Mercuries Data Systems Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INDEX TO FINANCIAL STATEMENTS

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as those included in the consolidated financial statements of Mercuries Data Systems Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Mercuries Data Systems Ltd. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Mercuries Data Systems Ltd.

Chen, Shiang-Zhong

Chairman

March 13, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Mercuries Data Systems Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Mercuries Data Systems Ltd. and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors as described in the Other Matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial positions of the Mercuries Data Systems Ltd. and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standard on Auditing of the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the audit of the consolidated financial statements of our report. We are independent of Mercuries Data Systems Ltd. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, 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 provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the Company and its subsidiaries' financial statements of the current period are stated as follows:

Revenue recognition

Please refer to Note 4 of the consolidated financial statements for accounting policy on revenue recognition, and Note 5 for the accounting judgments, estimates, and assumptions related to revenue recognition.

The sales revenue of Mercuries Data Systems Ltd. and its subsidiaries includes sales, leasing and maintenance of intelligence automation machines in financial service, as well as planning, development, construction and maintenance of software and hardware accommodating to the customers' needs for the integrated system.
Due to the nature of contractual complexity, the judgment of the revenue recognition method and timing is particularly complicated. Therefore, revenue recognition has been identified as a key audit matter.

Key audit procedures performed in respect of above-mentioned aspects included:

1. Understand and test and test the design of the internal control system over the revenue cycle as well as its effectiveness, and strengthen the testing of the top ten new customers added in the year.

2. Analyze the main operating revenues of the year for Mercuries Data Systems Ltd and its subsidiaries, obtain the policies for recognizing various types of revenues, and evaluate their reasonableness.

3. Examine key sales contracts of the year regarding their terms and conditions to determine the timing of recognition and obtain sufficient evidence to confirm their reasonableness.

4. Performed the year-end cut-off testing including checking any significant revenue amount after the reporting period, reasons for sales return and allowance in order to confirm the correctness of the revenue amount recognized of the period.

Inventory Valuation

Please refer to Note 4 of the consolidated financial statement for accounting policy for inventory valuation and Note 5 for uncertainty of accounting estimates and assumptions of inventory valuation.

Mercuries Data Systems Ltd. and its subsidiaries provides customers with comprehensive professional integration technology services including sales, installation and warranty. Services provided might be changed by the market trends and customers' needs. As a result, the evaluation of the net realizable value of inventory will affect inventory valuation. Therefore, inventory valuation has been identified as a key audit matter.

Key audit procedures performed in respect of above-mentioned aspects included:

1. Obtain and understand the assumptions and estimation methods of Mercuries Data Systems Ltd. and its subsidiaries 's inventory valuation and evaluate their reasonableness.
2. Obtain inventory valuation data and confirm the evaluation is carried out according to the established method.
3. Sampling review the sales agreement and compare costs to the budget and forecast plans.
4. Review the sales agreement and profit analysis and compare them with actual profit and loss statements to understand the correctness of historical estimates.
5. Test the accuracy of the inventory aging data and evaluate the reasonableness of the future value of inventory with a long life.

Other matter

The financial statements of certain investee companies under equity method were audited by other auditors. Thus, the amounts and information of the investee companies shown within are in accordance with the audit reports assured by other auditors whose reports thereon have been furnished to us. The investments of the aforementioned investee companies amounted to $179,137 thousand and $169,920 thousand as of December 31, 2022 and 2021 respectively; and the share of profit of associates and joint ventures accounted for under equity method of these investee companies were $12,876 thousand and $5,543 thousand for the years then ended, respectively.

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of Mercuries Data Systems Ltd. as of and for the years ended December 31, 2022 and 2021.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Mercuries Data Systems Ltd. and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Mercuries Data Systems Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Mercuries Data Systems Ltd and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Standard on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Standard on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of Mercuries Data Systems Ltd and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Mercuries Data Systems Ltd. and its subsidiaries'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, 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 conditions may cause Mercuries Data Systems Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Mercuries Data Systems Ltd. and its subsidiaries to express an opinion on 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chen Chang and Kun-His Hsu.

BDO TAIWAN

March 13, 2023

<u>Notice to Readers</u>

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

For the convenience of readers, the independent auditors' report and the accompanying 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' report and financial statements shall prevail. As the financial statements are the responsibility of the management, BDO Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

MERCURIES DATA SYSTEMS LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021

UNIT：NTD (In Thousands)

Assets	Notes	December 31, 2022	%	December 31, 2021	%
Current assets					
Cash and cash equivalents	6.1	$388,846	6.96	$424,762	9.27
Financial assets at fair value through profit or loss - current	6.2	11,160	0.20	-	-
Financial assets at amortized cost - current	6.4	16,873	0.30	34,034	0.74
Contract assets - current	6.21	342,028	6.12	509,754	11.13
Notes receivable, net		63	-	5,788	0.13
Accounts receivable, net	6.5	499,468	8.94	353,415	7.72
Other receivables		1,796	0.03	4,633	0.10
Inventories	6.6	1,891,748	33.85	1,524,155	33.27
Prepayments		507,083	9.07	220,993	4.82
Other current assets		2,910	0.05	3,991	0.09
Sub-total		3,661,975	65.52	3,081,525	67.27
Non-current assets					
Financial assets at fair value through profit or loss - non-current	6.2	103,200	1.85	106,200	2.32
Financial assets at fair value through other comprehensive income - non-current	6.3	143,551	2.57	100,635	2.20
Investments accounted for under equity method	6.7	278,360	4.98	269,496	5.88
Property, plant and equipment	6.8	1,156,623	20.69	780,545	17.04
Right-of-use assets	6.9	40,137	0.72	35,600	0.78
Intangible assets	6.10	5,051	0.09	4,474	0.10
Deferred tax assets	6.28	31,355	0.56	31,760	0.69
Other non-current assets	6.11	168,803	3.02	170,387	3.72
Sub-total		1,927,080	34.48	1,499,097	32.73
Total assets		$5,589,055	100.00	$4,580,622	100.00

Liabilities & Stockholders' Equity	Notes	December 31, 2022	%	December 31, 2021	%
Current liabilities					
Short-term borrowings	6.12	$790,000	14.13	$350,000	7.64
Short-term notes and bills payable	6.13	410,000	7.34	710,000	15.50
Contract liabilities - current	6.21	642,381	11.49	513,784	11.22
Notes payable		1,182	0.02	1,220	0.03
Accounts payable		392,822	7.03	350,992	7.66
Other payables		209,741	3.75	182,952	3.99
Current income tax liabilities		54,164	0.97	34,492	0.75
Lease liabilities - current	6.9	18,964	0.34	19,445	0.42
Other current liabilities		19,906	0.36	11,703	0.26
Sub-total		2,539,160	45.43	2,174,588	47.47
Non-current liabilities					
Long-term borrowings	6.14	497,817	8.91	-	-
Provisions - non-current	6.16	12,267	0.22	7,877	0.17
Deferred tax liabilities	6.28	2,515	0.05	-	-
Lease liabilities - non-current	6.9	21,407	0.37	16,497	0.36
Other non-current liabilities		79,801	1.42	96,069	2.10
Sub-total		613,807	10.97	120,443	2.63
Total Liabilities		3,152,967	56.40	2,295,031	50.10
Equity					
Equity attributable to owners of the parent					
Share Capital					
Common stock	6.17	1,843,145	32.98	1,843,145	40.24
Capital surplus	6.18	115,584	2.07	98,284	2.15
Retained earnings	6.19				
Legal reserve		72,401	1.30	60,501	1.32
Special reserve		15,222	0.27	15,222	0.33
Unappropriated earnings (Accumulated deficit)		373,215	6.68	252,719	5.52
Other equity	6.20	13,851	0.25	13,008	0.28
Total equity attributable to owners of the parent		2,433,418	43.55	2,282,879	49.84
Non-controlling interests		2,670	0.05	2,712	0.06
Total Equity		2,436,088	43.60	2,285,591	49.90
Total Liabilities and Equity		$5,589,055	100.00	$4,580,622	100.00

The accompanying notes are an integral part of financial statements

MERCURIES DATA SYSTEMS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021

UNIT：NTD (In Thousands)

Item	Notes	2022	%	2021	%
Operating revenue	6.21	$3,788,642	100.00	$3,490,591	100.00
Operating costs	6.6,6.22	(2,541,174)	(67.07)	(2,421,188)	(69.36)
Gross profit (loss)		1,247,468	32.93	1,069,403	30.64
Net gross profit (loss)		1,247,468	32.93	1,069,403	30.64
Operating expenses	6.26				
Selling expenses		(653,015)	(17.24)	(586,043)	(16.79)
General and administrative expenses		(152,267)	(4.02)	(149,427)	(4.28)
Research and development expenses		(199,857)	(5.27)	(182,233)	(5.22)
Total operating expenses		(1,005,139)	(26.53)	(917,703)	(26.29)
Operating profit (loss)		242,329	6.40	151,700	4.35
Non-operating income and expenses					
Interest income		4,608	0.12	3,963	0.11
Other income	6.23	14,781	0.39	36,717	1.05
Other gains and losses	6.24	27,906	0.74	(4,141)	(0.12)
Financial costs	6.25	(20,662)	(0.55)	(12,273)	(0.35)
Share of the profit (loss) of associates and joint ventures accounted for under equity method	6.7	(21,080)	(0.56)	6,956	0.20
Sub-total		5,553	0.14	31,222	0.89
Profit (loss) before income tax		247,882	6.54	182,922	5.24
Income tax (expenses) benefit	6.28	(55,874)	(1.47)	(33,661)	(0.96)
Net profit (loss) from continuing operations		$192,008	5.07	$149,261	4.28
Net profit (loss)		$192,008	5.07	$149,261	4.28
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gain (loss) on remeasurements of defined benefit plans		$6,235	0.16	$(5,029)	(0.14)
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		22,916	0.60	(18,594)	(0.53)
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		1,194	0.03	1,019	0.03
Income tax relating to components		(1,247)	(0.03)	1,006	0.03
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		3,472	0.09	1,171	0.03
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		(26,872)	(0.70)	(7,766)	(0.23)
Other comprehensive income (loss), net of income tax		$5,698	0.15	$(28,193)	(0.81)
Total comprehensive income (loss)		$197,706	5.22	$121,068	3.47
Profit (loss) attributable to:					
Shareholders of the parent		192,050	5.07	149,232	4.28
Non-controlling interests		(42)	-	29	-
Total		192,008	5.07	149,261	4.28
Comprehensive income (loss) attributable to:					
Shareholders of the parent		197,748	5.22	121,039	3.47
Non-controlling interests		(42)	-	29	-
Total		$197,706	5.22	$121,068	3.47
Earnings per share					
Basic earnings (loss) per share (in dollars)	6.29	$1.04		$0.81	

