

Chaintech Technology Corporation and Subsidiaries
Consolidated Financial Statements
and Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021
(Stock Code: 2425)

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Notice to Readers

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

Chaintech Technology Corporation and Subsidiaries
Consolidated Financial Statements
for the Years Ended December 31, 2022 and 2021
and Independent Auditors' Report
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Chaintech Technology Corporation and Subsidiaries

Declaration of Consolidated Financial Statements of Affiliated Enterprises

The companies required to be included in the consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as enterprises required to be included in the consolidated financial statements of Chaintech Technology Corporation and subsidiaries for the year ended December 31, 2022 as provided in the IFRS 10 Consolidated Financial Statements. In addition, relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has all been disclosed in the consolidated financial statements of Chaintech Technology Corporation and subsidiaries. Consequently, no consolidated financial statements of affiliated enterprises are prepared separately.

Hereby declared by

Company Name: Chaintech Technology Corporation

Person in Charge: Kao, Shu-Jung

March 22, 2023

Independent Auditors' Report

(112) Cai-Shen-Bao-Zi No. 22005375

To Chaintech Technology Corporation:

Audit Opinions

The independent auditors have audited the accompanying consolidated balance sheets of Chaintech Technology Corporation and subsidiaries (hereinafter referred to as "the Group") as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements (including the summary of significant accounting policies).

In our opinions, the accompanying consolidated financial statements, in all material respects, give a true and fair view of the consolidated financial position of the Group as of December 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the effective "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and Standing Interpretations Committee (SIC) Interpretations as endorsed and issued by the Financial Supervisory Commission of the Republic of China (the "FSC").

Basis of Audit Opinion

We conduct the audit work in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant and the GAAS of Republic of China. Our responsibilities under those standards are further described in the section of Responsibilities of Certified Public Accountants for Auditing the Consolidated Financial Statements. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the foundation of our audit opinion.

Key Audit Matters

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

Key audit matters for the consolidated financial statement of the Group for the year ended December 31, 2022 are stated as follows:

Sales revenue cut-off

Description

Regarding the accounting policy for recognition of sales revenues, please refer to Notes IV (XXVII) to the consolidated financial statements. For the description of sales revenue, please refer to Note VI(XVII) to the consolidated financial statements.

The Group has engaged in the trading and manufacturing of computer peripherals. Sales revenue will not be recognized until customers take the delivery of goods from the warehouse and the transfer control has passed. The Group mainly relies on the statements or other information provided by the depository of the delivery warehouse, then uses the actual shipment made by the warehouse to the customer as the basis for recognizing the income.

The recognition of the turnover from the warehouse is based on the information and report provided by the depository as the basis for recognizing the sales revenue. Such revenue recognition generally involves a large number of manual operations. Considering that the volume of the shipments of the Group is large, and the amount of transaction before and after the financial date has a significant impact on the financial statements, the independent auditors have thus listed the sales revenue as the most important matter for this year's audit.

Corresponding audit procedures

We have performed the following key audit procedures for the matter mentioned above:

1. Understand revenue recognition and adjustment procedures for revenue cut-off for shipment from the depository of warehouse of the Group. Then, inspect the appropriateness of the revenue's recognition from the warehouse, including understanding of the relevant internal control procedures, obtaining information and the statements provided by the depository.
2. Carry out an internal control test for the sales revenue from the warehouse in order to make sure that the Group determine the sales recognition when the customer receives the delivery of goods and the right of control is transferred.
3. Perform a closing test for sales revenue from delivery of warehouses for a certain period before and after the balance sheet date, including the verification of shipment certificates and that revenue recognition is recorded in the appropriate period.
4. Make an written inquiry into the stock quantity in the warehouse and check if the inventory quantity on the record is correct.

Intangible assets- Goodwill impairment

Description

As of December 31, 2022, the balance of intangible assets -goodwill was \$160473. Please refer to Note IV(XVIII) for the accounting policy on impairment assessment of non-financial assets; Please refer to Note V(II) for the estimation and assumption uncertainty in assessment of impairment of non-financial assets; Please refer to Note VI (XI) for the explanation of the assessment of impairment of non-financial assets. To assess whether intangible assets-goodwill are impaired, the Group estimates the future cash flows based on the cash-generating units to which the intangible assets-goodwill belong, and measures the recoverable amount of such cash-generating units at an appropriate discount rate. As the estimation of future cash flow involves many assumptions that may greatly affect the recoverable amount, we identify the Group's assessment of the goodwill impairment of intangible assets as one of the key audit matters for the year.

Corresponding audit procedures

We have performed the following key audit procedures for the matter mentioned above:

We have carried out the following audit procedures based on the goodwill impairment test report issued by a third-party valuation expert appointed by management:

1. Assess the expertise, competence, and objectivity of the independent valuation experts appointed by management and verify their qualifications, and discuss with management the scope of work of the valuation experts and review the appointment conditions to verify that no conditions that may affect their objectivity or inhibit their work scope exist, and that the methods used by them are consistent with the IFRSs and industry regulations.
2. Understand and evaluate the process and the basis where management has made its projections of the growth rate of the future operations in terms of sales and profit margin.
3. Adopt the evaluation models and important assumptions (including discount rate, etc.) provided by financial experts of our firm, compare the data in assumptions made by management to market and historical data, and check the calculation to ensure the appropriateness of management's judgment.

Other Matters – Parent Company Only Financial Statements

We have also audited the parent company only financial statements of Chaintech Technology Corporation for the years ended December 31, 2022 and 2021, for which we have issued the audit report with an unqualified opinion for reference.

Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the effective "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and Standing Interpretations Committee (SIC) Interpretations as endorsed and issued by the FSC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the responsibility of management includes assessing the Group's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless management intends to liquidate the Group or terminate the business, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Responsibilities of Certified Public Accountants for Auditing the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards of Republic of China will always detect a material misstatement when it exists. Misstatements may arise from fraud and error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sum could have influence on the economic decisions made by the users of the consolidated financial statements, it will be deemed as material.

As part of an audit in accordance with the Auditing Standards of Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also execute the following tasks:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted by management and the reasonableness of the accounting estimates and related disclosures made accordingly.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements; or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the Group to no longer continue as a going concern.
5. Evaluate the overall expression, structure, and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence with regard to the financial information of the entities within the Group to express an opinion about the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Pricewaterhouse Coopers

Feng, Min-Chuan



Certified Public Accountants

Lin, Ya-Hui



Former Securities and Futures Bureau, Financial
Supervisory Commission

Approved Certification Number: Jin-Guan-Zheng-Liu-Zi
No. 0960038033

Financial Supervisory Commission

Approved Certification Number: Jin-Guan-Zheng-Shen-Zi
No. 1070323061

March 22, 2022

Chaintech Technology Corporation and Subsidiaries
Consolidated Balance Sheets
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousands

Assets			December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	VI(I)	\$ 1,061,262	33	\$ 692,998	20
1110	Financial asset at fair value through profit and loss - current	VI(II)	115,490	4	64,204	2
1136	Financial assets measured at amortized cost -current	VI(I) and VIII	31,239	1	33,847	1
1150	Notes receivable, net	VI(IV)	11,831	-	-	-
1170	Accounts receivable, net	VI(IV)	455,441	14	645,541	19
1180	Accounts receivable from related parties, net	VI(IV) and VII	525,568	17	736,800	22
1200	Other receivables		3,532	-	6,857	-
1220	Current tax assets		5,636	-	-	-
130X	Inventories	VI(V)	401,229	13	512,277	15
1410	Prepayments	VI(VI)	129,049	4	209,603	6
1470	Other current assets	VIII	2,932	-	-	-
11XX	Total current assets		2,743,209	86	2,902,127	85
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	VI(III)	142,383	4	200,485	6
1550	Investments using equity method	VI(VII)	-	-	-	-
1600	Property, plant, and equipment	VI(VIII)	20,490	1	23,158	1
1755	Right-of-use assets	VI(IX)	39,528	1	37,312	1
1780	Intangible assets	VI(X)	181,275	6	168,525	5
1840	Deferred tax assets	VI(XXIII)	32,561	1	20,773	1
1900	Other non-current assets		46,876	1	48,960	1
15XX	Total non-current assets		463,113	14	499,213	15
1XXX	Total assets		\$ 3,206,322	100	\$ 3,401,340	100

(Continued)

Chaintech Technology Corporation and Subsidiaries
Consolidated Balance Sheets
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousands

Liabilities and equity			December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	VI(XII) and VIII	\$ 145,464	4	\$ 226,840	7
2130	Current contract liabilities	VI(XVII)	68,618	2	111,677	3
2150	Notes payable	VIII	115,737	4	-	-
2170	Accounts payable		324,143	10	773,163	23
2180	Accounts payable to related parties	VII	6,397	-	335	
2200	Other payables	VI(XIII) and VII	120,380	4	119,526	4
2230	Current tax liabilities		73,462	2	54,318	2
2280	Current lease liabilities		21,326	1	14,421	-
2300	Other current liabilities	VI(XXV)	223	-	15,457	-
21XX	Total current liabilities		875,750	27	1,315,737	39
Non-current liabilities						
2570	Deferred tax liabilities	VI(XXIII)	3,722	-	-	-
2580	Non-current lease liabilities		19,181	1	23,464	1
2600	Other non-current liabilities		618	-	5,078	-
25XX	Total non-current liabilities		23,521	1	28,542	1
2XXX	Total liabilities		899,271	28	1,344,279	40
Equity						
Equity attributable to owners of the parent						
	Share capital	VI(XV)				
3110	Ordinary shares		964,988	30	1,014,988	30
	Capital surplus					
3200	Capital surplus		100	-	100	-
	Retained earnings	VI(XVI)				
3310	Legal reserve		159,534	5	147,312	4
3320	Special reserve		29,249	1	39,701	1
3350	Unappropriated retained earnings		946,595	29	787,638	23
	Other equity interest					
3400	Other equity interest		(79,273)	(2)	(29,249)	(1)
3500	Treasury shares	VI(XV)	-	-	(151,746)	(4)
31XX	Total equity attributable to owners of the parent		2,021,193	63	1,808,744	53
36XX	Non-controlling interests		285,858	9	248,317	7
3XXX	Total equity		2,307,051	72	2,057,061	60
	Significant Contingent Liabilities and Unrecognized Contract Commitments	IX				
	Significant Events after the End of the Financial Reporting Period	XI				
3X2X	Total liabilities and equity		\$ 3,206,322	100	\$ 3,401,340	100

The accompanying notes are an integral part of the consolidated financial statements. Please refer to them as well.

Chairman: Kao, Shu-Jung

Manager : Kao, Shu-Jung

Accounting Supervisor : Lai, Yu-Nu

Chaintech Technology Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousands
(EPS in NT\$)

	Item	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating Revenue	VI(XVII) and VII	\$ 6,198,674	100	\$ 6,518,064	100
5000	Operating costs	VI(V)(XXI) (XXII) and VII	(5,575,814)	(90)	(5,841,667)	(90)
5950	Gross profit from operations		622,860	10	676,397	10
	Operating expenses	VI(XXI) (XXII) and VII				
6100	Selling expenses		(131,223)	(2)	(174,123)	(3)
6200	Administrative expenses		(148,139)	(2)	(91,522)	(1)
6300	Research and development expenses		(33,798)	(1)	(20,980)	-
6450	Expected credit gains (losses)	XII(II)	4,386	-	(34,426)	(1)
6000	Total operating expenses		(308,774)	(5)	(321,051)	(5)
6900	Operating Income		314,086	5	355,346	5
	Non-operating income and expenses					
7100	Interest income		3,817	-	823	-
7010	Other income	VI(XVIII)	17,166	-	10,777	-
7020	Other gains and losses	VI(XIX)	103,653	2	(117,225)	(2)
7050	Financial costs	VI(XX)	(7,838)	-	(5,724)	-
7060	Share of profit or loss of associates and joint ventures accounted for using equity method	VI(VII)	-	-	(35,808)	-
7000	Total non-operating income and expenses		116,798	2	(147,157)	(2)
7900	Profit before tax		430,884	7	208,189	3
7950	Tax expense	VI(XXIII)	(67,419)	(1)	(45,445)	-
8200	Profit		\$ 363,465	6	\$ 162,744	3

(Continued)

Chaintech Technology Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousands
(EPS in NT\$)

Item	Notes	2022		2021	
		Amount	%	Amount	%
Other comprehensive income, net					
Items that will not be reclassified to profit or loss					
8316 Unrealized valuation gain (loss) on equity instruments measured at fair value through other comprehensive income	VI(III)	(\$ 58,102)	(1)	\$ 14,335	-
8310 Total amount of items that will not be reclassified to profit or loss		(58,102)	(1)	14,335	-
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences on translation of financial statements of foreign operation		11,629	-	(5,436)	-
8360 Total amount of items that may be reclassified subsequently to profit or loss		11,629	-	(5,436)	-
8300 Other comprehensive income, net		(\$ 46,473)	(1)	\$ 8,899	-
8500 Total comprehensive income (loss)		\$ 316,992	5	\$ 171,643	3
Net income attributable to:					
8610 Owners of the parent		\$ 320,372	5	\$ 122,224	2
8620 Non-controlling interests		43,093	1	40,520	1
		\$ 363,465	6	\$ 162,744	3
Total comprehensive income attributable to:					
8710 Owners of the parent		\$ 270,348	4	\$ 132,677	2
8720 Non-controlling interests		46,644	1	38,966	1
		\$ 316,992	5	\$ 171,643	3
Earnings Per Share					
9750 Basic earnings per share	VI(XIV)	\$ 3.32		\$ 1.27	
9850 Diluted earnings per share		\$ 3.31		\$ 1.27	

The accompanying notes are an integral part of the consolidated financial statements. Please refer to them as well.

