:

	2022	2021
Net operating income	$ 12,163,409	11,189,611
Operating costs	(8,780,835)	(7,751,554)
Gross operating profit	3,382,574	3,438,057
Operating expenses	(2,788,485)	(2,659,089)
Non-operating income and expenses	75,055	(64,044)
Pre-tax gains	669,144	714,924
Income tax expenses	(111,123)	(109,676)
Current year's gains	558,021	605,248
Disposal gains from discontinued operation	7,504,112	-
Income tax of disposal gains	(237,904)	-
Current net profit of discontinued operation	$ 7,824,229	605,248

	2022	2021
Gains from disposal of discontinued operation:		
The Company owner	$ 2,162,330	166,764
Non-controlling interests	5,661,899	438,484
	$ 7,824,229	**605,248**

Please refer to Note 6 (4) for the impact of the disposal of IT service business on the financial position of the Consolidated Company.

	2022.12.31
Consideration received	$ 8,161,733
Disposal of cash and cash equivalents	(2,018,669)
Net cash inflow	**$ 6,143,064**

XIII. Supplementary Disclosures

(a) Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Consolidated 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: Please refer to Table 5.
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 6.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Table 7.
9. Engagement in derivative transactions: None.
10. Business relations and material transactions between parent company and subsidiaries: Please refer to Table 8.

(b) Re-investment information (excluding investees in Mainland China): Please refer to Table 9.

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

1. Name, major businesses, and related information about investees in mainland China: Please refer to Table 9(1).

2. Investment limit in mainland China: Please refer to Table 9(2).
3. Major transactions with investees in mainland China:

(d) Information on Major Shareholders:

Name of Major Shareholder \ Shares	Shares Held	Shareholding ratio
Baoxin International Investments Ltd.	33,178,779	31.28%

XIV. Department Information

Information reported to the chief operating decision maker by the Consolidated Company for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services provided. In 2022 and 2021, the Consolidated Company was mainly engaged in the manufacturing and sales of data storage, processing equipment and industrial motherboard, network communication and facility electromechanical system services.

(a) Segment revenue and results of operations

The Consolidated Company shall report the segment revenues and operating results as follows:

2022	Industrial computer software and hardware sales department	Information system segment	Production and marketing department of network communication	Facility system and electromechanical system service department	Other departments	Adjustment and cancellation	Discontinued operations	Total
Revenue:								
Revenue from external clients	$ 9,437,969	46,585,787	4,982,672	50,366,703	13,948,143	(4,929,332)	(12,163,409)	108,228,533
Total earnings	$ 9,437,969	46,585,787	4,982,672	50,366,703	13,948,143	(4,929,332)	(12,163,409)	108,228,533
Profit and Loss of Reporting Segment	$ 3,724,129	7,810,608	575,518	2,996,438	2,423,391	(5,647,554)	(8,173,256)	3,709,274

2021	Industrial computer software and hardware sales department	Information system segment	Production and marketing department of network communication	Facility system and electromechanical system service department	Other departments	Adjustment and cancellation	Discontinued operations	Total
Revenue:								
Revenue from external clients	$ 7,778,194	44,322,733	4,673,944	34,458,675	7,345,471	(2,022,371)	(11,189,611)	85,367,035
Total earnings	$ 7,778,194	44,322,733	4,673,944	34,458,675	7,345,471	(2,022,371)	(11,189,611)	85,367,035
Profit and Loss of Reporting Segment	$ 1,619,875	1,788,272	322,820	1,940,382	754,887	(2,176,983)	(714,924)	3,534,329

(b) Segment assets and liabilities

The Consolidated Company shall report the measured amount of segment assets/liabilities, which are not provided for in operational decision-making, so the measured amount of assets.liabilities is not disclosed.

(c) Revenue from major products and services

The income analysis of the main products and services of the Consolidated Company is as follows:

		2022	2021
Production and sales of motherboard	$	8,033,024	6,970,423
Motherboard maintenance		810	660
Production and marketing of network communication		4,948,667	4,406,679
Information system software and hardware integration service		34,111,311	32,439,303
Facility and electromechanical system service		50,366,703	34,458,674
Others		10,768,018	7,091,296
Total	**$**	**108,228,533**	**85,367,035**

(d) Regional Information

The combined company mainly operates in three regions - Taiwan, Mainland China and Europe.

The income from external customers of the consolidated company is classified according to the operating location and the non-current assets are listed as follows according to the location of the assets:

By regions		**2022**	**2021**
Revenue from external clients:			
Taiwan	$	21,455,921	21,387,997
Mainland China		17,867,408	13,619,152
Europe		49,442,326	47,557,604
Others		31,626,287	13,991,893
		120,391,942	96,556,646
Less: operating revenue attributable to the discontinued operation		(12,163,409)	(11,189,611)
Total	**$**	**108,228,533**	**85,367,035**

By regions		**2022.12.31**	**2021.12.31**
Non-Current Assets:			
Taiwan	$	6,230,079	4,611,113
Mainland China		510,102	830,447
Europe		8,746,365	8,433,951
Others		114,606	3,357,579
Total	**$**	**15,601,152**	**17,233,090**

Non-current assets do not include financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive profit or loss, investments using the equity method, goodwill, investment advances, deposits, net defined benefit assets and deferred income tax assets.