The accompanying notes are an integral part of financial statements

MERCURIES DATA SYSTEMS LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2022 and 2021

UNIT：NTD (In Thousands)

Summary	Equity Attributable to Shareholders of the Parent											
			Retained Earnings			Other Equity Interests						
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Revaluation Reserve of Properties	Others	SubTotal	Non-Controlling Interest	Total
Balance on January 1, 2021	$1,843,145	$101,142	$49,592	$15,222	$199,919	$(18,601)	$47,280	$0	$(17,512)	$2,220,187	$2,683	$2,222,870
Appropriation of earnings 2020												
Legal reserve	-	-	10,908	-	(10,908)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(55,294)	-	-	-	-	(55,294)	-	(55,294)
Capital surplus of investment accounted for under equity method transferred to income	-	(4)	-	-	-	-	-	-	-	(4)	-	(4)
Effects of changes in ownership interest from investee	-	(2,660)	-	-	(197)	-	-	-	-	(2,857)	-	(2,857)
Changes in capital surplus of investees	-	(194)	-	-	-	-	-	-	-	(194)	-	(194)
Net profit (loss)	-	-	-	-	149,232	-	-	-	-	149,232	29	149,261
Other comprehensive income (loss)	-	-	-	-	(3,738)	963	(20,922)	-	(4,496)	(28,193)	-	(28,193)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(26,308)	-	26,308	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income from investees	-	-	-	-	12	-	(12)	-	-	-	-	-
Changes in special reserve of investees	-	-	-	-	-	-	-	-	-	-	-	-
Rounding	-	-	1	-	1	-	-	-	-	2	-	2
Balance on January 1, 2022	$1,843,145	$98,284	$60,501	$15,222	$252,719	$(17,638)	$52,654	$0	$(22,008)	$2,282,879	$2,712	$2,285,591
Appropriation of earnings 2021												
Legal reserve	-	-	11,900	-	(11,900)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(64,510)	-	-	-	-	(64,510)	-	(64,510)
Effects of changes in ownership interest from investee	-	16,813	-	-	-	-	-	-	-	16,813	-	16,813
Changes in capital surplus of investees	-	487	-	-	-	-	-	-	-	487	-	487
Net profit (loss)	-	-	-	-	192,050	-	-	-	-	192,050	(42)	192,008
Other comprehensive income (loss)	-	-	-	-	4,855	4,654	4,681	2,622	(11,114)	5,698	-	5,698
Rounding	-	-	-	-	1	-	-	-	-	1	-	1
Balance on December 31, 2022	$1,843,145	$115,584	$72,401	$15,222	$373,215	$(12,984)	$57,335	$2,622	$(33,122)	$2,433,418	$2,670	$2,436,088

The accompanying notes are an integral part of financial statements

MERCURIES DATA SYSTEMS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

UNIT：NTD (In Thousands)

Items	2022	2021
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	$247,882	$182,922
Consolidated profit (loss) before tax	247,882	182,922
Adjustments for		
Income (gain) and expense (loss) items		
Depreciation	68,878	56,693
Amortization	5,122	4,653
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	(8,160)	(1,000)
Interest expense	20,662	12,273
Interest income	(4,608)	(3,963)
Dividend income	(4,977)	(6,748)
Share of profit (loss) of associates and joint ventures accounted for under equity method	21,080	(6,957)
Loss (gain) on disposal and scrap of property, plant and equipment	229	(707)
Loss gain) on disposal of investments	-	(109)
Loss (gain) on disposal of investments accounted for under equity method	-	107
Gain from a bargain purchase	(2,179)	(78)
Changes in assets and liabilities relating to operating activities		
(Increase) decrease in contract assets	167,726	(100,513)
(Increase) decrease in notes receivable	5,725	(5,347)
(Increase) decrease in accounts receivable	(146,054)	93,095
(Increase) decrease in other receivables	2,836	(2,006)
(Increase) decrease in inventories	(370,101)	(231,626)
(Increase) decrease in prepaid expenses	(18,896)	(4,234)
(Increase) decrease in prepayments	(266,592)	10,076
(Increase) decrease in other current assets	383	800
(Increase) decrease in other financial assets	698	47,497
Increase (decrease) in contract liabilities	128,597	(72,359)
Increase (decrease) in notes payable	(38)	205
Increase (decrease) in accounts payable	41,830	79,964
Increase (decrease) in other payables	26,148	15,434
Increase (decrease) in provisions	4,391	(2,230)
Increase (decrease) in other current liabilities	(6,474)	2,006
Increase (decrease) in net defined benefit liabilities	(27,316)	836
Interest received	4,608	3,963
Dividends received	9,782	14,358
Interest paid	(20,261)	(11,892)
Income taxes refund (paid)	(33,282)	(8,578)
Net cash flows generated from (used in) operating activities	(152,361)	66,535
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(20,000)	(15,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	3,693
Repayments of financial assets at amortized cost	17,161	4,137
Proceeds from disposal of financial assets at fair value through profit or loss	-	30,420
Acquisition of investments accounted for under equity method	(41,931)	(93)
Proceeds from disposal of investments accounted for under equity method	-	94
Acquisition of property, plant and equipment	(417,452)	(76,646)
Proceeds from disposal of property, plant and equipment	39	1,910
Decrease in guarantee deposits	203	3,299
Acquisition of intangible assets	(5,694)	(4,231)
Increase in long-term lease receivables	-	(2,032)
Decrease in long-term lease receivables	3,285	-
Increase in other non-current assets	(684)	-
Decrease in other non-current assets	-	1,065
(Increase) decrease in long-term notes and accounts receivable	(1,219)	-
Proceeds from return of liquidation on investments accounted for under equity method	1,021	-
Net cash flows generated from (used in) investing activities	(465,271)	(53,384)
Cash flows from financing activities		
Increase in short-term borrowings	4,029,000	3,460,000
Decrease in short-term borrowings	(3,589,000)	(3,490,000)
Increase in short-term notes and bills payable	3,360,000	3,070,000
Decrease in short-term notes and bills payable	(3,660,000)	(2,970,000)
Proceeds from long-term borrowings	514,750	-
Repayments of long-term borrowings	(2,256)	-
Increase in guarantee deposits received	16,037	-
Decrease in guarantee deposits received	-	(6,683)
Repayment of lease principle	(23,332)	(20,418)
Cash dividends paid	(64,510)	(55,295)
Net cash generated from (used in) financing activities	580,689	(12,396)
Effects of changes in exchange rate on cash and cash equivalents	1,027	241
Net increase (decrease) in cash and cash equivalents	(35,916)	996
Cash and cash equivalents at beginning of period	424,762	423,766
Cash and cash equivalents at end of period	$388,846	$424,762

The accompanying notes are an integral part of financial statements

MERCURIES DATA SYSTEMS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Mercuries Data Systems Ltd. (the Company) was incorporated in Republic of China (R.O.C) in December 9, 1965 under Company Act. The Company and its its subsidiaries are mainly engaged in sales, leasing and maintenance of intelligence automation machines in financial service, as well as planning, development, construction and maintenance of software and hardware accommodating for the integrated system. The Company's stock was listed on the Taiwan Stock Exchange on September 11, 2000. Mercuries & Associates Holding, Ltd. is the ultimate parent company of the Company.

2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 13, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1. Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)：

New standards, interpretations and amendments as endorsed by FSC effective from 2022 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3 ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16 ‘Property, plant and equipment—proceeds before intended use’	January 1, 2022
Amendments to IAS 37 ‘Onerous contracts-cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS standards 2018-2021	January 1, 2022

The above standards and interpretations have no significant impact to the Company and its its subsidiaries’ financial condition and financial performance based on the Company’s assessment.

3.2. Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company：

New standards, interpretations and amendments as endorsed by the FSC effective from 2023 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8 'Definition of accounting estimates'	January 1, 2023
Amendment to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

3.3 Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments as endorsed by FSC effective from 2022 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liabilities of sale and leaseback'	January 1, 2024
IFRS 17 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1 "Non-current liabilities with covenants"	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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.

4.1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC(the 'IFRSs').

4.2. Basis of Preparation

4.2.1. The consolidated financial statements have been prepared on the historical cost basis except for the following items:

(1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(2) Financial assets and financial liabilities at fair value through other comprehensive income.

(3) Liabilities on cash-settled share-based payment arrangements are measured at fair value.

(4) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

4.2.2. The preparation of financial statements in compliance with the IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5 for more information.

4.3. Basis of Consolidation

4.3.1. Basis for preparation of consolidated financial statements:

(1)All subsidiaries are included in the consolidated financial statements. Its subsidiaries are all entities controlled by the Company and its subsidiaries. The Company and its subsidiaries controls an entity when the Company and its subsidiaries 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 its subsidiaries begins from the date Company and its subsidiaries obtains control of the its subsidiaries and ceases when the Company and its subsidiaries loses control of the its subsidiaries.