Chairman: Kao, Shu-Jung

Manager : Kao, Shu-Jung

Accounting Supervisor : Lai, Yu-Nu

Chaintech Technology Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousands

Equity attributable to owners of the parent											
Notes	Ordinary shares	Capital surplus- adopted Associates accounted for using equity method Equity of enterprise and joint venture changes in the net value	Retained earnings			Other equity interest					
			Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements of foreign operations Exchange differences on translation	Through other comprehensive income from financial assets measured at fair value Unrealized gains (losses)	Treasury shares	Total	Non-controlling interests	Total equity
For the Years Ended December 31, 2021											
Balance as of January 1, 2021	\$ 1,014,988	\$ 100	\$ 132,984	\$ 97,541	\$ 670,152	(\$ 40,868)	\$ 1,166	(\$ 151,746)	\$ 1,724,317	\$ 209,351	\$ 1,933,668
Profit	-	-	-	-	122,224	-	-	-	122,224	40,520	162,744
Other comprehensive income (loss)	-	-	-	-	-	(3,882)	14,335	-	10,453	(1,554)	8,899
Total comprehensive income (loss)	-	-	-	-	122,224	(3,882)	14,335	-	132,677	38,966	171,643
Appropriation and distribution of earnings for 2020	VI(XVI)										
Legal reserve appropriated	-	-	14,328	-	(14,328)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(57,840)	57,840	-	-	-	-	-	-
Cash Dividends	-	-	-	-	(48,250)	-	-	-	(48,250)	-	(48,250)
Balance as of December 31, 2021	\$ 1,014,988	\$ 100	\$ 147,312	\$ 39,701	\$ 787,638	(\$ 44,750)	\$ 15,501	(\$ 151,746)	\$ 1,808,744	\$ 248,317	\$ 2,057,061
2021											
Balance as of January 1, 2022	\$ 1,014,988	\$ 100	\$ 147,312	\$ 39,701	\$ 787,638	(\$ 44,750)	\$ 15,501	(\$ 151,746)	\$ 1,808,744	\$ 248,317	\$ 2,057,061
Profit	-	-	-	-	320,372	-	-	-	320,372	43,093	363,465
Other comprehensive income (loss)	-	-	-	-	-	8,078	(58,102)	-	(50,024)	3,551	(46,473)
Total comprehensive income (loss)	-	-	-	-	320,372	8,078	(58,102)	-	270,348	46,644	316,992
Appropriation and distribution of earnings for 2021	VI(XVI)										
Legal reserve appropriated	-	-	12,222	-	(12,222)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(10,452)	10,452	-	-	-	-	-	-
Cash Dividends	-	-	-	-	(57,899)	-	-	-	(57,899)	-	(57,899)
Retirement of treasury shares	VI(XV)	(50,000)	-	-	(101,746)	-	-	151,746	-	-	-
Cash dividends paid of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	(9,103)	(9,103)
Balance as of December 31, 2022	\$ 964,988	\$ 100	\$ 159,534	\$ 29,249	\$ 946,595	(\$ 36,672)	(\$ 42,601)	\$ -	\$ 2,021,193	\$ 285,858	\$ 2,307,051

The accompanying notes are an integral part of the consolidated financial statements. Please refer to them as well.

Chairman: Kao, Shu-Jung

Manager Kao, Shu-Jung

Accounting Supervisor: Lai, Yu-Nu

Chaintech Technology Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

Unit: NT\$ thousands

	Notes	January 1 to December 31, 2022	January 1 to December 31, 2021
Cash flows from operating activities			
Profit before tax		\$ 430,884	\$ 208,189
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expenses	VI(VIII)(XXI)	16,078	24,913
Depreciation expenses on right-of-use assets	VI(IX)(XXI)	19,444	10,638
Amortization expenses	VI(X)(XXI)	3,687	10,281
Expected credit losses	XII(II)	(4,386)	34,426
Net gain on financial assets at fair value through profit or loss	VI(II)(XIX)	(2,248)	(3,200)
Interest expenses	VI(XX)	7,838	5,724
Interest income		(3,817)	(823)
Dividend income	VI(XVIII)	(6,100)	(5,795)
Share of loss of associates accounted for using equity method	VI(VII)		35,808
Loss on disposal of property, plant, and equipment	VI(XIX)	3	-
Impairment loss	VI(VII)(XI) XVIII	-	97,765
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss		(50,339)	171,675
Notes receivable		(11,831)	3,160
Accounts receivable (including related parties)		448,019	(109,471)
Other receivables		3,325	(4,250)
Inventories		103,366	(239,295)
Prepayments		80,554	(124,816)
Other current assets		(2,932)	-
Other non-current assets		2,084	(8,671)
Net changes in operating liabilities			
Contract liabilities		(43,059)	43,069
Notes payable		115,737	-
Accounts payable (including related parties)		(449,144)	402,499
Other payables		1,104	18,156
Other current liabilities		(8,407)	14,889
Other non-current liabilities		(3,803)	-
Cash flows generated from operations		646,057	584,871
Interest received		3,817	823
Dividends received		6,100	5,795
Interest paid		(8,088)	(5,527)
Income tax (paid) received		(61,977)	7,549
Net cash flows generated from operating activities		585,909	593,511
Cash flows from investing activities			
Net cash flows from acquisition of subsidiaries		-	(8,677)
Acquisition of property, plant, and equipment	VI(VIII)	(13,221)	(7,923)
Disposal proceeds of property, plant, and equipment		-	18
Decrease in current financial assets measured at amortized cost		2,608	23,040
Acquisition of Intangible assets	VI(X)	(10,844)	-
Net cash flows generated from (used in) investing activities		(21,457)	6,458
Cash flows from financing activities			
Decrease in short-term borrowings	VI(XXVI)	(81,376)	(175,187)
Increase (decrease) in guarantee deposits received	VI(XXVI)	(657)	855
Repayments of lease liabilities	VI(XXVI)	(20,343)	(10,287)
Cash dividends paid	VI(XVI)	(57,899)	(48,250)
Cash dividends paid of consolidated subsidiaries		(9,103)	-
Net cash flows used in financing activities		(169,378)	(232,869)
Effect of exchange rate changes		(26,810)	(4,189)
Net increase in cash and cash equivalents		368,264	362,911
Cash and cash equivalents at beginning of period		692,998	330,087
Cash and cash equivalents at end of period		\$ 1,061,262	\$ 692,998

The accompanying notes are an integral part of the consolidated financial statements. Please refer to them as well.

Chairman: Kao, Shu-Jung

Manager : Kao, Shu-Jung

Accounting Supervisor : Lai, Yu-Nu

Chaintech Technology Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousands
(Unless specified otherwise)

I. Company History

- (I) The original East Chaintech Technology Corporation was established in November 1986, and was renamed as Chaintech Technology Corporation (hereinafter referred to as the "Company") in January 2013. Approved by the Securities and Futures Bureau as an OTC-listed company in December 1997, the Company was transferred to be a listed company and was listed at the stock exchange market on August 17, 2000. The Company and its subsidiaries (hereinafter referred to as the "Group") are principally engaged in the business of buying and selling and manufacturing of motherboards, display cards, and computer peripherals.
- (II) Colorful Group Ltd. (hereinafter referred to as the "Colorful Group") acquired 10% equity in the Company indirectly through Zhongjie Xingye Co., Ltd., and acquired 100% equity in Yicheng International Development Co., Ltd. (which held 36.2% equity of the Company) in June 2014. Therefore, Colorful Group held 46.2% equity in the Company indirectly, and obtained more than half of the seats in the Company's Board of Directors. In June 2017, Zhongjie Xingye Co., Ltd. sold all the equity of the Company it held. In July 2016, Yicheng International Development Co., Ltd. sold the equity of the Company to 26.11%. As of December 31, 2022, the Colorful Group indirectly held 29.57% of the equity in the Company through Yicheng International Development Co., Ltd. As of December 31, 2022, the Group had 204 employees.

II. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 22, 2023.

III. Application of New and Amended Standards and Interpretations

(I) Effect of adopting new and amended International Financial Reporting Standards ("IFRSs") endorsed and issued by the FSC

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed and issued by the FSC that are applicable in 2022:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board</u>
Amendments to IFRS 3 “Reference to the Conceptual Framework”	As of January 1, 2022
Amendments to International Accounting Standards (“IAS”) 16 “Property, Plant and Equipment: Proceeds before Intended Use”	As of January 1, 2022
Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”	As of January 1, 2022
Annual improvement over the 2018-2020 period	As of January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(II) Effect of new issuance of or amendments to the IFRSs endorsed by the FSC but not yet adopted by the Group

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2023:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	As of January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates” □ As of January 1, 2023	As of January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	As of January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(III) Effect of the IFRSs issued by the IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by the IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Pending decision by the International Accounting Standards Board"
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	As of January 1, 2024
IFRSs 17 “Insurance Contracts”	As of January 1, 2023
Amendments to IFRSs 17 “Insurance Contracts”	As of January 1, 2023
Amendments to IFRSs 17 “the initial application of IFRSs 17 and IFRSs 9 - Comparative Information”	As of January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	As of January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	As of January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IV. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Statement of compliance

The consolidated financial statements are prepared by the Group in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC Interpretations as endorsed and issued by the FSC (the "IFRSs").

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:

- (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (2) Financial assets measured at fair value through other comprehensive income.

2. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note V.

(III) Basis of consolidation

1. Principles for preparation of consolidated financial statements

- (1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries refer to all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.
- (5) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. For all amounts previously recognized in other comprehensive income, they shall be reclassified from equity to profit or loss.

2. Subsidiaries included in the consolidated financial statements:

Investor Name	Subsidiary	Nature of Business	Shareholding ratio		Explanation
			December 31, 2022	December 31, 2021	
CHAINTECH	Shenzhen Jinghong Digital R&D Service Co., Ltd (Shenzhen Jinghong)	Technology research and development and trading of electronic products, computer hardware, and peripheral devices	100%	100%	-
Shenzhen Jinghong	Sitonholly (Tianjin) Technology Co., Ltd.	Wholesale of electronic products, communication products, household appliances, office supplies, computer hardware and software and related spare parts	51%	51%	-
Sitonholly (Tianjin) Technology Co., Ltd.	Beijing Sitonholly Technology Co., Ltd. (Beijing Sitonholly)	Wholesale of electronic products, communication products, household appliances, office supplies, computer hardware and software and related spare parts	100%	100%	-
Sitonholly (Tianjin) Technology Co., Ltd.	Baotou Yihui Information Technology Co., Ltd.	Electronic products, communication products, computer software and hardware, data processing, storage and support services	100%	100%	Note 1
Sitonholly (Tianjin) Technology Co., Ltd.	Sitonholly (Shenzhen) Technology Co., Ltd.	Wholesale of electronic products, communication products, household appliances, office supplies, computer hardware and software and related spare parts	100%	-	Note 2

Notes 1: The Group acquired 100% equity of Baotou Yihui Information Technology Co., Ltd. from its subsidiary, Sitonholly (Tianjin) Technology Co., Ltd. on October 31, 2021.

Notes 2: Sitonholly (Shenzhen) Technology Co., Ltd. was established in December 2022.

3. Subsidiaries not included in the consolidated financial statements: None.

4. Adjustments for subsidiaries with different balance sheet dates: None.

5. Significant restrictions: None.

6. Subsidiaries with significant non-controlling interests to the Group:

As of December 31, 2022 and 2021, the Group's non-controlling interests totaled NT\$285,858 and NT\$248,317, respectively. What stated below is the information in respect of the Group's significant non-controlling interests and the corresponding subsidiaries:

Subsidiary	Principal place of business	Non-controlling interests				Explanation
		December 31, 2022		December 31, 2021		
		Amount	Shareholding percentage	Amount	Shareholding percentage	
Tianjin Siton	Mainland Chin	\$ 285,858	49	\$ 248,317	49	

Summarized financial information of the subsidiary:

Balance sheet

	Sitonholy (Tianjin) Technology Co., Ltd. and its subsidiaries	
	December 31, 2022	December 31, 2021
Current assets	\$ 1,198,379	\$ 1,058,146
Non-current assets	64,738	67,778
Current liabilities	(670,554)	(603,504)
Non-current liabilities	(9,180)	(15,651)
Total net assets	<u>\$ 583,383</u>	<u>\$ 506,769</u>

Statement of comprehensive income

	Sitonholy (Tianjin) Technology Co., Ltd. and its subsidiaries	
	2022	2021
Revenue	\$ 2,238,756	\$ 2,247,372
Profit before tax	87,946	90,723
Tax expense	(3)	(8,030)
Profit	87,943	82,693
Other comprehensive income (loss) (net amount after tax)	7,249	(3,171)
Total comprehensive income (loss)	<u>\$ 95,192</u>	<u>\$ 79,522</u>
Total comprehensive income (loss) attributable to non-controlling interests	<u>\$ 46,644</u>	<u>\$ 38,966</u>
Dividends paid to non-controlling interests	<u>\$ 9,103</u>	<u>\$ -</u>

Statement of cash flows

	Sitonholy (Tianjin) Technology Co., Ltd. and its subsidiaries			
	2022		2021	
Net cash flows generated from operating activities	\$	13,942	\$	164,251
Net cash flows used in investing activities	(	20,430)	(	16,580)
Net cash flows generated from financing activities		193,214		-
Effects of changes in foreign exchange rates on Cash and cash equivalents		2,895	(	195)
Net decrease in cash and cash equivalents		189,621		147,476
Cash and cash equivalents at beginning of period		181,181		33,705
Cash and cash equivalents at end of period	\$	370,802	\$	181,181

(IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e., functional currency). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising upon the re-transaction at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair

value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (4) All exchange gains and losses are presented in the earnings statement of profit or loss within "other gains and losses."

2. Translation of foreign operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities for each balance sheet presented are re-translated at the closing rate prevailing at the balance sheet date;
- (2) Income and expenses for each composite income sheet are re-translated at the average exchange rates for the period; and
- (3) All resulting exchange differences are recognized in other comprehensive income.
- (4) When a foreign operation is partially disposed of or sold, the cumulative exchange differences that were recognized in other comprehensive income are reclassified to the non-controlling interests in the foreign operation. However, if the Group still retains partial interests in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (5) Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at balance sheet date.