(2)Inter-company transactions, balances and unrealized gains or losses are eliminated. Accounting policies of its subsidiaries have been adjusted to align with those used by the Company.

(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 noncontrolling interests having a deficit balance.

(4)Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changed in their relative interests in the subsidiaries. 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 Company and its subsidiaries loses control of a subsidiary, the Company and its subsidiaries 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 recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company and its subsidiaries loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

4.3.2.Its subsidiaries included in the consolidated financial statements:

			Percentage of Ownership		
Investor	Investee	Main Business and Products	2022.12.31	2021.12.31	Note
Mercuries Data Systems LTD.	Mercuries Data Systems International LTD. (MDSI)	Investment	100.00%	100.00%	-
Mercuries Data Systems LTD.	Hipact Tech Inc.	Operation management consultant and computer equipment installation	72.80%	72.80%	-

Investor	Investee	Main Business and Products	Percentage of Ownership 2022.12.31	Percentage of Ownership 2021.12.31	Note
Mercuries Data Systems LTD.	Mercuries Information Systems International Co., Ltd.	Software and data processing services	100.00%	100.00%	-
Mercuries Data Systems International LTD. (MDSI)	Core Info Tech Limited (Hong Kong)	Investment	100.00%	100.00%	-
Core Info Tech Limited (Hong Kong)	Nanjing Sanshang Computer Software Development Co., Ltd.	Computer software, information software development, production, sales, self-produced product management and related technical consulting services	100.00%	100.00%	-

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

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

4.3.5. Significant restrictions: None.

4.3.6. Subsidiaries that have non-controlling interests that are material to the Company and its subsidiaries: None.

4.4. Foreign currency transaction

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of the Company and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

4.5. Classification of current and non-current items

4.5.1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-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) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months from the end of the reporting period;

(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 end of the reporting period.

4.5.2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

(3) Liabilities that are to be paid off within twelve months from the end of the reporting period;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. 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.

4.6. Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.7. Financial assets at amortized cost

4.7.1. Financial assets that meet the following conditions are subsequently measured at amortized cost, presented as financial assets at amortized cost, notes receivable, accounts receivable and other receivable in the balance sheet.

A. It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

B. It is contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4.7.2. Subsequent to initial recognition, financial assets measured at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

4.7.3. The short-term notes and accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

4.8. Financial assets or financial liabilities at fair value through profit or loss

4.8.1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

4.8.2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

4.8.3. At initial recognition, the Company and its subsidiaries measure the financial assets at fair value and recognize the transaction costs in profit or loss. The Company and its subsidiaries subsequently measure the financial assets at fair value, and recognize the gain or loss in profit or loss.

4.8.4. Dividend income is recognized when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be measured reliably.

4.9. Financial assets at fair value through other comprehensive income

4.9.1. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company and its subsidiaries have made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income; or the debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:

(1) The financial asset is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4.9.2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

4.9.3. At initial recognition the Company and its subsidiaries measures the financial assets at fair value plus transaction costs. The Company and its subsidiaries 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 the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be measured reliably.

4.10. Accounts receivable and notes receivable

4.10.1. Accounts and notes receivable entitle the Company and its subsidiaries a legal right to receive consideration in exchange for transferred goods or rendered services.

4.10.2. Subsequent to initial recognition, accounts and notes receivable are measured at amortized cost using the effective interest method and recognized loss allowances in profit or loss.

4.10.3. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

4.11. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized at cost, at each end of the financial reporting period, the Company and its subsidiaries recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company and its subsidiaries recognizes the impairment provision for lifetime ECLs.

4.12. Derecognition of financial assets or financial liabilities

The Company and its subsidiaries derecognize a financial assets or financial liabilities when one of the following conditions is met:

4.12.1. The contractual rights to receive the cash flows from the financial asset expire.

4.12.2. The contractual rights to receive cash flows of the financial asset have been transferred and the Company and its subsidiaries has transferred substantially all risks and rewards of ownership of the financial asset.

4.12.3. The Company and its subsidiaries has neither transferred nor retained substantially all the risks and rewards of the assets, and the Company and its subsidiaries have not retained control of the financial asset.

4.13. Inventories

Inventories are recorded at cost when purchased and follow the perpetual inventory system. The weighted-average cost method is adopted in determining costs of inventories.

Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items.

Any defective, damaged, or obsolete inventories are stated at net realizable value if the values of such inventories are reduced significantly.

4.14. Investments accounted for under equity method- associates

4.14.1. Associates are all entities over which the Company and its subsidiaries has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

4.14.2. The Company and its subsidiaries '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 Company and its subsidiaries 's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company and its subsidiaries does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

4.14.3. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company and its subsidiaries's ownership percentage of the associate, the Company and its subsidiaries recognizes the Company and its subsidiaries 's share of change in equity of the associate in ' capital reserves' in proportion to its ownership.

4.14.4. Unrealized gains and loss on transactions between the Company, its subsidiaries and its associates are eliminated to the extent of the Company and its subsidiaries 's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company and its subsidiaries.

4.14.5. In the case that an associate issues new shares and the Company and its subsidiaries does not subscribe or acquire new shares proportionately, which results in a change in the comapny's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and ' investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company and its subsidiaries 's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

4.14.6. Upon loss of significant influence over an associate, the Company and its subsidiaries remeasures any investmentretained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

4.14.7. When the Company and its subsidiaries 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 still retains significant influence over this associate, then 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.

4.15. <u>Property, plant and equipment (PPE)</u>

4.15.1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

4.15.2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and its subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

4.15.3. Land is not depreciated. Other PPE apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. 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, it 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 for buildings are 50~60 years, useful lives for other PPE are 3~6 years.

4.16. Leasing-right-of-use assets / lease liabilities

4.16.1. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by Company and its subsidiaries. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

4.16.2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(1) Fixed payments, less any lease incentives receivable;

(2) Variable lease payments that depend on an index or a rate;

(3) Amounts expected to be payable by the lessee under residual value guarantees;

(4) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company and its subsidiaries subsequently measure the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

4.16.3. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(1) The amount of the initial measurement of lease liability;

(2) Any lease payments made at or before the commencement date; and

(3) Any initial direct costs incurred.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

4.17. Intangible assets

Intangible assets, mainly computer software and other are stated at acquisition cost and amortized on a straight line basis over their estimated useful lives of 5 to 60 months.

4.18. Impairment of non-financial assets

The Company and its subsidiaries assess at the end of the reporting period 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 to sell or value in use. Any resulting increase in the carrying amount is recognized in profit or loss not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined had no impairment loss been recognized in the previous years.

4.19. Borrowings

4.19.1. Borrowings comprise long-term and short-term bank borrowings and other long-term and shortterm loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

4.19.2. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

4.20. Provision

4.20.1. A provision is recognized if, as a result of a past event, the Company and its subsidiaries have a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

4.20.2. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4.21. Employee benefits

4.21.1. Pension

(1)Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(2)Defined benefit plans

A. A defined benefit plan is a post-employment benefit other than a defined contribution plan. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company and its subsidiaries in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of highquality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company and its subsidiaries uses interest rates of government bonds (at the balance sheet date) instead.

B. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Past service costs are recognised immediately in profit or loss.

4.21.2. Bonuses to employees and remuneration to directors

Employee bonuses and directors 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 by board of directors and the subsequently actual distributed amounts is accounted for as changes in estimates.

4.21.3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.22. Income Tax

4.22.1. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

4.22.2. 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 countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

4.22.3. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in its subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and its subsidiaries are 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 realised or the deferred income tax liability is settled.

4.22.4. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

4.22.5. 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 recognised amounts and there is an intention to settle on a net basis or realise 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 realise the asset and settle the liability simultaneously.

4.23. Revenue

4.23.1. Sales of goods

(1) The the Company and its subsidiaries sells intelligence automation machines in financial service and related components. Revenue is recognized when the customer obtains the control of goods, at which point the customer has accepted the product in accordance with the transaction terms, and the risk of obsolescence, deterioration, and loss have been transferred to the customer. The the Company and its subsidiaries has obtained objective evidence that all acceptance criteria have been met.

(2) Sales revenue is recognized based on the contract price net of estimated returns and allowances. The cumulative amount of revenue recognized is limited to the part that is highly likely not to be subject to significant reversal. If extended warranties are provided for the products sold, the the Company and its subsidiaries recognize them as performance obligations and allocates transaction price to the warranty based on the stand-alone selling prices of each distinct good and the extended warranty. The deferred revenue related to the extended warranty is recognized later.

(3) The collection terms for sales transaction are mainly 60 to 90 days after the transfer of control, which is consistent with market practice, as a result, there is no variable consideration of the contract.

(4) Accounts receivable are recognized when the control of the product is transferred to the customer, as the the Company and its subsidiaries has no right to the contract price since then, and payment can be collected from the customer when time passes.

4.23.2.System integration and maintenance revenue

(1) The the Company and its subsidiaries provides system integration services related to software and hardware planning, development, construction, and maintenance. Revenue from service is recognized during the financial reporting period when service is provided to the client. Revenue from fixed-price contracts is recognized based on the proportion of services actually provided as of the balance sheet date compared to the total services to be provided, with the percentage of completion based on the actual costs incurred compared to the estimated total costs. Customers pay the contract price according to the agreed payment schedule. When service provided by the the Company and its subsidiaries exceeds the payable amount of the customer, it is recognized as a contract asset; however, when the payable amount of the customer exceeds the service rendered by the the Company and its subsidiaries, it is recognized as a contract liability.

(2) Some customer contracts include equipment sales and installation services. The installation service provided by the Company is a major customization and modification of equipment, so equipment and installation cannot be distinguished, and can be identified as a performance obligation that is satisfied at a certain point in time.

(3) The Company and its subsidiaries revise its estimates of revenue, costs and completion status as circumstances change. Any increase or decrease in estimated revenue or costs resulting from a change in estimate is recognized in profit or loss in the period in which the change become known to management.

4.24.Earnings per share

The Company disclose the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares, such as remuneration of employees and employee stock options.

4.25.Operating segements

An operating segment is a component of the consolidated Company:

(1)Engages in operational activitiesthat generate revenues and incur expenses.

(2)The operatinal results are periodically reviewed by the chief operating decision-makers of the enterprise to make decisions on allocating resources to be department and evaluating its performance.

(3)Has individual and separated financial information.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of consolidated financial statements requires management to make critical judgments in applying the accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

(1). Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets or liabilities within the next fiscal year are discussed below.

5.1Revenue recognition

Sales revenues are recognized when the goods or services have transferred to customers and the performance obligation has been satisfied. The Company and its subsidiaries estimate discounts and returns based on historical experience and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company and its subsidiaries reassesses the reasonableness of estimates of discounts and returns periodically.

5.2Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company and its subsidiaries determines the net realizable value of inventories using judgments and estimates at the end of each reporting period. The Company and its subsidiaries estimate the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

6.1 Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$802	$996
Deposits in bank	388,044	423,766
Total	$ 388,846	$424,762

The Company and its subsidiaries associate with a number of financial institutions of high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

6.2 Financial assets at fair value through profit or loss

1.Financial assets

	December 31, 2022	December 31, 2021
Current items:		
Derivative Financial Assets		
Forward foreign exchange contracts	$11,160	$-
Non-Current items:		
Financial assets designated as fair value through profit or loss		
Listed stocks	$100,000	$100,000
Valuation adjustment	3,200	6,200
Total	$103,200	$106,200

2.The Company and its subsidiaries have recognized the gain(loss) from financial assets and liabilities at fair value of $8,160 thousand and $1,000 thousand for the years ended December 31, 2022 and 2021, respectively.

3.Details of the transactions and contract information in respect of derivative financial assets and liabilities are as follows:

	December 31, 2022	
Derivative financial instruments	Contract Amount (Thousands)	Contract Period
Current items:		
Forward foreign exchange contracts		
Buy USD/Sell NTD	USD 24,800	2022.07.14~2024.03.29
Buy EUR/Sell NTD	EUR 2,200	2022.07.07~2023.05.25

The Company and its subsidiaries entered into forward exchange contracts to manage exposure due to fluctuations in exchange rates. However, the aforementioned derivatives did not meet the criteria for hedge accounting.

6.3 Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Non-Current items:		
Equity Instruments		
Unlisted stocks	$67,922	$47,922
Valuation adjustment	75,629	52,713
Total	$143,551	$100,635

The Company and its subsidiaries have elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

6.4 Financial assets at amortized cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits with original maturities of more than 3 months	$16,873	$34,034

6.5 Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	$485,461	$336,681
Installment accounts receivable	-	1,252
Less: Unrealized interest income	-	(7)
Lease payment receivable within 1 year	20,740	22,500
Less: Unearned finance income from lease payment receivable	(2,153)	(2,431)
Less: Allowance for doubtful account	(4,580)	(4,580)
Total	$499,468	$353,415

1.Aging analysis of accounts receivable is as follows:

December 31,2022	Not past due	Past due within 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due 181 to 360 days	Past due over 361 days	Total
Expected credit loss	0%	0%	0%	0%	0%	18.33%	
Book value	$452,155	$5,908	$2,411	$-	$-	$24,987	$485,461
Loss allowance	-	-	-	-	-	(4,580)	(4,580)
Amortized cost	$452,155	$5,908	$2,411	$-	$-	$20,407	$480,881

December 31,2021	Not past due	Past due within 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due 181 to 360 days	Past due over 361 days	Total
Expected credit loss	0%	0%	0%	0%	0%	20.30%	
Book value	$295,564	$4,882	$13,678	$-	$-	$22,557	$336,681
Loss allowance	-	-	-	-	-	(4,580)	(4,580)
Amortized cost	$295,564	$4,882	$13,678	$-	$-	$17,977	$332,101

2.Movements of the allowance for expected credit loss:

	2022	2021
Beginning balance	$4,580	$4,580
Impairment losses recognized	-	-
Impairment losses reversed	-	-
Ending balance	$4,580	$4,580

3.The Company and its subsidiaries leases ATM, passbook entry machines and related equipments under financial leases. According to the terms of the lease contract, the ownership of the assets shall be transferred to lessee after the expiry of the lease period. It is expected that all lease payments would be collected according to lease terms. Total lease payment receivable and net lease payment receivable are as follows:

	December 31, 2022		
	Total lease payment receivable	Unearned finance income	Net lease payment receivable
Current			
Less than 1 year	$20,740	$(2,153)	$18,587
Non-current			
1~5 years	51,401	(5,478)	45,923
	$72,141	$(7,631)	$64,510

	December 31, 2021		
	Total lease payment receivable	Unearned finance income	Net lease payment receivable
Current			
Less than 1 year	$22,500	$(2,431)	$20,069
Non-current			
1~5 years	$54,685	(4,224)	$50,461
	$77,185	$(6,655)	$70,530

4. The maximum exposure to credit risk is the carrying amount of each categories of accounts receivable.

5. The Company and its subsidiarie does not hold any collateral as guaranty of collectability.

6.6 Inventories

	December 31, 2022	December 31, 2021
Merchandise inventories	$1,958,343	$1,562,936
Allowance for inventory valuation losses	(66,595)	(38,781)
Total	$1,891,748	$1,524,155

Inventory related cost and expense:

	2022	2021
Cost of goods sold	$2,513,360	$2,421,188
Loss on (gain on reversal of) decline in market value	27,814	-
Total	$2,541,174	$2,421,188

6.7 Investments accounted for under equity method

	2022	2021
At January 1	$269,496	$279,964
Acquisition of investments accounted for under equity method	41,931	93
Disposal of investments accounted for under equity method	-	(94)
Liquidation refund of the investee company under equity method	(1,021)	-
Share of profit or loss of investments accounted for under equity method	(21,080)	6,956
Distribute of profit or loss of investments accounted for under equity method	(4,805)	(7,610)
Capital surplus changes	17,300	(2,858)
Other equity intevests changes	(23,328)	(7,057)
Undistributed earnings changes	-	(187)
Acturial profit or loss of defined benefit plans changes	(133)	289
At December 31	$278,360	$269,496

1.The investments accounts for under equity method on December 31, 2022 and 2021 are as follows:

	December 31,2022	December 31,2021
Mercuries Life Insurance Co., Ltd.	$99,223	$97,434
Digicentre Company Limited.	179,137	169,920
Nanjing Dingshang Digital Technology Co., Ltd.	-	2,142
Total	$278,360	$269,496

2.The financial statement of certain investee companies under investments accounted for under equity method were audited by other auditors. The share of profit of associates accounted for under equity method for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Mercuries Life Insurance Co., Ltd.	$(32,798)	$2,901
Digicentre Company Limited.	12,876	5,543
Nanjing Dingshang Digital Technology Co., Ltd.	(1,158)	(1,488)
Total	$(21,080)	$6,956

3.Basic information of the associates that are material to the Company and its subsidiaries are as follows:

Company	Main business place	Percentage of ownership		Nature of relationship	Methods of measurement
		December 31,2022	December 31,2021		
Mercuries Life Insurance Co., Ltd.	Taipei	0.34%	0.24%	Comprehensive shareholding over 20%	Equity method
Digicentre Company Limited.	Taipei	28.92%	28.92%	With a right over 20% to vote	Equity method

4.The summarized financial information of the associates that are material to the Company and its subsidiaries are as follow:

Balance sheets

	Mercuries Life Insurance Co., Ltd.	
	December 31, 2022	December 31, 2021
Current assets	$58,475,242	$110,650,042
Non-current assets	1,399,757,951	1,289,917,356
Current liabilities	(4,882,678)	(6,684,656)
Non-current liabilities	(1,424,502,263)	(1,352,444,352)
Total net assets	$28,848,252	$41,438,390
Share in associate's net assets	$99,223	$97,434
Carrying amount of the associate	$99,223	$97,434

	Digicentre Company Limited.	
	December 31, 2022	December 31, 2021
Current assets	$271,271	$234,126
Non-current assets	253,112	256,329
Current liabilities	(172,622)	(160,935)
Non-current liabilities	(21,550)	(31,175)
Total net assets	$330,211	$298,345
Share in associate's net assets	$95,504	$86,287
Goodwill	83,633	83,633
Carrying amount of the associate	$179,137	$169,920

Statements of comprehensive income

	Mercuries Life Insurance Co., Ltd.	
	2022	2021
Revenue	$109,647,089	$143,138,547
Profit(loss) from continuing operations	$(13,658,802)	$1,090,798
Other comprehensive income (loss)	(7,798,567)	(2,764,825)
Total comprehensive income	$(21,457,369)	$(1,674,027)
Dividends received from associates	$-	$-

	Digicentre Company Limited.	
	2022	2021
Revenue	$785,709	$721,705
Profit(loss) from continuing operations	$44,520	$19,165
Other comprehensive income (loss)	3,959	(694)
Total comprehensive income	$48,479	$18,471
Dividends received from associates	$4,805	$7,610

5. The Company and its subsidiaries' investment in Mercuries Life Insurance Co., Ltd., which was listed on December 18, 2012, and has had a public market price since that date. The Company and its subsidiaries' fair value $77,974 thousand and $57,998 thousand as of December 31, 2022 and 2021 respectively.