(V) Standard of assets and liabilities being classified as current and non-current

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized or are intended to be sold or consumed within the normal operating cycle.
- (2) Liabilities held mainly for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.

- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Assets that do not meet the aforementioned conditions are classified as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Liabilities held mainly for trading purposes.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities that do not meet the aforementioned conditions are classified as non-current.

(VI) Financial assets at fair value through profit or loss

1. Financial assets at fair value through profit or loss refer to financial assets not measured at amortized cost nor measured at fair value through other comprehensive income.
2. Financial assets at fair value through profit or loss that follow regular way purchase or sale are recognized by the Group using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
4. Dividend income is recognized in profit or loss when the right to receive payment is established, and it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of dividends can be measured reliably.

(VII) Financial assets at fair value through other comprehensive income

1. Changes in fair value of investments in equity instruments that are not held for trading purpose at initial recognition presented in other comprehensive income; or, financial assets meeting the criteria listed below are classified as debt instrument:
 - (1) The financial asset is held for the purpose of obtaining the contractual cash flows and the sales of the contract.
 - (2) Cash flow generated from the said contractual terms of the financial asset at specific date are solely payments of principal and interest on the principal amount outstanding.

2. The Group adopts trade date accounting for financial assets measured at fair value through other comprehensive income.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs; the Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following derecognition of the investment. Dividend income is recognized in profit or loss when the right to receive payment is established, and it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of dividends can be measured reliably.

(VIII) Financial assets measured at amortized cost

1. refers to an asset that meets all of the following conditions:
 - (1) The financial asset is held within a business model whose objective is achieved by collecting contractual cash flows.
 - (2) Cash flow generated from the said contractual terms of the financial asset at specific date are solely payments of principal and interest on the principal amount outstanding.
2. The Group adopts trade date accounting for financial assets that follow regular way purchase or sale measured at amortized cost.
3. The Group measures financial assets at fair value plus transaction cost at initial recognition, and subsequently recognizes interest income and impairment loss during the circulation period using the effective interest method according to the amortization procedure, and recognizes any gains or losses upon derecognition in profit or loss.

(IX) Accounts and notes receivable

1. Accounts receivables and notes receivables are accounts and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.
2. Short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(X) Impairment of financial assets

Considering all reasonable and provable information (including forward-looking information), the Group measures the credit risk that increases insignificantly since original recognition via the 12-month expected credit loss amount through financial debt instrument at fair value through other comprehensive income and accounts receivable containing significant financial components. For those credit risk increasing significantly since

original recognition, the allowance loss is measured by the expected amount of credit loss during the existence period; for accounts receivable that do not contain significant financial components, the allowance loss is measured by the amount of expected credit losses during the duration of the period.

(XI) De-recognition of financial assets

Financial assets are derecognized when the Group's contractual rights to receive cash flows from financial assets are lapsed.

(XII) Operating leases - lessor

Lease income from operating leases less any incentives given to lessees is recognized in profit or loss on a straight-line basis over the term of the lease.

(XIII) Inventories

Inventories are measured at the lower of cost and net realizable value, and cost is determined using the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production burden (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in comparing the cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of the completion and applicable variable selling expenses.

(XIV) Investments accounted for using equity method - associates

1. Associates are all entities over which the Group has significant influence but has no control. Investments in associates are accounted for using the equity method and are initially recognized at cost.
2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
3. When an associate's equity changes are not recognized in profit or loss or other comprehensive income of the associate, and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
4. Unrealized gains on transactions between the Group and its associates are eliminated to

the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of related enterprises have been adjusted as necessary, and are consistent with the policies adopted by the Group.

5. Where an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, the "capital surplus" and "investments accounted for using equity method" shall be adjusted for the increase or decrease of its share of equity interest. Where its investment proportion decreases, in addition to the above adjustments, the profit or loss previously recognized in other comprehensive income due to decrease in its ownership interest and the profit or loss to be reclassified to profit or loss during the disposal of assets or liabilities shall be reclassified to profit or loss based on the proportion of decrease.
6. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(XV) Property, plant, and equipment

1. Property, plant and equipment are recorded as the foundation of acquisition cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replacement is derecognized. All other repairs and maintenance are recognized as current gain or loss when incurred.
3. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is material, it is depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly,

any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	3~5 years
Transportation equipment	5 years
Derivative instruments	3 ~ 10 years
Other equipment	2 ~ 10 years

(XVI) Lease transaction in the capacity of a lessee - right-of-use assets/lease liabilities

1. A right-of-use asset and a lease liability are recognized for a leased asset on the date when it becomes readily available for the Group's use. When a lease contract is a short-term lease or when it is a lease of which the underlying asset is of low value, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. On the commencement date, the Group measures lease liabilities by the present value of outstanding lease payments, using the Group's incremental borrowing rate. Lease payments include : Fixed payments less any lease incentives receivable. In subsequent periods, the Group measures lease liabilities at amortized cost using the effective interest method and recognizes interest expenses during the lease term. When a change in the lease term or lease payments occurs due to reasons other than lease modifications, lease liabilities are reassessed and the remeasurements are adjusted to the right-of-use assets.
3. Right-of-use assets are recognized at cost on the lease commencement date. The cost includes: The originally measured amount of lease liabilities. In subsequent periods, the Company measures right-of-use assets at cost and recognizes depreciation expenses at the earlier of the end of useful life of right-of-use assets or the end of the lease term. When a lease liability is reassessed, the right-of-use asset is adjusted for any remeasurements of the lease liability.
4. When a lease modification decreases the scope of a lease, the carrying value of the right-of-use asset is decreased to reflect partial or full termination of the lease liability, and any difference resulting therefrom is immediately recognized in profit or loss.

(XVII) Intangible assets

1. Acquired in a business combination, customer relationship is recognized at fair value on the acquisition date. Customer relationship is an asset of limited and durable years as amortized over an estimated useful life of 2.7 years on a straight-line basis.
2. Goodwill arises from the difference between the purchase price set in the equity purchase contract and the net identifiable assets.
3. The computer software is amortized using the straight-line method over an estimated

useful life of three years to recognize its cost.

(XVIII) Impairment of non-financial assets

1. The Group assesses on each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Except for goodwill, When circumstances contributed to the recognition of impairment loss of an asset in the previous period do not exist or are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.
2. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss should not be reversed in the future.
3. For the purpose of impairment testing, goodwill acquired in a business merger is allocated to each of the cash-generating units. This allocation is based on the judgment of the operating units and the goodwill is allocated among cash-generating units or groups that are expected to benefit from goodwill generated in corporate mergers.

(XIX) Borrowings

Borrowings refer to short-term loans from banks. The initial recognition of loans measured at fair value less transaction cost. Any subsequent difference between the price and the redemption value after deducting the transaction cost shall be recognized as interest expense in gain and loss by applying amortization procedure of effective interest method during the circulation period.

(XX) Accounts payable

1. Account payable is the liabilities arising from the purchase of raw materials, commodities or services are taken.
2. Short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XXI) De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(XXII) Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXIII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pension

For the defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual foundation.

3. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(XXIV) Income tax

1. Income tax expense comprises current and deferred income tax. Income tax is recognized in gain or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country domicile where the Group operates and generates taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities are recorded in tax liability. Undistributed earnings are subject to income tax credit. After the distribution of earnings is approved by the shareholders' meeting in the following year, the Group shall recognize the distribution of earnings and expenses, and recognize the earnings and expenses for the actual earnings.

3. Deferred income tax adopts the balance sheet approach, and is recognized on temporary

differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is not recognized, if the temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income (loss). Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXV) Share capital

1. Ordinary shares are classified as equity. The incremental cost directly attributable to the issue of new shares or options is deducted from the equity in equity after deducting the income tax.
2. When the Company bought back the issued stocks, the consideration paid includes any incremental costs that are directly attributable to the incremental costs, net of any directly attributable incremental costs. When the shares are subsequently reissued, the difference between the consideration received net of any directly attributable incremental costs and the carrying amount is recorded in the adjustment of stockholder's equity.

(XXVI) Dividend distribution

Dividends are recognized in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

Stock dividends are recognized as stock dividends to be distributed and transferred to ordinary shares on the base date of issuance of new shares.

(XXVII) Revenue recognition

1. Sales of goods

- (1) The Group manufactures and sells products related to motherboards, display cards, and computer peripherals. The sales revenue is recognized when the control of the products is transferred to customers. That is, when the product is delivered to the customer, the customer has discretion in the access and price of the product, and the Group has no outstanding performance obligations that may affect the customer's acceptance of the product. When the product is shipped to a designated location, the risk of obsolete and lost risks has been transferred to the customer, and the customer is required to obtain the products in accordance with the sales contract, or when there is objective evidence that all acceptance criteria have been met, the goods are delivered.
- (2) Sales revenue is recognized the net amount of contract price minus estimated sales allowance. The amount of revenue recognition is limited to the extent that it is very unlikely to see a significant reversal in the future, and is updated on the balance sheet date. The terms of sales transactions are mainly due to the expiry of 30 to 90 days after the transfer date. It is consistent with the market practice. Therefore, it is judged that the contract does not contain significant financial component.
- (3) Accounts receivable are recognized when the control right of commodities is transferred to the customers; that is because the Group has unconditional rights to the contract price since that point in time, and the Group can collect the consideration from the customer once upon the contractual time is expired.

2. Service revenue

The Group provides services related to processing and research and development. Revenue is recognized as revenue at a certain point in time in which the services are rendered to customers.

3. Financial composition

The duration of commitment to transfer commodities or services to customer and the payment period in the contracts between the Group and customers are all less than one year. Therefore, the Group has not adjusted the transaction price to reflect the time value of money.

4. Costs to acquire contracts from customers

The Group recognizes the incremental costs incurred in the contracts with the customers

and that are expected to be recoverable. However, such costs are recognized in expense as incurred since the contracts are less than one year.

(XXVIII) Business combinations

1. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business acquisition case, the Group measures the components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either acquisition-date fair value or the ratio of non-controlling interests to the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at acquisition-date fair value.
2. If the aggregate of (i) the value of consideration transferred, (ii) the amount of non-controlling interests, and (iii) the fair value of the acquirer's previously-held equity interest in the acquiree exceeds the fair value of identifiable assets acquired and liabilities assumed, the difference is recognized as goodwill on the acquisition date. If the fair value of identifiable assets acquired and liabilities assumed exceeds the aggregate of (i) the value of consideration transferred, (ii) the amount of non-controlling interests, and (iii) the fair value of the acquirer's previously-held equity interest in the acquiree, the difference is recognized as profit or loss on the acquisition date.

(XXIX) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants to compensate the Group's expense are recognized as profit or loss on a systematic basis when the expense occurs.

(XXX) Operating segments

The Group's operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources to the operating segments and assessing the performance of the Group, has been identified as the members of the Board of Directors.

V. Significant Accounting Judgments and Sources of Estimation and Assumption Uncertainty

The preparation of the Group's financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events according to the conditions on balance sheet date. Material accounting assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such estimates and assumptions possess a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Uncertainties in material accounting judgments, estimates, and assumptions are addressed below:

(I) Significant judgments in applying accounting policies

None.

(II) Significant accounting estimates and assumptions

Assessment of goodwill impairment

The assessment of goodwill impairment relies on the Group's subjective judgment, including identifying cash-generating units and the allocation of assets and liabilities and intangible assets to the relevant cash-generating units, and determining the recoverable amount of the relevant cash-generating units. For more information on the assessment of goodwill impairment, please refer to Note VI(XI).

VI. Descriptions of Significant Accounting Items

(I) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 62	\$ 57
Cheque deposits and demand deposits	<u>1,092,439</u>	<u>726,788</u>
	1,092,501	726,845
Transferred to financial assets measured at amortized cost - current	<u>(31,239)</u>	<u>(33,847)</u>
	<u>\$ 1,061,262</u>	<u>\$ 692,998</u>

1. The Group associates with a variety of financial institutions, all with high credit quality to disperse credit risk, so it is expected that the probability of counterparty default is extremely low.
2. The demand deposits as of December 31, 2022 and 2021 provided as security, have been transferred to the "current financial assets measured at amortized cost " title according to their nature.

3. For more information on the Group's cash and cash equivalents are provided as collateral, please refer to Note VIII.

(II) Financial assets at fair value through profit or loss

Item	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss on a mandatory basis		
Beneficiary certificates	\$ 115,490	\$ 64,204
Adjustment	-	-
Total	<u>\$ 115,490</u>	<u>\$ 64,204</u>

1. The breakdown of profit or loss for current financial assets at fair value through profit or loss is as follows:

Item	2022	2021
Beneficiary certificates	<u>\$ 2,248</u>	<u>\$ 3,200</u>

2. The Group's financial assets at fair value through profit or loss - current have never been provided as pledged assets or guarantees.

3. For information on the price risk and fair value of financial assets at fair value through profit or loss, please refer to Note XII (II) (III).

(III) Financial assets at fair value through other comprehensive income

Item	December 31, 2022	December 31, 2021
Equity Instruments		
Stocks of publicly quoted entity	\$ 169,634	\$ 169,634
Shares of non-publicly quoted entity, non-emerging shares	<u>15,350</u>	<u>15,350</u>
	184,984	184,984
Adjustment	<u>(42,601)</u>	<u>15,501</u>
Total	<u>\$ 142,383</u>	<u>\$ 200,485</u>

1. The Group elects to classify the strategic investments in equity as financial assets at fair value through other comprehensive income.

2. The breakdown in profit or loss and other comprehensive income of financial assets at fair value through other comprehensive income is as follows:

	2022	2021
<u>Equity instruments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	(\$ 58,102)	\$ 14,335
Dividend income recognized in profit or loss		
Shareholding at end of period	\$ 6,100	\$ 5,795

3. For more information on the price risk and fair value of financial assets at fair value through other comprehensive income, please refer to Note XII(II) and (III).

(IV) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 11,831	\$ -
Accounts receivable	\$ 492,968	\$ 686,884
Less: Loss allowance	(37,527)	(41,343)
	\$ 455,441	\$ 645,541
Accounts receivable (related parties)	\$ 525,778	\$ 737,095
Less: Loss allowance	(210)	(295)
	\$ 525,568	\$ 736,800
	\$ 992,840	\$ 1,382,341

1. The aging analysis of accounts receivable and notes receivable are as follows:

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	\$ 1,009,631	\$ 11,831	\$ 1,384,037	\$ -
Overdue for 1-90 days	7,436	-	38,571	-
Overdue for 91 days	1,679	-	1,371	-
Total	\$ 1,018,746	\$ 11,831	\$ 1,423,979	\$ -

The aging analysis above is based on past due date.

2. The balance of receivables on contracts with customers as of December 31, 2022, December 31, 2021, and January 1, 2021 was NT\$1,030,577, NT\$1,423,979, and NT\$1,312,882, respectively.
3. The Group had discounted \$69426 of notes receivable on December 31, 2022. If the drawer refuses to make payment upon maturity, the Group is obligated to settle the debt. However, in general, the Group does not expect the drawer to refuse to make payment.

The Group's liabilities arising from discounting notes receivable are recorded under notes payable.

4. Without consideration of the collateral held or other credit enhancements, the maximum credit risk that best represent the Group's notes receivable as of December 31, 2022 and 2021 amounted to NT\$11,831 and NT\$0, respectively, and the maximum credit risk that best represent the Group's accounts receivable as of December 31, 2022 and 2021 amounted to NT\$981,009 and NT\$1,382,341, respectively.

5. For more information on the credit risk of accounts receivable, please refer to Note XII(II).

(V) Inventories

December 31, 2022			
	Costs	Allowance for price decline	Carrying amount
Raw materials	\$ 9,792	(\$ 604)	\$ 9,188
Work in progress	107,801	(167)	107,634
Finished good	5,535	(4,149)	1,386
Goods	237,806	(3,982)	233,824
Inventories in transit	49,197	-	49,197
	<u>\$ 410,131</u>	<u>(\$ 8,902)</u>	<u>\$ 401,229</u>

December 31, 2021			
	Costs	Allowance for price decline	Carrying amount
Raw materials	\$ 84,615	(\$ 337)	\$ 84,278
Work in progress	73,637	-	73,637
Finished good	63,305	(2,107)	61,198
Goods	297,827	(4,663)	293,164
	<u>\$ 519,384</u>	<u>(\$ 7,107)</u>	<u>\$ 512,277</u>

Cost of inventories is recognized by the Group as expenses in the current period:

	2022	2021
Costs of sold inventories	\$ 5,574,091	\$ 5,842,803
Inventory falling price loss(gain on inventories)(Note)	<u>1,723</u>	<u>(1,136)</u>
	<u>\$ 5,575,814</u>	<u>\$ 5,841,667</u>

Note: The Group's reported the gain on inventories in 2021 as a result of de-stocking.

(VI) Prepayments

	December 31, 2022	December 31, 2021
Prepayment for purchases	\$ 119,219	\$ 202,256
Others	9,830	7,347
	<u>\$ 129,049</u>	<u>\$ 209,603</u>

(VII) Investments using equity method

	2022	2021
January 1	\$ -	\$ 133,573
Share of investment gains and losses using equity method	-	(35,808)
Impairment loss	-	(97,765)
December 31	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2022	December 31, 2021
Associates	<u>\$ -</u>	<u>\$ -</u>

1. On January 21, 2020, the Board of Directors resolved to pass the investment in uSenlight Corporation, and acquire a 13.70% equity interest in uSenlight Corporation at the amount of NT\$150,000 in April 2020. As the Group has significant influence on uSenlight Corporation in terms of business decision-making, such investment is accounted for using equity method. As of December 31, 2022, the Group held a 6.13% equity interest in uSenlight Corporation, making the Group its single largest shareholder. As the other two largest shareholders (not the Group's related parties) held more than the Group's shares, the Group had no ability to direct the relevant business activities of uSenlight Corporation. Accordingly, the Group had significant influence but had no control over uSenlight Corporation.
2. For the above investment accounted for using equity method, the Group carried out an impairment test based on the recoverable amount of such investment. Based on the above valuation result, the Group recognized a impairment loss on investments accounted for using equity method of NT\$97,765.
3. The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relations	Measurement method
		December 31, 2022	December 31, 2021		

uSenlight Corporation	<u>The Republic of China</u>	6.13%	13.05%	Significant influence	Equity
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(1) uSenlight Corporation compensated for losses due to capital reduction and issued new shares for capital increase in 2022. However, the Company did not subscribe according to the shareholding ratio, resulting in our shareholding ratio decreasing from 13.05% to 6.13%. Additionally, the Company has made a full reduction to the book amount of \$0 for the investment target in 2021, and we do not intend to continue supporting uSenlight Corporation in the future.

(2) uSenlight Corporation held a board resolution on April 7, 2022 and passed a dissolution proposal for the company. It was established that April 26, 2022 would be the dissolution date, and the dissolution registration was made on May 20, 2022.

The company is currently undergoing dissolution procedures.

4. The summarized financial information of the associates that are material to the Group is as follows:

Balance sheet

	<u>uSenlight Corporation</u>	
	<u>December 31, 2021</u>	
Current assets	\$	229,391
Non-current assets		183,046
Current liabilities	(	243,232)
Non-current liabilities	(	141,233)
Total net assets	\$	<u>27,972</u>
Proportionate share of net assets of associates	\$	3,650
Net equity difference		94,115
Impairment loss recognized	(	97,765)
Book value of associates	\$	<u>-</u>

Statement of comprehensive income

	<u>uSenlight Corporation</u>	
	<u>2021</u>	
Revenue	\$	<u>88,129</u>
Profit from continuing operations (Total comprehensive income)	(\$	<u>274,391)</u>

(VIII) Property, plant, and equipment

	Machinery and equipment	Transportation equipment	Derivative instruments	Others	Total
As of January 1, 2022					
Costs	\$ 34,130	\$ 12,931	\$ 4,089	\$ 74,287	\$ 125,437
Accumulated depreciation	(25,538)	(9,285)	(4,015)	(63,441)	(102,279)
	<u>\$ 8,592</u>	<u>\$ 3,646</u>	<u>\$ 74</u>	<u>\$ 10,846</u>	<u>\$ 23,158</u>
<u>2022</u>					
January 1	\$ 8,592	\$ 3,646	\$ 74	\$ 10,846	\$ 23,158
Addition	2,420	-	2,985	7,816	13,221
Disposal	(19)	-	-	(6)	(25)
Depreciation expenses	(3,927)	(632)	(417)	(11,102)	(16,078)
Net exchange differences	137	55	1	21	214
December 31	<u>\$ 7,203</u>	<u>\$ 3,069</u>	<u>\$ 2,643</u>	<u>\$ 7,575</u>	<u>\$ 20,490</u>
December 31, 2022					
Costs	\$ 36,995	\$ 13,121	\$ 7,082	\$ 82,121	\$ 139,319
Accumulated depreciation	(29,792)	(10,052)	(4,439)	(74,546)	(118,829)
	<u>\$ 7,203</u>	<u>\$ 3,069</u>	<u>\$ 2,643</u>	<u>\$ 7,575</u>	<u>\$ 20,490</u>
	Machinery and equipment	Transportation equipment	Derivative instruments	Others	Total
As of January 1, 2021					
Costs	\$ -	\$ 10,395	\$ 4,137	\$ 73,889	\$ 88,421
Accumulated depreciation	-	(9,356)	(4,007)	(40,335)	(53,698)
	<u>\$ -</u>	<u>\$ 1,039</u>	<u>\$ 130</u>	<u>\$ 33,554</u>	<u>\$ 34,723</u>
<u>2021</u>					
January 1	\$ -	\$ 1,039	\$ 130	\$ 33,554	\$ 34,723
Addition	4,664	2,615	-	644	7,923
Acquired by business combination	5,473	-	-	-	5,473
Disposal	-	-	(7)	(11)	(18)
Depreciation expenses	(1,532)	-	(48)	(23,333)	(24,913)
Net exchange differences	(13)	(8)	(1)	(8)	(30)
December 31	<u>\$ 8,592</u>	<u>\$ 3,646</u>	<u>\$ 74</u>	<u>\$ 10,846</u>	<u>\$ 23,158</u>
December 31, 2021					
Costs	\$ 34,130	\$ 12,931	\$ 4,089	\$ 74,287	\$ 125,437
Accumulated depreciation	(25,538)	(9,285)	(4,015)	(63,441)	(102,279)
	<u>\$ 8,592</u>	<u>\$ 3,646</u>	<u>\$ 74</u>	<u>\$ 10,846</u>	<u>\$ 23,158</u>

The Group had no property, plant, and equipment pledged to others.

(IX) Lease transaction - lessee

1. The Group's leased underlying assets comprise buildings, of which the lease term is usually between 3~5 years. Lease contracts are individually negotiated and include various terms and conditions. Except for the term where the leased assets cannot be used as collateral for loans, there are no other restrictions.
2. Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Property	<u>\$ 39,528</u>	<u>\$ 37,312</u>
	<u>2022</u>	<u>2021</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Property	<u>\$ 19,444</u>	<u>\$ 10,638</u>

3. For the years ended December 31, 2022 and 2021, the Group's additions of right-of-use assets amounted to NT\$21,764 and NT\$32,746, respectively.
4. Profit or loss items in connection with lease contracts are stated as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss for the period</u>		
Interest expenses of lease liabilities	\$ 1,360	\$ 858
Expenses under short-term lease contracts	645	1,513

5. For the years ended December 31, 2022 and 2021, the Group's cash flows used in leases amounted to NT\$22,348 and NT\$12,658, respectively.
6. The Group adopted the practical expedient practice of "rent reduction related to novel coronavirus", and recognized the profit and loss of \$911 from changes in lease payments arising from rent reduction as other income for the years ended December 31, 2022.

(X) Intangible assets

	Goodwill	Customer relationship	Computer software	Total
As of January 1, 2022				
Costs	\$ 168,525	\$ 32,050	\$ -	\$ 200,575
Accumulated amortization and impairment	-(32,050)	-	-	-(32,050)
	<u>\$ 168,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,525</u>
<u>2022</u>				
January 1	\$ 168,525	\$ -	\$ -	\$ 168,525
Addition - sourced from separate acquisition	-	-	10,844	10,844
Reclassification (Note 1)	-	-	12,003	12,003
Amortization expenses	-	-	(3,687)	(3,687)
Adjustment for the period (Note 2)	(6,827)	-	-	(6,827)
Net exchange differences	(1,225)	-	1,642	417
December 31	<u>\$ 160,473</u>	<u>\$ -</u>	<u>\$ 20,802</u>	<u>\$ 181,275</u>
December 31, 2022				
Costs	\$ 160,473	\$ 32,050	\$ 24,477	\$ 217,000
Accumulated amortization and impairment	-(32,050)	-	(3,675)	-(35,725)
	<u>\$ 160,473</u>	<u>\$ -</u>	<u>\$ 20,802</u>	<u>\$ 181,275</u>

	<u>Goodwill</u>	<u>Customer relationship</u>	<u>Total</u>
As of January 1, 2021			
Costs	\$ 169,805	\$ 32,294	\$ 202,099
Accumulated amortization and impairment	-	(21,928)	(21,928)
	<u>\$ 169,805</u>	<u>\$ 10,366</u>	<u>\$ 180,171</u>
<u>2021</u>			
January 1	\$ 169,805	\$ 10,366	\$ 180,171
Amortization expenses	-	(10,281)	(10,281)
Net exchange differences	(1,280)	(85)	(1,365)
December 31	<u>\$ 168,525</u>	<u>\$ -</u>	<u>\$ 168,525</u>
December 31, 2021			
Costs	\$ 168,525	\$ 32,050	\$ 200,575
Accumulated amortization and impairment	-	(32,050)	(32,050)
	<u>\$ 168,525</u>	<u>\$ -</u>	<u>\$ 168,525</u>

Notes 1: Transferred from inventories

Notes 2: Income received from compensation, please refer to VI(XXV) 6 for information.

Goodwill is allocated to the Group's cash-generating units by operating segments:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sitonholy (Tianjin) Technology Co., Ltd.	<u>\$ 160,473</u>	<u>\$ 168,525</u>

(XI) Impairment of non-financial assets

1. The impairment loss recognized by the Group in 2022 was NT\$97,765, as detailed below.

	<u>2021</u>	
	<u>Profit or loss for the period recognized</u>	<u>Other comprehensive income recognized</u>
Loss-long - Investments using equity method	<u>\$ 97,765</u>	<u>\$ -</u>

2. The Group conducted a impairment test on the invested company-uSenlight Corporation, as of December 31, 2021. After evaluation, the recoverable amount of the invested company- uSenlight Corporation, was small. Therefore, the total impairment loss of \$97,765 was recognized.
3. Goodwill is allocated to the Group's cash-generating units by operating segments. The recoverable amount is determined based on the value in use, and the value in use is calculated using the pre-tax cash flow forecast of the five-year financial budget approved by management. Cash flows beyond the five-year period were estimated using the estimated growth rates stated below.

The Group's recoverable amount calculated based on the value in use exceeded the carrying amount, so no impairment loss on goodwill was generated. Main assumptions used to calculate the value in use are as follows:

	Sitonholy (Tianjin) Technology Co., Ltd.	
	2022	2021
Gross profit margin	14.00%	14.00%
Growth Rate	2.00%	2.00%
Discount rate	17.80%	18.90%

Management determined the budgeted gross margin based on the past performance and its expectation for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect the risks specific to relevant operating segments.

(XII) Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2022</u>	<u>Interest range</u>	<u>Collateral</u>
Borrowings			
Credit borrowings	<u>\$ 145,464</u>	2.50%	None
<u>Nature of borrowings</u>	<u>December 31, 2021</u>	<u>Interest range</u>	<u>Collateral</u>
Borrowings			
Secured borrowings	\$ 191,228	0.90%~1.13%	Financial assets measured at amortized cost - current
Credit borrowings	<u>35,612</u>	0.96%	None
	<u>\$ 226,840</u>		

Interest expenses recognized in profit or loss as of December 31, 2022 and 2021 were NT\$6,478 and NT\$4,866, respectively.