6. Mercuries Life Insurance Co., Ltd. has resolved by the board of directors to increase capital by cash in May 2021. The Company and its subsidiaries subscribed for additional new shares of Mercuries Life Insurance Co., Ltd. at a percentage different from its existing ownership percentage and The Company and its subsidiaries' shareholding changed to 0.20%.

7. On March 2022, the Company acquired 400 thouand shares, and increased investment by $3,330 thouand and The Company's shareholding changed to 0.22%.

8. Mercuries Life Insurance Co., Ltd. has resolved by the board of directors to increase capital by cash in October 2022, the Company subscribed for 7,423,000 shares of Mercuries Life Insurance Co., Ltd. in October 2022 and increased investment by $38,601 thouand and The Company's shareholding changed to 034%.

9. Although the Company and its subsidiaries' shareholding ratio in Mercuries Life Insurance Co., Ltd. is less than 20%, equity method is still used to evaluate the investment due to the combined shareholding ratio of the Company and its related entities has exceeded 20% and has significant influence as a result of the consolidation.

6.8 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
2022.1.1						
Cost	$361,182	$476,775	$34,169	$39,348	$120,885	$1,032,359
Accumulated depreciation and impairment	-	(131,340)	(27,398)	(22,696)	(70,380)	(251,814)
Total	$361,182	$345,435	$6,771	$16,652	$50,505	$780,545
2022						
As at 1.1	$361,182	$345,435	$6,771	$16,652	$50,505	$780,545
Additions	314,120	81,141	1,815	4,884	15,492	417,452
Disposals	-	-	-	(16)	(252)	(268)
Reclassification	-	-	2,509	-	-	2,509
Depreciation charge	-	(13,896)	(2,594)	(5,438)	(24,087)	(46,015)
Net exchange differences	-	2,347	-	30	23	2,400
As at 12.31	$675,302	$415,027	$8,501	$16,112	$41,681	$1,156,623
2022.12.31						
Cost	$675,302	$560,452	$29,795	$44,056	$132,087	$1,441,692
Accumulated depreciation and impairment	-	(145,425)	(21,294)	(27,944)	(90,406)	(285,069)
Total	$675,302	$415,027	$8,501	$16,112	$41,681	$1,156,623

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
2021.1.1						
Cost	$341,784	$464,890	$30,090	$39,472	$96,432	$972,668
Accumulated depreciation and impairment	-	(118,762)	(25,184)	(19,534)	(65,956)	(229,436)
Total	$341,784	$346,128	$4,906	$19,938	$30,476	$743,232
2021						
As at 1.1	$341,784	$346,128	$4,906	$19,938	$30,476	$743,232
Additions	19,398	13,507	4,078	2,515	37,148	76,646
Disposals	-	-	-	(182)	(1,021)	(1,203)
Reclassification	-	(2,621)	-	-	-	(2,621)
Depreciation charge	-	(12,472)	(2,213)	(5,631)	(16,106)	(36,422)
Net exchange differences	-	893	-	12	8	913
As at 12.31	$361,182	$345,435	$6,771	$16,652	$50,505	$780,545
2021.12.31						
Cost	$361,182	$476,775	$34,169	$39,348	$120,885	$1,032,359
Accumulated depreciation and impairment	-	(131,340)	(27,398)	(22,696)	(70,380)	(251,814)
Total	$361,182	$345,435	$6,771	$16,652	$50,505	$780,545

The property, plant and equipment pledged to secure bank loans, please refer to Note 8 "Pledged Assets".

6.9 Lease arrangements

(1) The Company and its subsidiaries lease various assets including building, transportation equipments and other equipment. Rental contracts are typically made from 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

(2) The carrying amount of right-of-use assets and the depreciation charge are as follow:

The carrying amount of right-of-use assets	December 31, 2022	December 31, 2021
Buildings	$33,439	$27,554
Transportation Equipment	6,698	6,802
Leased Assets	-	1,244
Total	$40,137	$35,600

Depreciation charge	2022	2021
Buildings	$16,020	$14,742
Transportation Equipment	5,599	4,059
Leased Assets	1,244	1,470
Total	$22,863	$20,271

(3) For the twelve-months periods ended December 31, 2022 and 2021, the additions to right-of-use assets was $27,400 thousand and $25,836 thousand.

(4) Lease liabilities

	December 31, 2022		
	Future minimum lease payments	Interest expense	Present value of minimum rent payments
Current	$19,615	$651	$18,964
Non-current	21,657	250	21,407
Total	$41,272	$901	$40,371

	December 31, 2021		
	Future minimum lease payments	Interest expense	Present value of minimum rent payments
Current	$20,014	$569	$19,445
Non-current	16,624	127	16,497
Total	$36,638	$696	$35,942

For the twelve-months periods ended December 31,2022 and 2021, expense on short-term lease contracts was $10,409 thousand and $9,222 thousand.

For the twelve-months periods ended December 31,2022 and 2021, total cash outflow for lease was $23,332 thousand and $20,418 thousand.

6.10 Intangible assets

	Computer software	Total
2022.1.1		
Cost	$15,395	$15,395
Accumulated amortisation and impairment	(10,921)	(10,921)
	$4,474	$4,474
2022		
As at 1.1	$4,474	$4,474
Additions-acquired separately	5,694	5,694
Amortisation	(5,122)	(5,122)
Net exchange differences	5	5
As at 12.31	$5,051	$5,051
2022.12.31		
Cost	$15,530	$15,530
Accumulated amortisation and impairment	(10,479)	(10,479)
	$5,051	$5,051

	Computer software	Total
2021.1.1		
Cost	$21,331	$21,331
Accumulated amortisation and impairment	(16,436)	(16,436)
	$4,895	$4,895
2021		
As at 1.1	$4,895	$4,895
Additions-acquired separately	4,231	4,231
Amortisation	(4,653)	(4,653)
Net exchange differences	1	1
As at 12.31	$4,474	$4,474
2021.12.31		
Cost	$15,395	$15,395
Accumulated amortisation and impairment	(10,921)	(10,921)
	$4,474	$4,474

6.11 Other non-current assets

	December 31, 2022	December 31, 2021
Refundable deposits	$119,723	$119,926
Long-term installment accounts receivable	1,219	-
Less: Unrealized interest income	(12)	-
Long-term lease payment receivables	51,401	54,685
Less: Unearned finance income from lease payment receivable	(5,478)	(4,224)
Other	1,950	-
Total	$168,803	$170,387

6.12 Short-term borrowings

Nature of Loans	December 31, 2022	December 31, 2021
Bank Borrowings		
Unsecured loans	$790,000	$350,000
Original borrowing content		
Original currency	NTD790,000	NTD350,000
Interest rate range	1.58%~2.10%	1.00%~1.20%
Due date	Due early June 2023	Due mid-March 2022

6.13 Short-term notes and bills payable

Nature of Loans	December 31, 2022	December 31, 2021
Commercial paper Payable	$410,000	$710,000
Interest rate range	1.900%~2.098%	0.908%~0.928%

6.14 Long-term borrowings

1. The details are as follows:

Bank	Borrowing period and terms	December 31,2022	December 31,2021
Cathay United Bank and 5 banks guarantee syndicated loan	2022/05/11-2027/05/10 Applying mortgage loan and issuing commercial paper. Interest rate: 2.084%	$210,000	$-
Taiwan Land Bank	2022/04/11-2042/04/11 Applying mortgage loan and issuing commercial paper. Interest rate: 1.68%.	76,495	-
Taiwan Bank	2022/12/19-2042/12/19 Applying mortgage loan and issuing commercial paper. Interest rate: 1.78%.	226,000	-
Less:Current portion of Long-term borrowing		(14,678)	-
Total		$497,817	$-

2. Guarantee syndicated bank loans were obtained to fulfill the Company's mid-term working capital and to improve the financial structure. According to loan agreements, the Company shall maintain its current ratio, tangible net worth and interest coverage ratio during the loan periods.

3. Assets pledged as collateral please refer to Note 8 for details.

6.15 Pensions

1. The Company and its domestic subsidiaries have a defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

2. The amount recognized in the balance sheet is as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$(203,760)	$(205,875)
Fair value of plan assets	156,386	126,197
Net defined benefit (liability) assets	$(47,374)	$(79,678)

3. Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
Balance at January 1	$(205,875)	$126,197	$(79,678)
Current service cost	(3,486)	-	(3,486)
Interest (expense) income	(1,533)	945	(588)
	$(210,894)	$127,142	$(83,752)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	9,636	9,636
Change in demographic assumptions	-	-	-
Change in financial assumptions	8,178	-	8,178
Experience adjustments	(11,579)	-	(11,579)
	$(214,295)	$136,778	$(77,517)
Pension fund contribution	-	30,143	30,143
Paid pension	10,535	(10,535)	-
Balance at December 31	$(203,760)	$156,386	$(47,374)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
Balance at January 1	$(203,337)	$128,519	$(74,818)
Current service cost	(3,785)	-	(3,785)
Interest (expense) income	(706)	449	(257)
	$(207,828)	$128,968	$(78,860)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,725	1,725
Change in demographic assumptions	(7,851)	-	(7,851)
Change in financial assumptions	5,139	-	5,139
Experience adjustments	(4,043)	-	(4,043)
	$(214,583)	$130,693	$(83,890)
Pension fund contribution	-	4,212	4,212
Paid pension	8,708	(8,708)	-
Balance at December 31	$(205,875)	$126,197	$(79,678)

4. The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic its subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic its subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic its subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as at December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

5. The principal actuarial assumptions used were as follows:

	2022	2021
Discount rate	1.400%	0.750%
Future salary increase rate	2.000%	2.000%

Assumptions regarding future mortality are based on actuarial advice of the Life Insurance Institutions within territory.

6. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	$3,219	$(3,311)	$(3,204)	$3,131
December 31, 2021				
Effect on present value of defined benefit obligation	$3,217	$(3,381)	$(3,244)	$3,105

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once.