(XIII) Other payables

	December 31, 2022	December 31, 2021
Payroll payable	\$ 51,685	\$ 57,488
Premium payable	33,558	31,900
Others	35,137	30,138
	<u>\$ 120,380</u>	<u>\$ 119,526</u>

(XIV) Pension

1. The Company has established a defined contribution retirement plan ("the New Plan") in accordance with the Labor Pension Act, which is applicable to employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
2. The Company's subsidiaries in Mainland China have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages. The pension funds of each employee are managed and arranged by the government, and the Group has no further obligations except the monthly contributions.
3. The pension costs recognized by the Group in accordance with the aforesaid pension regulations for the years ended December 31, 2022 and 2021 were NT\$10,465 and NT\$6,578, respectively.

(XV) Share capital

1. As of December 31, 2022, the Company's authorized capital was NT\$2,500,000 (of which NT\$100,000 was for the issuance of stock options, preferred shares or corporate bonds with warrants), with paid-in capital of NT\$964,988 and the face value of NT\$10 per share, and the number of outstanding shares was 96,499 thousand.

2. Treasury shares

- (1) The reason for repurchase and movements in the number of treasury shares are as follows:

Company name of holding securities	Reason for repurchase	December 31, 2022	
		Number of shares (thousand shares)	Carrying amount
CHAINTECH	For the transfer of shares to employees	-	\$ -
Company name of holding securities	Reason for repurchase	December 31, 2021	
		Number of shares (thousand shares)	Carrying amount
CHAINTECH	For the transfer of shares to employees	5,000	\$ 151,746

- (2) The Securities Exchange Act stipulates that the proportion of the Company's purchase of shares outstanding shall not exceed 10% of the total number of shares issued by the Company, and the total monetary amount of share purchased shall not exceed the retained earnings plus the share premium and the realized capital reserve amount.
- (3) Treasury shares held by the Company may be neither pledged nor assigned shareholder rights in accordance with the Securities and Exchange Act.
- (4) According to the Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the repurchase date and shares not reissued within the five-year period are to be retired. To maintain the Company's credit and shareholders' rights to buy back shares, the registration change and elimination shall be handled within 6 months after the buy back. The Company passed a resolution by the board of directors to cancel its treasury shares on November 4, 2022, with a benchmark date of December 12, 2022. The Company completed the registration of the cancellation of 5000 thousand shares of treasury shares and the change in actual paid-in capital on January 9, 2023.

(XVI) Retained earnings

1. Under the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, in addition to the income tax payable according to law, the Corporation shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the earnings left over. However, when the accumulated legal capital surplus has equaled the

total paid-up-capital of the Company, the said restriction does not apply. After the Company has set aside or reversed the special capital reserve in accordance with relevant laws or the competent authority, along with the earnings not distributed at the beginning of the period, and after retaining part of the surplus depending on the situation, the Board of Directors may propose a surplus distribution proposal and submit it to the shareholders' meeting to distribute bonus to the shareholders.

2. The Company is in stable growth and expands in line with sales development in the future. The future capital expenditures and capital requirement are necessary to be considered first when the Company distribute the earnings. The Board of Directors proposes the distribution plan and distributes the earnings after being approved at the shareholders' meeting. In the annual distribution of shareholder dividends, cash dividend shall not be less than 5%, but if the cash dividend is less than NT\$0.1 per share, it may not be issued, and the stock dividend will be distributed instead.
3. The legal reserve shall not be used except for offsetting the loss of the Company and issuing new shares or cash in proportion to the original number of shares held by the shareholders. However, if it is issued to issue new shares or cash, the said legal reserve shall only exceed 25% at most of the paid-up capital.
4. (1) When the company distributes the surplus, it is required by law to provide a special surplus reserve for the debit balance of other equity items on the balance sheet date of the current year. After that, when the debit balance of other equity projects is reversed, the amount of revolving will be included in the surplus available for distribution.
 (2) When the Company adopted IFRSs at first time, for the special reserve listed in the Official Letter of the Financial Management Certificate No. 1010012865 issued on April 6, 2012, the Company reversed the original portion of the said special reserve, and when the Company subsequently uses, disposes of, or reclassifies related assets, they are reversed according to the ratio of the recognized special reserve.
5. By a resolution in the shareholders' meetings on June 15, 2022 and July 29, 2021, respectively, the Company adopted the earnings distribution plan for the year ended December 31, 2021 and 2020 as follows:

	2021		2020	
	Amount (NT\$ thousand)	Dividends per share (NT\$)	Amount (NT\$ thousand)	Dividends per share (NT\$)
Legal reserve	\$ 12,222		\$ 14,328	
Special reserve (Reversal)	(10,452)		(57,839)	
Cash Dividends	57,899	\$ 0.6	48,249	\$ 0.5

(1) Please refer to Note VI(XXII) for information on employees' compensation and directors' and supervisors' remuneration.

(2) As of March 22, 2023, the Company's Board of Directors was yet to propose the earnings distribution plan for the year ended December 31, 2022.

(XVII) Operating Revenue

	2022	2021
Revenue from contracts with customers		
Sales revenue - consumer goods	\$ 3,950,532	\$ 4,262,296
Sales revenue - AI servers and related products	2,238,756	2,247,372
Service revenue	9,386	8,396
	<u>\$ 6,198,674</u>	<u>\$ 6,518,064</u>

1. The Group derives revenue from the transfer of goods and services over time and at a point in time.

2. The contract liabilities in relation to revenue from contracts with customers recognized by the Group are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>As of January 1, 2021</u>
Contract liabilities:			
Unearned sales revenue	\$ 68,618	\$ 111,677	\$ 67,620

	2022	2021
Revenue recognized that was included in the contract liability balance at the beginning of the period:		
	<u>\$ 111,086</u>	<u>\$ 66,426</u>

(XVIII) Other income

	2022	2021
Rental income	\$ 158	\$ 158
Dividend income	6,100	5,795
Other income - others	10,908	4,824
	<u>\$ 17,166</u>	<u>\$ 10,777</u>

(XIX) Other gains and losses

	2022	2021
Loss on disposal of property, plant, and equipment	(\$ 3)	\$ -
Net foreign exchange gain (loss)	101,506	(20,038)
Gain on financial assets at fair value through profit or loss	2,248	3,200
Impairment loss	-	(97,765)
Other losses	(98)	(2,622)
	<u>\$ 103,653</u>	<u>(\$ 117,225)</u>

(XX) Financial costs

	2022	2021
Interest expenses	\$ 6,478	\$ 4,866
Lease liabilities	1,360	858
	<u>\$ 7,838</u>	<u>\$ 5,724</u>

(XXI) Expenses by nature

	2022	2021
Employee benefit expenses	\$ 182,080	\$ 155,458
Depreciation expenses of property, plant, and equipment	16,078	24,913
Depreciation expenses on right-of-use assets	19,444	10,638
Amortization expenses of intangible assets	3,687	10,281
	<u>\$ 221,289</u>	<u>\$ 201,290</u>

(XXII) Employee benefit expenses

	2022	2021
Payroll expenses	\$ 155,602	\$ 134,407
Labor/health insurance expenses	11,126	7,365
Pension expenses	10,465	6,578
Other employment expenses	4,887	7,108
	<u>\$ 182,080</u>	<u>\$ 155,458</u>

1. According to the Company's Articles of Incorporation, after deducting the accumulated losses based on the profitability of the current year, if there are still some earnings left, the employee shall be granted no less than 0.1% as compensation, and the directors shall not be paid more than 6% as remuneration.
2. For the years ended December 31, 2022 and 2021, the estimated amount of employees' remuneration was NT\$4,039 and NT\$1,663, respectively, and the estimated amount of directors' and supervisors' remuneration was NT\$12,118 and NT\$4,98, respectively; the aforesaid amounts were recognized as payroll expenses.

For the year ended December 31, 2022, 1% and 3% were estimated according to the profitability of the year. The resolved amounts as approved by the Board of Directors were NT\$4,039 and \$12,118, respectively. The employees' remuneration will be distributed in the form of cash.

The employees' remuneration, NT\$1,663, and directors' and supervisors' remuneration, NT\$4,988, for the year ended December 31, 2021 that had been resolved by the Board of Directors were the same as the amounts recognized in the financial statements for the year then ended.

3. Information regarding employees' remuneration and directors' remuneration approved by the Board of Directors is available on the Market Observation Post System (MOPS).

(XXIII) Income tax

1. Tax expense

Components of tax expense:

	2022	2021
Current income tax:		
Income tax generated in the current period	\$ 70,458	\$ 57,724
Additional tax on unappropriated retained earnings	3,128	7,058
Underestimate provision of previous year's income tax	1,899	893
Total current income tax liabilities	75,485	65,675
Deferred tax :		
The origination and reversal of temporary differences	(8,066)	(20,230)
Tax expense	\$ 67,419	\$ 45,445

2. Tax expense and accounting profit

	2022	2021
Net profit before tax is calculated as income tax at the statutory tax rate	\$ 77,560	\$ 39,958
Expenses that should be excluded according to tax laws	806	566
Income exempt from taxation according to tax laws	(1,220)	(1,159)
Temporary differences of assets that have not been recognized as deferred tax assets	(14,754)	(1,871)
Additional tax on unappropriated retained earnings	3,128	7,058
Underestimate provision of previous year's income tax	1,899	893
Tax expense	<u>\$ 67,419</u>	<u>\$ 45,445</u>

3. The amount of deferred tax assets that arise from temporary differences from the taxable financial assets are set out below:

	2022				
	January 1	Recognized in profit or loss	Other comprehensive income recognized	Acquired by business combination	December 31
Temporary differences:					
Deferred tax assets					
Allowance for inventory valuation and obsolescence losses	\$ 169	\$ 495	\$ -	\$ -	\$ 664
Impairment loss	19,948	-	-	-	19,948
Unrealized foreign exchange loss	653	1,749	-	-	2,402
Investment loss	-	9,547	-	-	9,547
Others	3	(3)	-	-	-
	<u>20,773</u>	<u>11,788</u>	<u>-</u>	<u>-</u>	<u>32,561</u>
Deferred tax liabilities					
Investment income	-	3,722	-	-	3,722
	<u>\$ 20,773</u>	<u>\$ 8,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,839</u>

	2021				
	January 1	Recognized in profit or loss	Other comprehensive income recognized	Acquired by business combination	December 31
Temporary differences:					
Deferred tax assets					
Allowance for inventory valuation and obsolescence losses	\$ 977	(\$ 828)	\$ -	\$ -	\$ 169
Impairment loss	-	19,948	-	-	19,948
Unrealized foreign exchange loss	2,135	(1,482)	-	-	653
Others	-	-	-	3	3
	<u>3,132</u>	<u>17,638</u>	<u>-</u>	<u>3</u>	<u>20,773</u>
Deferred tax liabilities					
Amortization of intangible assets	(2,592)	2592	-	-	-
	<u>\$ 540</u>	<u>\$ 20,230</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 20,773</u>

4. Deductible temporary differences of assets that have not been recognized as deferred tax assets:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 35,394</u>	<u>\$ 109,139</u>

5. The revenue service authority has assessed the profit-seeking enterprise income tax of the Company through 2020.

(XXIV) Earnings Per Share

2022			
	After-tax amount	Weighted average shares outstanding (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Current net income attributable to ordinary shareholders of parent company	\$320,372	96,499	\$3.32
<u>Diluted earnings per share</u>			
Current net income attributable to ordinary shareholders of parent company	\$ 320,372	96,499	
Diluted earnings per share			
Employee remuneration	-	149	
Current net profit attributable to ordinary shareholders of parent company plus the impact of potential ordinary shares	\$ 320,372	96,648	\$ 3.31
2021			
	After-tax amount	Weighted average shares outstanding (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Current net income attributable to ordinary shareholders of parent company	\$ 122,224	96,499	\$ 1.27
<u>Diluted earnings per share</u>			
Current net income attributable to ordinary shareholders of parent company	\$ 122,224	96,499	
Diluted earnings per share			
Employee remuneration	-	71	
Current net profit attributable to ordinary shareholders of parent company plus the impact of potential ordinary shares	\$ 122,224	\$ 96,570	\$ 1.27

(XXV)Business combinations

1. In December 2018, the Group invested in Sitonholy (Tianjin) Technology Co., Ltd. through its subsidiary, Shenzhen Jinghong, and made a prepayment of RMB 10 million. On March 1, 2019, the Group acquired a 51% equity interest in Sitonholy (Tianjin) Technology Co., Ltd. The investment totaled RMB 86.36 million (including contingent consideration of RMB 44.36 million).

The equity interest was acquired as follows:

- (1) The Group purchased a 26% equity interest from Tianjin Daweisi Technology Center (Limited Partnership) and Tianjin Qunchuang Enterprise Management Consulting Center (Limited Partnership) at the amount of RMB 35.36 million.
- (2) The Group acquired a 25% equity interest in Sitonholy (Tianjin) Technology Co., Ltd. through capital increase at the amount of RMB 51 million.

Sitonholy (Tianjin) Technology Co., Ltd. retails electronic products and communication products in China. After the acquisition, the Group expects to strengthen its presence in the retail market of electronic products and communication products in China.

2. Information on the consideration for acquiring Sitonholy (Tianjin) Technology Co., Ltd., acquisition-date fair value of assets acquired and liabilities assumed, and portion of non-controlling interests to the acquiree's net identifiable assets is stated as follows:

Acquisition consideration

Cash (Note 1)

Payments for equity transfer	\$	119,678
Payments for purchase of shares		73,648
Contingent consideration (Note 2)		<u>149,140</u>
		342,466

Share of non controlling interests in the identifiable net assets of the acquired party

	<u>157,465</u>
\$	<u>499,931</u>

Fair value for identifiable assets acquired and liabilities and contingent liabilities

Cash	\$	20,266
Accounts receivable		182,945
Inventories		90,866
Other current assets		113,415
Intangible assets (customer relationship)		33,961
Property, plant, and equipment		797
Right-of-use assets		3,744
Other non-current assets (Note 3)		201,522
Accounts payable	(	129,566)
Other current liabilities (Note 4)	(	184,300)
Lease liabilities	(	3,802)
Deferred tax liabilities	(	8,490)
Total identifiable assets		<u>321,358</u>
Goodwill	\$	<u>178,573</u>

Notes 1: Acquisition consideration - cash includes payments for equity transfer and payments for purchase of shares.

(1) Payments for equity transfer include prepayments of NT\$44,720 (RMB 10 million) made in December 2018 and NT\$74,958 (RMB 16 million) paid in March 2019.

(2) Payments for purchase of shares amounted to RMB 16 million. The capital increase was completed in March 2019.

Notes 2: Contingent consideration is the present value of investment after taking into account performance compensation set forth in the investment agreement.

Notes 3: Other non-current assets include payments for purchase of shares receivable, RMB 16 million, in March 2019 and payments for purchase of shares, RMB 35 million, to be received when conditions of contingent consideration are established.

Notes 4: Other current liabilities include payments for equity transfer, RMB 18.1326 million payable by Sitonholy (Tianjin) Technology Co., Ltd. due to its acquisition of a 100% equity interest in Beijing Sitonholy.

3. On December 17, 2018, both parties reached an agreement on contingent consideration as follows:

(1) If the audited net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy for the year ended December 31, 2018 (subject to the net profit attributable to parent after deduction of non-recurring profit or loss) reaches RMB 15 million, Shenzhen Jinghong should increase capital of Sitonholy (Tianjin) Technology Co., Ltd. by RMB 20 million within 15 working days, and should pay RMB 7.488 million and RMB 1.872 million to Tianjin Daweisi Technology Center (Limited Partnership) and Tianjin Qunchuang Enterprise Management Consulting Center (Limited Partnership) respectively (recognized in other non-current liabilities).

(2) If the audited net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy for the year ended December 31, 2019 (subject to the net profit attributable to parent after deduction of non-recurring profit or loss) reaches RMB 22 million, Shenzhen Jinghong should increase capital of Sitonholy (Tianjin) Technology Co., Ltd. by RMB 15 million within 15 working days.

(3) If Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy fail to meet the performance target for the year within the period of performance commitment, Shenzhen Jinghong has the right to defer the aforesaid contingent consideration to

the next period and, based on the realization of the accumulated net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy, determine whether to pay.

4. As of December 31, 2019, the audited net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy for the year ended December 31, 2018 reached the agreement on contingent consideration. According to the agreement, Shenzhen Jinghong paid RMB 20 million to Sitonholy (Tianjin) Technology Co., Ltd. for capital increase and paid RMB 7.488 million and RMB 1.872 million to Tianjin Daweisi Technology Center (Limited Partnership) and Tianjin Qunchuang Enterprise Management Consulting Center (Limited Partnership) respectively. The audited net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy for the year ended December 31, 2019 was not met. According to the agreement, Shenzhen Jinghong deferred the contingent consideration to the next period.
5. On December 28, 2020, both parties entered into a supplemental agreement to extend the original terms of the contract for two years (to the end of 2022). Both parties also agreed that compensation should be collected from the original shareholders for the portion belonging to Shenzhen Jinghong (51%) in case of failure to meet the performance target.
The amount of compensation is calculated below:
 - (1) If the performance target is met by the end of 2021:
Unmet net profit target for 2018 to 2020 x 51% x 15%
 - (2) If the performance target is met before June 2022:
Unmet net profit target for 2018 to 2020 x 51% x (15%+10%)
 - (3) If the performance target is met before the end of 2022:
Unmet net profit target for 2018 to 2020 x 51% x (15%+20%)
6. The Group has received the above compensation amounted to \$15,353 (RMB 3.53 million) in March 2021, and recognized compensation income amounted to \$6,827 (RMB 1.51 million) and recognized a decrease in goodwill in March 2022.
7. The agreement of the net profits for contingent consideration has been reached by Sitonholy(Tianjin) technology Co., Ltd and Beijing Sitonholy technology Co., Ltd in 2021. According to the agreement, Shenzhen Jinghong has made the payment for contingent consideration and refund of compensation in the first half of the year of 2022.
8. In October 2022, the Group acquired 100% equity of Baotou Yihui Information Technology Co., Ltd. through its mainland subsidiary - Sitonholy(Tianjin) technology Co., Ltd, with a total investment amount of RMB 2 million.
9. Information on the consideration for acquiring Baotou Yihui Information Technology Co., Ltd., acquisition-date fair value of assets acquired and liabilities assumed, and

portion of non-controlling interests to the acquiree's net identifiable assets is stated as follows:

Acquisition consideration

Cash	\$ 8,706
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Fair value for identifiable assets acquired and liabilities and contingent liabilities

Cash	\$ 29
Accounts receivable	160
Other receivables	846
Other current assets	163
Property, plant, and equipment	5,473
Right-of-use assets	1,399
Other non-current assets	3,690
Contract liabilities	(988)
Accounts payable	(326)
Other payables	(341)
Lease liabilities	(1,399)
Total identifiable assets	\$ 8,706

10. Our group acquired Baotou Yihui Information Technology Co., Ltd. on October 31, 2021. The operating income and net loss before tax contributed by Baotou Yihui Information Technology Co., Ltd. for the year ended December 31, 2021 is \$255 and \$1,580, respectively. If Baotou Yihui Information Technology Co., Ltd. were acquired by the Group in January 1, 2021, the Group's operating revenue and profit before tax would be NT\$1,554 and NT\$3,059, respectively, for the year ended December 31, 2021.

(XXVI) Changes in liabilities from financing activities

	2022			From financing activities
	<u>Short-term borrowings</u>	<u>Guarantee deposits</u>	<u>Lease liabilities</u>	<u>Total Liabilities</u>
January 1	\$ 226,840	\$ 1,275	\$ 37,885	\$ 266,000
Changes in cash flows from financing	(81,376)	(657)	(20,343)	(102,376)
Impact on changes in exchange rates	-	-	1,201	1,201
Impact on changes in other non-cash	-	-	21,764	21,764
December 31	<u>\$ 145,464</u>	<u>\$ 618</u>	<u>\$ 40,507</u>	<u>\$ 186,589</u>

	2021			
	Short-term borrowings	Guarantee deposits	Lease liabilities	Total liabilities from financing activities
January 1	\$ 402,027	\$ 420	\$ 17,342	\$ 419,789
Changes in cash flows from financing	(175,187)	855	(10,287)	(184,619)
Acquired by business combination	-	-	1,399	1,399
Impact on changes in exchange rates	-	-	160	160
Impact on changes in other non-cash	-	-	29,271	29,271
December 31	<u>\$ 226,840</u>	<u>\$ 1,275</u>	<u>\$ 37,885</u>	<u>\$ 266,000</u>

VII. Related Party Transactions

(I) Parent company and the ultimate controller

The Company is controlled by Yicheng International Development Co., Ltd. (incorporated in the Republic of China), which owns 29.57% of the shares of the Company. The rest is held by the public. The ultimate controller of the Company is the Colorful Group.

(II) Name of related party and relationship with the Group

Name of related parties	The relationship with the Group
Colorful Technology Co., Ltd. (Colorful)	100% reinvestment business by Colorful Group
Shenzhen Colorful Yugong Technology and Development Co., Ltd. (Yugong)	The same person in charge as the Colorful Group
uSenlight Corporation (uSen)	Associates

(III) Significant transactions with related parties

1. Operating Revenue

	2022	2021
Sales of goods :		
Colorful	<u>\$ 2,092,517</u>	<u>\$ 2,178,925</u>

The Group's transaction prices to related parties are not significantly different from those of the unrelated parties. The payment terms are OA 45~125 days depending on the different products.

2. Purchases

	2022	2021
Product purchase:		
Yugong	\$ 24,940	\$ 80,270
Colorful	<u>3,776</u>	<u>505</u>
	<u>\$ 28,716</u>	<u>\$ 80,775</u>

Goods are purchased from related parties according to general commercial terms and conditions. Purchases display cards from purchasing parties of related parties

3. Receivables from related parties

	December 31, 2022	December 31, 2021
Accounts receivable		
Colorful	\$ 525,778	\$ 737,095
Less: Loss allowance	<u>(210)</u>	<u>(295)</u>
Total	<u>\$ 525,568</u>	<u>\$ 736,800</u>

Receivables from related parties mainly arise from sales transactions. Payment for sales transactions is made in accordance with the payment terms after the date of sale. The receivables are unsecured and not interest-bearing.

4. Payables to related parties

	December 31, 2022	December 31, 2021
Accounts payable		
Yugong	\$ 6,397	\$ -
Colorful	<u>-</u>	<u>335</u>
Total	<u>\$ 6,397</u>	<u>\$ 335</u>

The payables to related parties mainly arise from purchases, which are due one month after the purchase date. The payables are non-interest bearing.

5. Advertising expense

After the launch of the products jointly developed by the Group and Colorful, both sides have agreed to pay no more than US\$60,000 per month as advertising expenses for the related parties. The amounts of advertising expense incurred in 2022 and 2021 were NT\$10,333 and NT\$9,041, respectively; the amounts not yet paid as of December 31, 2022 and 2021 were NT\$5,899 and NT\$5,951, respectively, and recognized as "other payables."

6. Endorsements and guarantees made by related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Yugong	<u>\$ 22,040</u>	<u>\$ -</u>

(IV) Key management compensation information

	<u>2022</u>	<u>2021</u>
Wages and short-term employee benefits	<u>\$ 17,174</u>	<u>\$ 10,594</u>

VIII. Pledged Assets

The Group's assets pledged as collateral are as follows:

Assets title	<u>Book value</u>		<u>Purpose of collateral</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Financial assets measured at amortized cost - current	\$ 4,621	\$ 33,847	Balance of short-term borrowings
Financial assets measured at amortized cost - current	26,618	-	Guarantee for acceptance of bills
	<u>\$ 31,239</u>	<u>\$ 33,847</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Contingencies

None.

(II) Commitments

1. As of December 31, 2022, the Group's guaranteed letter of credit for the purchase was US\$1,500 thousand.
2. As of December 31, 2022, the Company issued a promissory note totaling NT\$100,000 thousand for the purchase of goods as a guarantee for the purchase of loan claims.

X. Significant Disaster Loss

None.

XI. Significant Events after the End of the Financial Reporting Period

The company completed the registration of the cancellation of 5000 thousand shares of treasury shares and the change of paid in capital on January 9, 2023. Please refer to Note VI(XII) for details.

XII. Others

(I) Capital management

The Group's objectives in capital management are to safeguard the Group's ability to continue as a going concern in order to maintain optimal capital structure in order to minimize the cost of funding and to provide remuneration for its shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(II) Financial instruments

1. Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	<u>\$ 115,490</u>	<u>\$ 64,204</u>
Financial assets at fair value through other comprehensive income	<u>\$ 142,383</u>	<u>\$ 200,485</u>
Financial assets measured at amortized cost		
Cash	\$1,061,262	\$692,998
Financial assets measured at amortized cost	31,239	33,847
Notes receivable	11,831	-
Accounts receivable (including related parties)	981,009	1,382,341
Other receivables	3,532	6,857
Refundable deposits (other non-current assets)	<u>9,971</u>	<u>9,594</u>
	<u>\$ 2,098,844</u>	<u>\$ 2,125,637</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$145,464	\$226,840
Notes payable	115,737	-
Accounts payable (including related parties)	330,540	773,498
Other payables	120,380	119,526
Refundable deposits (other non-current liabilities)	<u>618</u>	<u>1,275</u>
	<u>\$ 712,739</u>	<u>\$ 1,121,139</u>
Lease liabilities	<u>\$ 40,507</u>	<u>\$ 37,885</u>

2. Risk management policies

- (1) The Group's daily operations are affected by a number of financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk.
- (2) The risk management is carried out by the Group's finance department according to the policies approved by the Board of Directors. The finance department of the Group is responsible for identifying, evaluating, and avoiding financial risks in close co-operation with the Group's operating units. The Board of Directors has established written principles for overall risk management, and provides written policies for specific areas and matters such as exchange rate risk, interest rate risk, credit risk, and investment of the remaining current capital.

3. The nature and degrees of significant financial risks

(1) Market risk

Exchange rate risk

- A. The Group is a multinational operation and is exposed to exchange rate risk arising from transactions with the Company and its subsidiaries, which is mainly denominated in USD and CNY. The related exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- B. Business of the Group is involved in a number of non-functional currency (the functional currency of the Company is NTD; for subsidiaries, the functional currency is CNY) and deeply affected by the exchange rate fluctuation. The information of significant impact affected by exchange rate fluctuation for foreign assets and liabilities is as follow:

Foreign currency translation functional currency)	December 31, 2022		
	Foreign currency(\$ thousands)	Exchange rate	Carrying amount (NT\$)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NT	\$ 42,892	30.71	\$ 1,317,213
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NT	\$ 3,197	30.71	\$ 98,180

Foreign currency translation functional currency)	December 31, 2021		
	Foreign currency(\$ thousands)	Exchange rate	Carrying amount (NT\$)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NT	\$ 53,150	27.68	\$ 1,471,192
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NT	\$ 19,198	27.68	\$ 531,401

C. The Group's material monetary items affected by the exchange rate fluctuations were recognized as net exchange gains (losses)(including realized and unrealized), which amounted to NT\$101,506 and (NT\$20,038), respectively, for the years ended December 31, 2022 and 2021.