The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

7. Expected contributions to the defined benefit pension plan of the Company and its domestic subsidiaries for the year ending December 31, 2022 amount to $2,650 thousand.

8. The analysis of timing of the future pension payment was as follows:

	December 31, 2022
within 1 year	$21,544
1 ～ 5 years	52,924
5 ～ 10 years	78,881
Over 10 years	89,110
	$242,459

9.(1) Effective July 1, 2005, the Company and its subsidiaries has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contributes 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 pension costs under defined contribution pension plans of the Company and its domestic subsidiaries for the years ended December 31, 2022 and 2021 were $28,171 thousand and $26,126 thousand, respectively.

(3) Other overseas companies have defined contribution plans in accordance with the local regulations. Other than the periodic contribution, the overseas companies have no further obligations.

6.16 Provisions

	December 31, 2022	December 31, 2021
Non-current		
Provision for term liabilities legal procedures	$12,267	$7,877

6.17 Share Capital

As of December 31, 2022 and 2021, the Company's authorized number of shares were 2,900,000 thousand, which 1,843,145 thousand shares were issued and outstanding. Par value of common stock is $10 (in dollars) per share and each share has one vote right.

6.18 Capital surplus

1.Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit, to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.

2.Capital surplus on December 31,2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Capital surplus - treasury stock transactions	$72,211	$72,211
Capital surplus – changes in shareholding - subsidiaries and associates accounted for under equity method	43,373	26,073
Total	$115,584	$98,284

6.19 Retained earnings

1. Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

2. Special reserves

(1) In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

(2) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC NO. 1010012865 regulations on April 6, 2012 shall be reversed proportionately when the relevant assets are used, disposed or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

3. Distribution of retained earnings

(1) According to Paragraph 24 of Articles of Incorporation, the ordering on annual earnings allocation are as follows:

Annual earnings after income tax shall be first used to offset previous deficit, set aside 10% of the remaining amount as legal reserve and set aside or reverse a special reserve according to relevant regulations. Any remaining balance shall be allocated according to the resolution of shareholders’ meeting.

(2) The Company’s dividend policy:

In order to achieve sustainable and stable business development, the distribution ratio of cash dividends and stock dividends will be adjusted based on the Company’s future capital needs and profitability. The distribution of earnings will be in the form of cash dividends, with the proportion of stock dividends not exceeding 50% of the total dividends.

(3) The appropriations of 2021 and 2020 earnings had been approved by the shareholders during heir meeting on June 17, 2022 and July 29, 2021, respectively. Details are summarised below:

	2021		2020	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Cash dividends	$64,510	$0.35	$55,294	$0.30

(4) The appropriations of 2022 earnings had been proposed by the Board of Directors on March 13, 2023. Details are summarised below:

	Amount	Dividend per share (in dollars)
Cash dividends		
Surplus distribution	$64,510	$0.35

(5) Information about the earning appropriations proposed by the Board of Directors and resolved by the stockholders for the year 2021, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(6) Information relate to employee's bonuses and director's remuneration, please refer to Note 6.27.

6.20 Other equity

	Exchange differences arising translation of foreign operations	Unrealized gain (loss) on financial assets at FVOCI	Revaluation reserve of properties	Others	Total
2022.1.1	$(17,638)	$52,654	$-	$(22,008)	$13,008
-The Company	3,472	22,916	-	-	26,388
-Associates	1,182	(18,235)	2,622	(11,114)	(25,545)
2022.12.31	$(12,984)	$57,335	$2,622	$(33,122)	$13,851
2021.1.1	$(18,601)	$47,280	$-	$(17,512)	$11,167
-The Company	1,171	3,034	-	-	4,205
-Associates	(208)	2,340	-	(4,496)	(2,364)
2021.12.31	$(17,638)	$52,654	-	$(22,008)	$13,008

6.21 Operating revenue

1.Revenue from contracts with customers

	2022	2021
Sales revenue	$2,172,130	$2,021,375
Service revenue	1,616,512	1,469,216
Total	$3,788,642	$3,490,591

2.Detail information about revenue from contracts with customers are as follows:

A. Disaggregation of revenue from contracts with customers:

	2022	2021
Timing of revenue recognition:		
At a point in time	$2,290,517	$2,112,265
Over time	1,498,125	1,378,326
Total	$3,788,642	$3,490,591

B. Contract assets and liabilities

	December 31, 2022	December 31, 2021
Contract assets	$342,028	$509,754
Less: Allowance loss	-	-
Total	$342,028	$509,754
Contract liabilities	$642,381	$513,784

For certain contacts that do not provide the Company unconditional rights to the consideration, and the transfer of controls of the goods or services has been satisfied, the Company recognizes contract assets and revenue. Consideration received from customer prior to the Company having satisfied its performance obligations are accounted for as contract liabilities which are transferred to revenue after performance obligations are satisfied.

6.22 Operating costs

	2022	2021
Cost of goods sold	$1,638,029	$1,662,131
Services costs	903,145	759,057
Total	$2,541,174	$2,421,188

6.23 Other income

	2022	2021
Dividend Revenue	$4,977	$6,748
Rent revenue	382	336
Miscellaneous revenue	9,422	29,633
Total	$14,781	$36,717

6.24 Other gains and losses

	2022	2021
Net currency exchange gain (loss)	$28,455	$(5,350)
Net gain(loss) on financial assets (liabilities) at fair value through profit or loss	8,160	1,000
Gains on disposal of property, plant and equipment	(212)	707
Gain (loss) on disposal of investments	-	109
Other gains (losses)	(8,497)	(607)
Total	$27,906	$(4,141)

6.25 Financial costs

	2022	2021
Interest expense:		
Bank loans	$20,301	$11,964
Lease liabilities	361	309
Total	$20,662	$12,273

6.26 Expenses by nature

	2022	2021
Employee benefit expense	$788,666	$716,665
Travel expenses	35,109	29,415
Rent expense	13,623	12,785
Depreciation, amortization and impairment expense	55,133	61,346
R & D expense	21,579	32,046
Entertainment expenses	12,052	7,895
Other expense	78,977	57,551
Total	$1,005,139	$917,703

6.27 Employee Benefit Expenses

Function / Nature	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Salaries	$11,920	$672,379	$684,299	$4,453	$613,357	$617,810
Labor and health insurance	-	60,654	60,654	-	56,601	56,601
Pension	-	32,245	32,245	-	30,167	30,167
Director's remuneration	-	6,931	6,931	-	4,470	4,470
Other employee benefit	3,650	16,457	20,107	3,662	12,070	15,732
Total	$15,570	$788,666	$804,236	$8,115	$716,665	$724,780

1. For the year of 2022 and 2021, the Company and its subsidiaries had average 825 and 787 employees, which included 4 and 3 non-employee directors, respectively.

2. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' bonuses and directors' remuneration. The ratio shall not be lower than 3% for employees' bonus and shall not be higher than 2% for directors' remuneration.

3. For the years ended December 31, 2022 and 2021, employees' bonus was accrued at $13,360 thousand and $11,600 thousand, respectively; while directors' remuneration was accrued at $5,300 thousand and $3,960 thousand, respectively. The aforementioned amounts were recognised in salary expenses.
   For the year ended December 31, 2021, the employees' bonuses and directors' remuneration were estimated and accrued based on profit of current year distributable as prescribed by the Company's Articles of Incorporation. Employees' bonuses and directors' remuneration as resolved by the Board of Directors were in agreement with the amounts recognised in the 2021 financial statements.

4. Information about employees' bonuses and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

6.28 Income Tax

1. Income tax expense

(1)Components of income tax expense:

	2022	2021
Current tax:		
Current tax on profits for period	$54,203	$34,494
Over (Under) provisions for prior year	(2)	13
Total current tax	$54,201	$34,507
Deferred tax		
Origination and reversal of temporary differences	1,673	(846)
Total deferred tax	1,673	(846)
Income tax expense (benefit)	$55,874	$33,661

2. The Company's income tax expenses (benefits) recognized in other comprehensive profit and loss are as follows:

	2022	2021
Actuarial gain (loss) on defined benefit obligations	$(1,247)	$1,006

3. Reconciliation between income tax expense (benefit) and accounting profit:

	2022	2021
Tax calculated based on profit before tax at statutory tax rate	$49,585	$36,579
Effects from items disallowed by tax regulations	4,616	(2,072)
Origination and reversal of temporary differences	1,673	(846)
Income tax expense (benefit)	$55,874	$33,661

4. Amounts of deferred tax assets or liabilities as a result temporary difference, loss carry forward and investment tax credit are as follows:

	2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Other	December 31
Temporary differences:					
-Deferred tax assets					
Inventory valuation losses	$6,611	$5,563	$-	$-	$12,174
Pension costs and defined benefit plans	16,130	(5,228)	(1,247)	-	9,655
Unrealized exchange losses	980	(980)	-	-	-
Others	8,039	1,487	-	-	9,526
Total	$31,760	$842	$ (1,247)	$-	$31,355
- Deferred tax liabilities					
Financial assets at fair value through profit or loss	$-	$2,232	$-	$-	$2,232
Unrealized exchange gains	-	283	-	-	283
Total	$-	$2,515	$-	$-	$2,515

	2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Other	December 31
Temporary differences:					
-Deferred tax assets					
Inventory valuation losses	$6,611	$-	$-	$-	$6,611
Pension costs and defined benefit plans	15,271	(147)	1,006	-	16,130
Unrealized exchange losses	230	750	-	-	980
Others	7,796	243	-	-	8,039
Total	$29,908	$846	$1,006	$-	$31,760

5. Income tax returns of the Company and its subsidiaries have been assessed and approved by the Tax Authority are as follows:

	Latest year assessed by Tax Authority
(1) The Company	2020
(2) Subsidiary - Hipact Tech. Inc.	2020
(3) Subsidiary - Mecuries Information Systems International Co., Ltd.	2020

6.29 Earnings per shares

	2022		
	Amount after tax	Weighted average number of ordinary shares (in thousands)	Earnings per share (in dollar)
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the parent company	$192,050	184,315	$1.04

	2021		
	Amount after tax	Weighted average number of ordinary shares (in thousands)	Earnings per share (in dollar)
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the parent company	$149,232	184,315	$0.81

1. Potential shares from compensation to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employee by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the shareholder' meeting in the following year, and thus the shares of employee bonus resolved will be included in the basic EPS.
2. For the year of 2022 and 2021, the employee bonus of the Company is in the form of potential common stock. However, it has been tested to have no dilutive effect and not included in the calculation of fully diluted EPS.