D. The Group's foreign currency market risk analysis due to significant exchange rate fluctuations is as follows:

Foreign currency translation functional currency)	2022		
	Sensitivity analysis		
	Degree of fluctuation	Impact on profit and loss	Impact on other comprehensive income (loss)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NT	1%	\$ 13,172	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NT	1%	\$ 982	\$ -

Foreign currency translation functional currency)	2021		
	Sensitivity analysis		
	Degree of fluctuation	Impact on profit and loss	Impact on other comprehensive income (loss)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NT	1%	\$ 14,712	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NT	1%	\$ 5,314	\$ -

Price risk

- A. The Group's equity instruments exposed to price risk are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage the price risk of investments in equity instruments, the Group diversifies its portfolio with its diversification method based on limits set by the Group.
- B. The Group primarily invests in equity instruments and beneficiary certificates issued by domestic companies, and the price of such equity instruments is affected by the uncertainty of the future value of the investment target. If the prices of these equity instruments increase or decrease by 1%, with all other factors remaining unchanged, profit after tax for the years ended December 31, 2022 and 2021 will increase or decrease by NT\$1,155 and NT\$642, respectively due to the gain or loss on equity instruments at fair value through profit or loss, and other comprehensive income for the years then ended will increase or decrease by NT\$1,424 and NT\$2,005, respectively due to the gain or loss on equity instruments at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk arises primarily from short-term borrowings issued at variable rates, which expose the Group to cash flow interest rate risk. For the years ended December 31, 2022 and 2021, the Group's borrowings issued at variable rates were mainly denominated in USD.
- B. The Group's borrowings are measured at amortized cost and are re-priced at the contract annual rate every year. Therefore, the Group is exposed to the risk of changes in future market interest rates.
- C. If the USD and CNY borrowing interest rate increases/decreases by 1%, with all other variables held constant, profit before tax for the years ended December 31, 2022 and 2021 will decrease or increase by NT\$1,164 and NT\$1,815, respectively. Changes in interest expense mainly result from floating-rate borrowings.

(2) Credit risk

- A. The Group's credit risk is primarily attributable to the risk of financial loss from customers or the counterparty of financial instruments who are unable to fulfill the contract obligation. That credit risk is mainly from the fact that the counterparty is unable to pay off the accounts receivable payable on the terms of the payment and debt instruments classified as amortized cost being measured based on contract cash flows.
- B. The Group has established credit risk management in the Group's corporate

policy. For banks and financial institutions, only those with good credit rating can be accepted as our transaction counterparties. In accordance with the internal defined credit policy, the Group's operating entities and each new customer shall be subject to the management and credit risk analysis before making payment and delivery of the agreed payment and delivery. Internal risk control is evaluated by considering its financial position, historical experience and other factors to assess the credit quality of customers. Limits on individual risks are formulated by the Board of Directors based on internal or external ratings and regularly monitored by the Board of Directors.

- C. The Group adopts credit risk management procedures to make assumptions except that the contract amount is overdue for more than 90-120 days in accordance with the agreed payment terms, it is regarded that a default has taken place.
- D. The Group adopts credit risk management procedures to make the following assumptions as to whether the credit risk on financial instruments since initial recognition has increased by the following:
 - (A) When the contract amount is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk has been significantly increased since the original recognition of the financial assets.
 - (B) There are actual or expected significant changes in external credit ratings of financial instruments.
- E. The Group will group the customer's accounts receivable based on the characteristics of the customer's rating and customer type, and use the simplified method to estimate the expected credit loss based on the preparation matrix.
- F. The Group conducts individual assessments for defaulted accounts receivable and recognizes 10% to 30% allowance loss. The remainder is estimated based on our credit conditions and forward-looking considerations to adjust the loss rate established by historical and current information for a specific period so as to estimate the allowance loss for accounts receivable by the said loss rate. The provision matrix as of December 31, 2022 and 2021 is as follows:

	Individual	Not overdue	Overdue for 1-90 days	Overdue for 91 days	Total
<u>December 31, 2022</u>					
Expected loss rate	<u>30%</u>	<u>0.04%~10.48%</u>	<u>11.22%</u>	<u>11.22%~100%</u>	
Total book value	<u>\$ 22,316</u>	<u>\$ 999,146</u>	<u>\$ 7,436</u>	<u>\$ 1,679</u>	<u>\$ 1,030,577</u>
Loss allowance	<u>\$ 6,695</u>	<u>\$ 28,757</u>	<u>\$ 834</u>	<u>\$ 1,451</u>	<u>\$ 37,737</u>
	Individual	Not overdue	Overdue for 1-90 days	Overdue for 91 days	Total
<u>December 31, 2021</u>					
Expected loss rate	<u>10%</u>	<u>0.04%~9.24%</u>	<u>17.50%</u>	<u>17.50%~100%</u>	
Total book value	<u>\$ 68,118</u>	<u>\$ 1,340,590</u>	<u>\$ 13,900</u>	<u>\$ 1,371</u>	<u>\$ 1,423,979</u>
Loss allowance	<u>\$ 8,704</u>	<u>\$ 29,246</u>	<u>\$ 2,432</u>	<u>\$ 1,256</u>	<u>\$ 41,638</u>

G. The statement of allowance loss for accounts receivable of the Group using simplified approach is as follows:

	2022	2021
	Accounts Receivable	Accounts Receivable
January 1	\$ 41,638	\$ 7,247
Impairment loss (reversal)	(4,386)	34,426
Effect of exchange rate changes	<u>485</u>	<u>(35)</u>
December 31	<u>\$ 37,737</u>	<u>\$ 41,638</u>

(3) Effect of exchange rate changes

- A. Cash flow prediction is performed by individual operating entities within the Group and are aggregated by the Group's finance department. The Group's finance department monitors the Group's liquidity requirements predict to ensure that it has sufficient funds to support its operational needs and maintains sufficient unencumbered borrowing commitments at all times so that the Group does not violate the relevant borrowing limits or terms.
- B. The surplus cash held by each operating entity will be transferred back to the Group's finance department when it exceeds the management needs of the working capital. The Group's finance department invests the surplus funds in interest-bearing demand deposits and fixed deposits, and the selected instruments have appropriate maturity dates or sufficient liquidity to meet the above forecasts and provide sufficient water and effluents.
- C. The following tables detail the Group's non-derivative financial liabilities grouped by the maturity date. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual

maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted amounts.

December 31, 2022	<u>Within 1 year</u>	<u>Within 1-2 years</u>	<u>Within 2-5 years</u>
<u>Non-derivative</u> <u>financial liabilities</u>			
Lease liabilities	\$ 22,289	\$ 14,615	\$ 5,009
December 31, 2021	<u>Within 1 year</u>	<u>Within 1-2 years</u>	<u>Within 2-5 years</u>
<u>Non-derivative</u> <u>financial liabilities</u>			
Lease liabilities	\$ 14,526	\$ 13,928	\$ 10,273

Except as stated above, the Group's non-derivative financial liabilities are due within one year.

(III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is of Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active markets is of Level 3.

2. For financial instruments not measured at fair value, including cash, financial assets measured at amortized cost and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, short-term borrowings, notes payable, accounts payable (including related parties), and other payables, their carrying amounts are a reasonable approximation of their fair value.

3. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

- (1) The Group classifies its assets and liabilities according to their nature; the information is as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring Fair value</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 115,490	\$ -	\$ -	\$ 115,490
Financial assets at fair value through other comprehensive income				
Equity securities	127,033	-	15,350	142,383
Total	<u>\$ 242,523</u>	<u>\$ -</u>	<u>\$ 15,350</u>	<u>\$ 257,873</u>
December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring Fair value</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 64,204	\$ -	\$ -	\$ 64,204
Financial assets at fair value through other comprehensive income				
Equity securities	185,135	-	15,350	200,485
Total	<u>\$ 249,339</u>	<u>\$ -</u>	<u>\$ 15,350</u>	<u>\$ 264,689</u>

(2) Methods and assumptions used by the Group to measure the fair value are as follows:

A. The instruments that the Group uses market-quoted prices as their fair values (i.e. Level 1) are listed below by characteristics:

	Shares of publicly quoted entity	Beneficiary certificates
Quoted market price	Closing market prices	Net Value

B. In addition to the aforementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained by means of evaluation techniques or reference to counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other substantial financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on the market information utilization model available on the date of the consolidated balance sheets (e.g., the reference yield curve offered by Taipei Exchange or the average offer price of Reuters

commercial paper interest rate).

- C. The valuation of derivative instruments is based on the valuation model that is widely accepted by market users, such as the discount method. Structured interest rate derivatives are valued by the estimation of future cash flows at contractual interest rates.
 - D. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management believes that the adjustment is appropriate and necessary to recognize the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameter used in the valuation process are carefully evaluated and adjusted appropriately based on current market conditions.
 - E. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
4. For the years ended December 31, 2022, and 2021, there were no transfers between Level 1 and Level 2.
5. The following chart indicates the movement of Level 3 for the years ended December 31, 2022, and 2021:

	2022	2021
	Equity Instruments	Equity Instruments
January 1 (i.e. December 31)	\$ 15,350	\$ 15,350

6. For the years ended December 31, 2022, and 2021, there were no transfers into or out of Level 3.
7. The finance department of the Group is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable, and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model, and making any other necessary adjustments to the fair value.

8. Quantitative information and sensitivity analysis of significant unobservable inputs to the valuation models used in the valuation models for Level 3 fair value measurement and the sensitivity analysis of changes in significant unobservable inputs are as follows:

	Fair value as of December 31, 2022	Valuation technique	Significant unobservable input values	Relationship between input value and fair value
Non-derivative equity instruments :				
Shares of non- publicly quoted entity	\$ 15,350	Market price method	Lack of market liquidity discount and expected volatility of equity value	The lack of market liquidity discount and higher expected volatility of equity value leads to lower fair values.
	December 31, 2021 Fair value	Valuation technique	Significant unobservable input values input value	Relationship between input value and fair value
Non-derivative equity instruments :				
Shares of non- publicly quoted entity	\$ 15,350	Market price method	Lack of market liquidity discount and expected volatility of equity value	The lack of market liquidity discount and higher expected volatility of equity value leads to lower fair values.

9. The Group carefully evaluates the valuation models and inputs used in selecting the valuation models and inputs that the valuation models may result in different valuation models. For financial assets classified as Level 3, if there are changes in evaluation parameters, the impact on other comprehensive gains and losses is as follows:

		December 31, 2022		
		Other comprehensive income recognized		
	input value	Changes	Favorable changes	Adverse changes
Financial assets				
Equity Instruments	Lack of market liquidity discount and expected volatility of equity value	±1%	\$ 154	\$ 154
		December 31, 2021		
		Other comprehensive income recognized		
	input value	Changes	Favorable changes	Adverse changes
Financial assets				
Equity Instruments	Lack of market liquidity discount and expected volatility of equity value	±1%	\$ 154	\$ 154

XIII. Supplementary Disclosures

(I) Information on significant transactions

1. Capital loans to others: None.
2. Endorsements and guarantees: Please refer to Table 1.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries): Please refer to Table 2.
4. Accumulated purchase or disposal of the same securities amount reaching NT\$300 million or 20% of the paid-in capital: Please refer to Table 3.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases and sales with related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 4.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 5.
9. Derivative transactions: None.
10. Parent-subsidary and subsidiary-subsidary business relations and significant transactions and amounts thereof: Please refer to Table 6.

(II) Information on investees

Information on investees (not including investees in Mainland China):

Please refer to Table 7.

(III) Information on investments in Mainland China

1. Basic information: Please refer to Table 8.
2. Significant transactions between the Group and investees in Mainland China directly or indirectly through entities in a third area: Please refer to Table 9.

(IV) Information on Major Shareholders

Information about major shareholders: Please refer to Table 1.

XIV. Segment information

(I) General information

The Board of Directors of the Group operates business and makes decisions by product types, which are divided into consumer electronic products and AI servers (namely, reportable segments).

(II) Segment information

The information for departments that should issue a report to the chief operating decision maker is as follows:

2022	Consumer goods	AI servers and related products	Total	Adjust and write off
External revenue	\$ 3,959,918	\$ 2,238,756	\$ -	\$ 6,198,674
Internal department revenue	9,089	270,250	(279,339)	-
Segment revenue	<u>\$ 3,969,007</u>	<u>\$ 2,509,006</u>	<u>(\$ 279,339)</u>	<u>\$ 6,198,674</u>
Segment profit or loss	<u>\$ 329,461</u>	<u>\$ 87,943</u>	<u>(\$ 53,939)</u>	<u>\$ 363,465</u>

2021	Consumer goods	AI servers and related products	Total	Adjust and write off
External revenue	\$ 4,270,692	\$ 2,247,372	\$ -	\$ 6,518,064
Internal department revenue	11,887	121,032	(132,919)	-
Segment revenue	<u>\$ 4,282,579</u>	<u>\$ 2,368,404</u>	<u>(\$ 132,919)</u>	<u>\$ 6,518,064</u>
Segment profit or loss	<u>\$ 130,843</u>	<u>\$ 90,404</u>	<u>(\$ 58,503)</u>	<u>\$ 162,744</u>

(III) Information on the adjustment of segment profit or loss

1. No reconciliation is necessary as the Group's chief operating decision maker assesses segment performance and decide on the allocation of resources based on profit after tax.
2. The measurement method used for total amount of assets reported to the chief operating decision maker is the same as that used for the total amount of assets stated in the financial statements.

(IV) Information on products and services

Please refer to Note VI(XVII)

(V) Geographical information

	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Mainland China	\$ 6,189,415	\$ 233,945	\$ 6,504,073	\$ 235,050
Taiwan	9,259	54,224	13,991	42,905
	<u>\$ 6,198,674</u>	<u>\$ 288,169</u>	<u>\$ 6,518,064</u>	<u>\$ 277,955</u>

(VI) Key accounts information

	2022	2021
10C001	\$ 2,092,517	\$ 2,178,925
16L002	491,629	579,767

Chaintech Technology Corporation and Subsidiaries

Endorsements and Guarantees

For the Year Ended December 31, 2022

Table 1

Unit: NT\$ thousands

(Unless specified otherwise)

No. (Note 1)	Subject of endorsements and guarantees		Relationship (Note 2)	Ceiling limit on endorsements and guarantees for a single entity (Note 3)	Maximum balance of endorsements and guarantees for the period (Note 4)	Balance of endorsements and guarantees at end of period	Endorsements and guarantees used	Endorsements and guarantees secured with collateral	Ratio of aggregated endorsements and guarantees to net value in the most recent financial statements	Ceiling limit on endorsements and guarantees (Note 3)	Parent providing endorsements and guarantees for subsidiary (Note 5)	Subsidiary providing endorsements and guarantees for parent (Note 5)	Endorsements and guarantees involving Mainland China (Note 5)	Remarks
	Endorser/Guarantor	Company name												
0	Chaintech Technology Corporation	Sitonholy (Tianjin) Technology Co., Ltd.	2	\$ 1,010,596	\$ 79,344	\$ 79,344	\$ 79,344	\$ -	3.93%	\$ 1,010,596	Y	N	Y	
0	Chaintech Technology Corporation	Beijing Sitonholy Technology Co., Ltd.	2	1,010,596	35,264	35,264	35,264	-	1.74%	1,010,596	Y	N	Y	

Notes 1: Explanations are as follows:

(1) The issuer shall fill in 0.

(2) The investees are numbered in alphabetical order beginning with the Arabic numeral 1.

Notes 2: The relationships between endorser/guarantors and endorsees/guarantees are categorized into the following 6 types. Please specify the type.

(1) Companies with which the Group conducts business;

(2) Subsidiaries in which the Group directly holds more than 50% of their common shares;

(3) Investee companies in which the Company and its subsidiaries collectively hold more than 50% of their common shares;

(4) The parent company which holds, directly or indirectly through a subsidiary, more than 50% of its outstanding common shares;

(5) Companies in same type of business and providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project; or

(6) Shareholders making endorsements/guarantees for their mutually invested company in proportion to their shareholding ratio.

Notes 3: The ceiling limit on endorsements and guarantees provided by the Company, on endorsements and guarantees for a single enterprise, and on endorsements and guarantees provided by the Company and its subsidiaries should be 50% of the net value in the most recent financial statements respectively.

Notes 4: The maximum balance of endorsement/guarantee provided to others in the current year.

Notes 5: Fill in Y if a listed parent company provides endorsements/guarantees for its subsidiary or if a subsidiary provides endorsements/guarantees for its listed parent company or if endorsements/guarantees involve Mainland China.

Chaintech Technology Corporation and Subsidiaries

Marketable Securities Held at the End of the Period (excluding Subsidiaries, Associates, and Joint Ventures)
As of December 31, 2022

Table 2

Unit: NT\$ thousands
(Unless specified otherwise)

Company holding securities	Type and name of securities	Relationship with the issuer of securities	Accounting item	End of period				Remarks
				Number of shares	Carrying amount	Shareholding ratio	Fair value	
Chaintech Technology Corporation	Stocks_APAQ Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,050,000	\$ 127,033	3.43%	\$ 127,033	-
Chaintech Technology Corporation	Stocks_CloudMile Co., Ltd. (Cayman Islands)	-	Non-current financial assets at fair value through other comprehensive income	510,204	15,350	1.81%	15,350	-
Sitonholy (Tianjin) Technology Co., Ltd.	Beneficiary certificates_Industrial Bank jinxueqiu tianli express net-value wealth management product	-	Financial asset at fair value through profit and loss - current	-	110,200	-	110,200	-
Sitonholy (Tianjin) Technology Co., Ltd.	Beneficiary certificates_ICBC "Tianlibao" No. 2" net-value wealth management product	-	Financial asset at fair value through profit and loss - current	-	1,763	-	1,763	-
Sitonholy (Tianjin) Technology Co., Ltd.	Beneficiary certificates_Everbright Wealth Management Co.,Ltd. ""Sunshine Green Institution Profit" " wealth management product	-	Financial asset at fair value through profit and loss - current	-	1,543	-	1,543	-
Baotou Yihui Information Technology Co., Ltd.	Beneficiary certificates_Industrial Bank jinxueqiu tianli express net-value wealth management product	-	Financial asset at fair value through profit and loss - current	-	1,984	-	1,984	-

Chaintech Technology Corporation and Subsidiaries

Accumulated purchase or disposal of the same securities amount reaching NT\$300 million or 20% of the paid-in capital

For the Year Ended December 31, 2022

Table 3

Unit: NT\$ thousands
(Unless specified otherwise)

Buying and selling company	Type and name of securities (Note 1)	Accounting item	Counterparty (Note 2)	Relationship (Note 2)	Beginning of period		Purchase (Note 3) (Note 4)		Sell				End of period	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book cost	Gain/ Loss on Disposal	Number of shares	Amount
Sitonholy (Tianjin) Technology Co., Ltd.	CITIC Wealth Management Happy Win Steady Daily Interest No. 2 wealth management product	Financial asset at fair value through profit and loss - current	-	-	-	\$ -	-	\$ 215,992	-	\$ -	\$ 215,992	\$ 498	-	\$ -
Sitonholy (Tianjin) Technology Co., Ltd.	Industrial Bank jinxueqiu tianli express net-value wealth management product	Financial asset at fair value through profit and loss - current	-	-	-	43,440	-	198,360	-	-	132,240	1,197	-	110,200

Notes 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Notes 2: Investors who use the equity method for securities accounting shall fill in these two columns, and the remaining fields may not be filled in.

Notes 3: The accumulated amount of purchase or disposal shall be calculated separately based on market price, whether it reaches NT\$300 million or 20% of the paid-in capital.

Notes 4: The purchase price includes contingent consideration.

Chaintech Technology Corporation and Subsidiaries

Purchases and Sales with Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More

For the Year Ended December 31, 2022

Table 4

Unit: NT\$ thousands
(Unless specified otherwise)

Company	Counterparty	Relations	Transaction				Unusual trade conditions and its reasons		Ratio of notes and accounts receivable (payable)		Remarks
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	to total notes and accounts receivable (payable)	
Chaintech Technology Corporation	Colorful Technology Co.,Ltd.	100% reinvestment business by Colorful Group	Sales	\$ 2,092,517	33.76%	OA 45~125 days	Not applicable	Not applicable	\$ 525,778	51.02%	-

Chaintech Technology Corporation and Subsidiaries
Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
As of December 31, 2022

Table 5

Table 5									Unit: NT\$ thousands
									(Unless specified otherwise)
Company	Counterparty	Relations	Balance of receivables from related parties		Turnover rate	Overdue receivables from related parties		Receivables from related parties recoverable after period	Allowances for losses
			Accounts	\$		Amount	Handling method		
Chaintech Technology Corporation	Colorful Technology Co.,Ltd.	100% reinvestment business by Colorful Group	receivable	525,778	3.31	\$ -	-	\$ 409,682	(\$ 210)

Chaintech Technology Corporation and Subsidiaries
Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof
For the Year Ended December 31, 2022

Table 6

Unit: NT\$ thousands
(Unless specified otherwise)

No. (Note 1)	Company	Counterparty	Relationship with counterparty (Note 2)	Transaction status			Percentage of consolidated total revenue or total assets
				Accounting item	Amount	Transaction terms	
0	Chaintech Technology Corporation	Shenzhen Jinghong Digital R&D Service Co.,Ltd	Parent company to a subsidiary	Operating expenses	\$ 9,845	Agreed by both parties	0.16%
0	Chaintech Technology Corporation	Shenzhen Jinghong Digital R&D Service Co.,Ltd	Parent company to a subsidiary	Other payables	1,595	Agreed by both parties	0.05%
1	Sitonholly (Tianjin) Technology Co., Ltd.	Baotou Yihui Information Technology Co., Ltd.	Sub-subsidiary company to sub-subsidiary company	Sales revenue	11,238	Agreed by both parties	0.18%

Notes 1: Information of business contacts between the parent company and subsidiaries shall be specified in No. column. Please fill in the No. column following the instruction:

(1) The parent company is coded 0.

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Notes 2: Regarding the percentage of transaction amount to consolidated total revenue or total assets, it is calculated based on the ending balance to consolidated total assets for balance sheet items; it is calculated based on interim accumulated amount to consolidated net revenue for profit or loss items.

Chaintech Technology Corporation and Subsidiaries

Information on Investees (Not Including Investees in Mainland China)

For the Year Ended December 31, 2022

Table 7

Unit: NT\$ thousands
(Unless specified otherwise)

Investor	Investee company	Location	Main businesses and products	The initial amount of investment		Shareholding at end of period			Investee company	Gain (loss) on investment for the period	Remarks
				December 31, 2022	December 31, 2021	Number of shares	Percentage	Carrying amount	Profit or Loss		
Chaintech Technology Corporation	uSenlight Corporation	The Republic of China	Electronics, computers, and peripherals	\$ 150,000	\$ 150,000	1,250,000	6.13%	\$ -	\$ -	\$ -	Note 1

Notes 1: uSenlight Corporation held a board resolution on April 7, 2022 and passed a dissolution proposal for the company. It was established that April 26, 2022 would be the dissolution date, and the dissolution registration was made on May 20, 2022. The company is currently undergoing dissolution procedures.

Chaintech Technology Corporation and Subsidiaries
Information on Investments in Mainland China - Basic Information
For the Year Ended December 31, 2022

Table 8

Unit: NT\$ thousands
(Unless specified otherwise)

Investee in Mainland China	Main businesses and products	Actual paid-in capital	Method of investment (Note 1)	Accumulated investment amount remitted from Taiwan at beginning of period	Accumulated investment amount remitted or recovered		Accumulated investment amount remitted from Taiwan at end of period	Profit or loss of investee for the period	Percentage of ownership (direct or indirect)	Gain (loss) on investment for the period (Note 2)	Carrying amount of investments at end of period	Gain (loss) on investment recovered as of the period	Remarks
					Remittance	Recovery							
Shenzhen Jinghong Digital R&D Service Co., Ltd.	Technology research and development and trading of electronic products, computer hardware, and peripheral devices	\$ 499,065	1	\$ 499,065	\$ -	\$ -	\$ 499,065	\$ 44,639	100	\$ 44,639	\$ 610,557	\$ -	-
Sitonholy (Tianjin) Technology Co., Ltd.	Wholesale of electronic products, communication products, household appliances, office supplies, computer hardware and software and related spare parts	110,630	3	-	-	-	-	87,943	51	44,851	636,100	-	-
Beijing Sitonholy Technology Co., Ltd.	Wholesale of electronic products, communication products, household appliances, office supplies, computer hardware and software and related spare parts	36,824	3	-	-	-	-	3,336	51	1,701	51,279	-	-
Baotou Yihui Information Technology Co., Ltd.	Electronic products, communication products, computer software and hardware, data processing, storage and support services	50,643	3	-	-	-	- (	5,587)	51	(2,849)	20,249	-	-
Sitonholy (Shenzhen) Technology Co., Ltd.	Wholesale of electronic products, communication products, household appliances, office supplies, computer hardware and software and related spare parts	6,527	3	-	-	-	-	-	51	-	6,527	-	-

Notes 1: The method of investment in Mainland China includes the three following types:

- (1) Direct investment;
- (2) Investment in Mainland China through a company set up in a third area; or
- (3) Others: Investment in Mainland China through an reinvestment in Mainland China.

Notes 2: The valuation is recognized in the financial statements audited by the CPAs of the parent company in Taiwan.

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at end of period	Investment amount authorized by Investment Commission, M.O.E.A.	Ceiling on investment in Mainland China regulated by Investment Commission, M.O.E.A.
Chaintech Technology Corporation	\$ 499,065	\$ 544,794	\$ 1,384,231

Notes 3: The Group's investment in Shenzhen Jinghong Digital R&D Service Co., Ltd., which was approved by the Investment Commission, Ministry of Economic Affairs on November 26, 2015, at a total amount of US\$5 million, was remitted in full.

Notes 4: The Group's increase in capital of Shenzhen Jinghong Digital R&D Service Co., Ltd. by US\$6.4 million, which was approved by the Investment Commission, Ministry of Economic Affairs on February 1, 2019, was remitted in full.

Chaintech Technology Corporation and Subsidiaries

Information on Investments in Mainland China - Significant Transactions between the Group and Investees in Mainland China Directly or Indirectly through Entities in a Third Area

For the Year Ended December 31, 2022

Table 9

Unit: NT\$ thousands

(Unless specified otherwise)

Investee in Mainland China	Sales (purchases)		Property transactions		Accounts receivable (payable)		Endorsements and guarantees or collateral provided		Financing				
	Amount	%	Amount	%	Balance	%	Balance at end of period	Purpose	Highest balance for the period	Balance at end of period	Interest range	Interest for the period	Others
Shenzhen Jinghong Digital R&D Service Co.,Ltd	\$	-	\$	-	(\$ 1,595)	-	\$	-	\$	-	-	\$	Operating expenses \$9,845
Sitonholy (Tianjin) Technology Co., Ltd.	-	-	-	-	-	-	79,344	Supplier credit limit utilization	-	-	-	-	-
Beijing Sitonholy Technology Co., Ltd.	-	-	-	-	-	-	35,264	Supplier credit limit utilization	-	-	-	-	-

Chaintech Technology Corporation and Subsidiaries
Information on Major Shareholders
As of December 31, 2022

Table 10

Name of major shareholders	Shareholding	
	Number of shares	Shareholding ratio
Yeland International Development Ltd.	28,532,080	29.57%
Masterlink Securities (Hong Kong) Corporation Limited - Client A/C at CTBC Bank	8,444,841	8.75%
Li Sai-lung	6,000,000	6.22%

Notes 1: Information on major shareholders listed above is based on the information on shareholders holding more than 5% of the ordinary shares and preferred shares that have completed non-physical registration and delivery on the last business day of each quarter as calculated by the Taiwan Depository & Clearing Corporation. In addition, share capital stated in the financial statements may vary from the actual number of traded shares with the completion of non-physical registration due to different calculation bases.

Notes 2: If a shareholder delivers its shareholding information to the trust, the aforesaid information should be disclosed by the individual trustee who opened the trust account. For the shareholders' declaration of insiders holding more than 10% of the shares in accordance with the Securities and Exchange Act, the number of share held includes the shares held by the shareholders plus the shares delivered to the trust and having the right to decide on the use of trust property. For information on the declaration of insider equity, please refer to the Market Observation Post System.