7. RELATED-PARTY TRANSACTIONS

7.1 Related parties

Names of related parties	Relationship with the Company
Mercuries & Associates Holding, Ltd.	Parent company
Mercuries Life Insurance Co., Ltd.	Associate
Mercuries & Associates, Ltd.	Associate
Simple Mart Retail Co., Ltd.	Associate
Horizon SICE Co., Ltd.	Associate
Mercuries Liquor & Food Co., Ltd.	Associate
Mercuries Fu Bao Co., Ltd.	Associate
Mercuries F&B Co., Ltd.	Associate
Mercuries Insurance Agency Co., Ltd.	Associate
CMG International Two Co. Ltd.	Associate
Taiwan Master Golf Foundation	Substantial related party
Criminal Investigation and Prevention Association R.O.C	The vice chairman of the incorporated association and the chairman of the Company are the same person.
The Third Special Police Corps, National Police Agency, Ministry of the Interior	The chairman of the incorporated association and the chairman of the Company are the same person.

7.2 Significant transactions and balances with related parties

1. Operating and services revenue

	2022	2021
Operating and services revenue:		
—Associate	$28,045	$34,803

The above sales terms are decided on market condition and collection period are 2-3 months.

2.Accounts receivable-related parties

	December 31, 2022	December 31, 2021
Accounts receivable-related parties:		
—Associate	$8,199	$11,913

The receivables from related parties arise mainly from sale transactions. The receivables are due two months after the date of sale, unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

3. Property transactions

(1) The Company acquired 7,423 thousand shares of Mercuries Life Insurance Co., Ltd. for a purchase price of $38,601 thousand in 2022.

(2) On July 14, 2022, the board of directors has approved the Company to purchase the building and land located in Xinyi District, Taipei City from the related party, Mercuries Life Insurance Co., Ltd. The total purchase price was $283,000 thousand. The transfers were completed in December 2022, and the property was booked under the account of property, plant and equipment.

4. Operating expenses

	2022	2021
Operating expenses:		
—Associate	$5,018	$4,207
—Other related parties	2,030	2,260
Total	$7,048	$6,467

7.3 Key management compensation

	2022	2021
Salaries and other short-term employee benefits	$64,997	$57,965

8. PLEDGED ASSETS

The assets pledged as collateral are as follows:

	Book value		
Asset Items	December 31, 2022	December 31, 2021	Purpose of pledge
Other financial assets - current	$1,547	$2,245	As a guarantee for sales performance.
Other financial assets - non-current	1,950	-	As a guarantee for sales performance.
Property, plant and equipment	778,002	-	As collateral for the borrowing limit of financial institutions.
Total	$781,499	$2,245	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

	December 31, 2022	December 31, 2021
Promissory note for borrowing from financial institutions.	$5,244,500	$4,581,116
unused letters of credit for purchase of goods.	$14,184	$98,254
Performance bonds issued by the financial institutions.	$615,284	$484,036

10. SIGNIFICANT DISASTER LOSS: None

11. SIGNIFICANT SUBSEQUENT EVENTS: None

12. OTHERS

12.1. Capital management

The objectives of capital management is to maintain capital structure, reduce capital cost and continue to operate at the maximum interests of shareholders.

12.2. Financial instruments

I. Fair value information of financial instruments

	December 31, 2022		December 31, 2021	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	$349,685	$349,685	$399,085	$399,085
Financial assets at fair value through profit or loss - current	11,160	11,160	-	-
Financial assets at amortized cost	16,873	16,873	34,034	34,034
Contract Assets - current	342,028	342,028	509,754	509,754
Notes receivable	63	63	5,788	5,788
Accounts receivable (including related parties)	486,868	486,868	341,622	341,622
Other receivables	787	787	3,889	3,889
Other financial assets	170,300	170,300	172,397	172,397
Financial assets at fair value through profit or loss - non-current	103,200	103,200	106,200	106,200
Financial assets at fair value through other comprehensive income - non-current	143,551	143,551	100,635	100,635
Investments accounted for under	492,412	471,163	488,929	449,493
Total	$2,100,054	$2,078,805	$2,128,299	$2,088,863

	December 31, 2022		December 31, 2021	
	Book value	Fair value	Book value	Fair value
Financial liabilities:				
Short-term borrowings	$790,000	$790,000	$350,000	$350,000
Short-term notes and bills payable	410,000	410,000	710,000	710,000
Notes payable	531	531	569	569
Accounts payable (including related parties)	392,730	392,730	350,765	350,765
Long-term borrowings (including current portion of long-term borrowing)	512,495	512,495	-	-
Other payables	203,439	203,439	176,975	176,975
Other financial liabilities	34,224	34,224	25,009	25,009
Lease liabilities (including current portion)	40,371	40,371	35,942	35,942
Total	$2,383,790	$2,383,790	$1,649,260	$1,649,260

II. Financial risk management policies

The market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk related to management and operation activities are the target of the Company’s financial risk management. In order to reduce related financial risks, the operation management department of the company cooperates closely with various operating units, implements in accordance with the relevant norms and internal control system policies approved by the board of directors, and is committed to identifying, evaluating and avoiding market uncertainties to reduce market fluctuations Potential adverse effects on the Company's financial performance. The company avoids the impact of exchange rate risk through the use of derivative financial instruments. Internal auditors conduct quarterly reviews on policy compliance and various exposure limits.

III. Significant financial risks and degrees of financial risks

(1)Market risk

The Company and its subsidiaries are exposed to the market risks arising from changes in foreign exchange rates, interest rates and the prices in equity investments, and utilizes some derivative financial instruments to reduce the related risks.

A.Exchange rate risk

Cash inflow and outflow of the Company and its subsidiaries are based on foreign currency; the hedging effect is subsequently accompanied. The Company and its subsidiaries' foreign exchange risk management is mainly for the purpose of hedging not for profiting.

Strategy of exchange rate risk management is to regularly review various currencies, net assets and liabilities (mainly USD, JPY and EUR), and constantly manage the risks. When choosing the hedging instruments/tools, the hedging costs and period are important considerations. Buying / selling foreign exchange forward contracts is used as the main tools to avoid the exchange rate risk for payments due in JPY.

Carrying amounts of monetary assets and liabilities denominated in foreign currencies of the Company at the end of reporting date are as follows:

	December 31, 2022					
				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD	$3,720	30.72	$114,271	1%	$1,143	$-
JPY	200,878	0.23	46,684	1%	467	-
Financial liabilities						
Monetary items						
USD	$902	30.72	$27,712	1%	$277	$-
JPY	3,646	0.23	847	1%	8	-

	December 31, 2021					
				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD	$2,327	27.68	$64,404	1%	$644	$-
JPY	538,268	0.24	129,346	1%	1,293	-
Financial liabilities						
Monetary items						
USD	$580	27.68	$16,063	1%	$161	$-
JPY	390,811	0.24	93,912	1%	939	-

B.Price Risk

The Company and its subsidiaries are exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as financial assets at fair value through comprehensive or financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company and its subsidiaries diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company and its subsidiaries.

The Company and its subsidiaries mostly invested in listed and unlisted securities in Taiwan, and the values of securities fluctuate due to unforeseen circumstances. With all other factors remained the same, had the values fluctuated up and down by 1%, the after-tax profits resulted from measuring financial assets at fair value through profit or loss would have increased or decreased by $1,032 thousand in 2022 and $1,062 thousand in 2021. Regarding financial assets measured at fair value through other comprehensive income, the gain or loss would have increased or decreased by $1,436 thousand in 2022 and $1,006 thousand in 2021.

C.Cash flow and fair value interest rate risk

a、Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company and its subsidiaries’ exposure to interest rate risk relates primarily to its variable interest rates for loans.

b、On December 31, 2022 and 2021, if the interest rate increases by 0.25%, with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have decreased by $3,424 thousand and $2,120 thousand, respectively.

(2)Credit risk

A.Credit risk refers to the risk of financial loss to the Company and its subsidiaries arising from default by the clients or counterparties of financial instruments on the contract obligations. The Company and its subsidiaries are exposed to credit risks from operating activities, primarily accounts receivable, and from investing activities, primarily deposits, fixed-income investments and other financial instruments with banks. Credit risk is managed separately for business related and financial related exposures.

a、Business related credit risk:

In order to maintain the credit quality of trade receivables, the Company and its subsidiaries evaluates the credit risk of each customer in accordance with the credit transaction management regulations. Credit evaluation is performed in the consideration of the relevant factors such as financial condition, historical transaction records, and economic conditions, which may affect the customer’s paying ability. The Company and its subsidiaries hold some of the credit enhancements such as advance from customers to mitigate its credit risks.

b、Financial credit risk:

The credit risk exposure in the bank deposits, fix income investments and other financial instruments are measured and monitored by the Company and its subsidiaries' operations management department. The Company and its subsidiaries only deal with creditworthy counterparties and banks so that no significant credit risk was identified.

B.No credit limits were exceeded during the reporting periods for 2022 and 2021, and the management does not expect any significant losses from non-performance by these counterparties.

C.The Company and its subsidiaries classify accounts receivables according to the customer types, andrefers to the loss rate established by the specific period historical and the current information to estimate the allowance loss of the contract assets and accounts receivables.

(3)Liquidity risk

A.The objective of liquidity risk management is to ensure the Company and its subsidiaries has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

B.The table below analyses the Company and its subsidiaries’ non-derivative financial liabilities and netsettled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

	December 31, 2022 Less than 1 year	December 31, 2021 Less than 1 year
Non-derivative financial liabilities		
Short-term borrowings	$790,000	$350,000
Short-term notes and bills payable	410,000	710,000
Notes payable	1,182	1,220
Accounts payable	392,822	350,992
Other payables	209,741	182,952
Lease liabilities - current	18,964	19,445
Current portion of long-term borrowing	14,678	-

	December 31, 2022 Over 1 year	December 31, 2021 Over 1 year
Long-term borrowings	$497,817	$ -
Lease liabilities - non-current	21,407	16,497

12.3.Fair value information

1. The table below analyses financial instruments measured at fair value, by valuation method. The different levels 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.

   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 following table presents the Company and its subsidiaries' financial assets and liabilities that are measured at December 31, 2022 and 2021:

December 31, 2022	Level 1	Level 2	Level 3	Total
Asset:				
Financial assets at fair value through profit or loss				
Foreign currency forward contracts	$-	$11,160	$-	$11,160
Listed stocks	103,200	-	-	103,200
Financial assets at fair value through other comprehensive income	-	-	143,551	143,551
Total	$103,200	$11,160	$143,551	$257,911

December 31, 2021	Level 1	Level 2	Level 3	Total
Asset:				
Financial assets at fair value through profit or loss	$106,200	$-	$-	$106,200
Financial assets at fair value through other comprehensive income	-	-	100,635	100,635
Total	$106,200	$-	$100,635	$206,835

2. The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments classified as financial assets at fair value through profit or loss.

3. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

4. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

5. Specific valuation techniques used to value financial instruments include:
   (1) Quoted by market prices or dealer quotes for similar instruments.
   (2) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.

(3) Other evaluation techniques to determine the fair value of other financial instruments, such as market analysis.

6. Forward foreign exchange contracts' resulting fair value estimates are included in level 2.

7. The following table presents the change in level 3 instruments for the years ended December 31, 2022 and 2021.

	Equity Securities	
	2022	2021
Beginning balance	$100,635	$107,922
Purchase	20,000	15,000
Recognization in other comprehensive gain or loss	22,916	7,713
Disposals	-	(30,000)
Ending balance	$143,551	$100,635

8. Finance Department segment is in charge of valuation procedures for fair value measurements being categorised 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 and frequently reviewed.

9. The Company and its subsidiaries have carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the qualitative information of significant unobservable inputs of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Non-derivative equity instruments:					
Unlisted shares	$143,551	Market law	Discount for lack of volatility	-	The higher the discount for lack of marketability, the lower the fair value.

For a significant unobservable input change value of ±1%, the impact on other comprehensive income would be recognized as $1,283 thousand and $(1,283) thousand, respectively.

13 SUPPLEMENTARY DISCLOSURES

13.1. Significant transactions information

(1) Loans to others: None

(2) Provision of endorsements and guarantees to others: None

(3) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note2)	Financial statement account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Mercuries Data Systems Ltd.	Preferred stock-Taishin Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	2,000	103,200	0.40%	103,200	
Mercuries Data Systems Ltd.	Common Stock- Shinewave Co. Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,072	16,813	10.00%	16,813	
Mercuries Data Systems Ltd.	Common Stock- Easycard Investment Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,471	58,548	2.21%	58,548	
Mercuries Data Systems Ltd.	Common Stock- Easycard Corporation		Financial assets at fair value through other comprehensive income - non-current	618	30,318	0.88%	30,318	
Mercuries Data Systems Ltd.	Common Stock- Veego Corporation	-	Financial assets at fair value through other comprehensive income - non-current	600	-	3.33%	-	
Mercuries Data Systems Ltd.	Common Stock-Taifong Venture Capital Co.	-	Financial assets at fair value through other comprehensive income - non-current	490	4,900	19.69%	4,900	
Mercuries Data Systems Ltd.	Common Stock- Piao Shi Jinghua		Financial assets at fair value through other comprehensive income - non-current	-	32,972	4.90%	32,972	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 “Financial instruments.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortized cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

(4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

(5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None

(6) Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None

(7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None

(8) Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None

(9) Derivative financial instruments undertaken during the year ended December 31, 2022: Please refer to Notes 6.2 and 12.3.

(10) Any of the significant transactions with investee companies in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None

(11) Significant inter-company transactions during the reporting periods: None.

13.2. Information of Investees (not including Investees in Mainland China):

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2.2)	Investment income (loss) recognized by parent company for the year ended December 31, 2022(Notes 2.3)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book Value			
Mercuries Data Systems Ltd.	Mercuries Data Systems International LTD.	British Virgin Islands	Investment	$738,652	$738,652	-	100.00%	$205,759	$(10,738)	$(10,738)	Subsidiary
Mercuries Data Systems Ltd.	Hipact Tech Inc.	Taipei	Operation management consultant and computer equipment installation	114,435	114,435	146	72.80%	7,145	(156)	(114)	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Information Systems International Co., Ltd.	Taipei	Software and data processing services	3,000	3,000	300	100.00%	1,148	(141)	(141)	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	101,667	59,736	14,100	0.34%	99,223	(13,658,802)	(32,798)	Associate
Mercuries Data Systems Ltd.	Digicentre Company Limited	Taipei	Software services	150,000	150,000	6,864	28.92%	179,137	44,520	12,876	Associate
Mercuries Data Systems International LTD.	Core Info Tech Limited (Hong Kong)	Hong Kong	Investment	715,423	715,423	-	100.00%	206,653	(10,743)	(10,743)	Subsidiary

Note 1: If a public company set up an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2022' column should fill in amount of net profit (loss) of the investee for this period.

(3) The Investment income (loss) recognized by the parent company for the year ended December 31, 2022' column should fill in the company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

13.3. Information on investments in Mainland China:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2022(Note 2)	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Remitted to Mainland China	Remitted back to Taiwan						
Nanjing Sanshang Computer Software Development Co., Ltd.	Computer software, information software development, production, sales, self-produced product management and related technical consulting services	USD21 million	(2)	$668,244	-	-	$668,244	$(10,756)	100%	(10,756) (2)B	202,667	-
Nanjing Dingshang Digital Technology Co., Ltd. (Note 5)	Engineering design and construction of software development, electronic technology research and development, technology transfer service, communication, network, electromechanical, transportation, etc.	RMB4 million	(3)	-	-	-	-	(2,757)	42.00%	(1,158) (2)C	-	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
$701,719 (Note 4)	(1) Beijing Sanshang Computer Information System Equipment Co., Ltd. invested USD $1,000,000 (Note 4) (2) Nanjing Sanshang Computer Software Development Co., Ltd. invested USD $19,818,822.	$1,460,051

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2022 column:
(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B. The financial statements that are audited and attested by R.O.C. parent company's auditors.
C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollar.

Note 4: Including Beijing Sanshang Computer Information System Equipment Co., Ltd., which has been liquidated and deregistered, but has not yet applied to the Investment Review Committee of the Ministry of Economic Affairs to cancel the investment quota, the investment of USD $1,000,000 has been approved by the Investment Review Committee of the Ministry of Economic Affairs. The liquidation was completed on February 5, 2001.

Note 5: Nanjing Dingshang Digital Technology Co., Ltd. has been liquidated on August 22, 2022.

13.4. Information of major shareholders:

Shares held / Name of major shareholders	Number of shares	Ownership(%)
Mercuries & Associates Holding, Ltd.	98,504,890	53.44%

Note : (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

(2) If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee. As for the shareholders who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.

14 SEGMENT INFORMATION

14.1 General information

The Company and its subsidiaries are mainly engaged in financial service and system integration. By assessing the performances of every operating segment, the Board of Directors and the chief of the operating team can decide operating strategies and allocate resources.

14.2 Measurement of segment information

The accounting policies of the operating segments are the same as the Company's accounting policies stated in Note 4 of this consolidated financial statement. The chief operating decision-maker evaluates the performance of each operating segment based on net operating profit or loss.

14.3 Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	2022			
	Financial service segment	System integration segment	Adjustments	Total
Revenue from external customers	$1,250,637	$2,538,005	$-	$3,788,642
Inter-segment revenue	$1,250,637	$2,538,005	$-	$3,788,642
Inter-segment profit (loss)	$279,458	$(37,130)	$-	$242,328
Segment assets	$-	$-	$-	$-

	2021			
	Financial service segment	System integration segment	Adjustments	Total
Revenue from external customers	$1,261,864	$2,228,727	$-	$3,490,591
Inter-segment revenue	$1,261,864	$2,228,727	$-	$3,490,591
Inter-segment profit (loss)	$234,166	$(82,466)	$-	$151,700
Segment assets	$-	$-	$-	$-

14.4 Reconciliation for segment profit (loss), assets and liabilities

The assessment method of segment profit or loss reported to the chief operating decision-maker is the same as the assessment method used to measure incomes and expenses in Comprehensive Income Statement. The asset amount evaluated is not the key indicator for decision-maker, thus the measured amount for assets should be zero. Besides, report submitted for decision-making regarding to segment operation is same as Comprehensive Income Statement; hence, reconciliation can be waived.

14.5 Major customer information

No revenue contribution by client which the revenue is accounted for more than 10% of total revenue on Comprehensive Income Statement for the year 2022 and 2021.