Stock Code：3022

IEI INTEGRATION CORP.

Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the IEI Integration Corp.:

Opinion

We, the undersigned, have audited the accompanying individual financial statements of IEI Integration Corp. (the "Company"), which comprise the balance sheet as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the period from January 1 to December 31, 2022 and 2021, as well as notes to the individual financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying individual financial statements are compiled, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and fairly represent the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and cash flows for the period from January 1 to December 31, 2022 and 2021.

Basis for Opinion

We conducted the within audits according to the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the Standards on Auditing, of the Republic of China. Our responsibilities under the standards are more fully set forth in the Auditors' Responsibilities in Audits of Individual Financial Statements section of this report. We the practitioners at KPMG who are subject to the standards of independence have remained independent of the Company, and we have fulfilled the ethical responsibilities prescribed in The Norm of Professional Ethics for Certified Public Accountants of the Republic of China. We believe that the evidence we have obtained through the audits is adequate and sufficient to provide the basis for our opinion.

Key Audit Matters

"Key audit matters" are those areas that, in our professional judgment, were most important within the purview of the audit of the Company's individual financial statements for the year ending on December 31, 2022. As these matters have substantively been addressed in the context of our audit of the Company's individual financial statements as a whole, and we do not separately express any opinions on the matters.

1. Sales Recognition

Please refer to Note 4(16) and Note 6(17) to these individual financial statements for the accounting policies and discussions, respectively, concerning sales recognition.

<u>Explanation</u>

The Company transacts sales by directly shipping the final products to the customers from the overseas manufacturing plant in mainland China and recognizes the sales revenue upon transfer of control to the buyers. However, the timing of the transfer of control varies per transaction due to variations in delivery conditions depending on the negotiated times and locations for delivery based on the terms of the respective agreements, which might cause sales revenues to be recognized in the wrong reporting period for the sales realized close to the cutoff date of the last period. Therefore, we recognized the assessment of the adequacy of the timing of sales recognition was one of the key audit matters in our audit of the Company's individual financial statements.

<u>Procedure:</u>

- Assess relevant control procedures and execution efficiency in the delivery and payment cycle.
- Sample and audit the accuracy of sales recognition dates for product sales recorded within set time period(s) before and after the date of the balance sheet.

- Examine relevant documents to verify the adequacy of the timings of transfer of control and the reasonableness of each sales recognition.

2. Inventory Valuation

Please refer to Note 4(7), Note 5(1) and Note 6(5) to these individual financial statements for the accounting policies concerning inventory, the accounting estimates and presumption of uncertainty in inventory valuation, and details of inventory values, respectively.

Explanation

The value of inventory in a financial statement is the cost or net realizable value, whichever is lower. The rapid roll-out of next-gen products and intense competition in the market might cause the cost of inventory to exceed its net realizable value.

Procedure

- Assess the Company's statement and analysis of inventory age and analyze changes in inventory age in the respective time periods.
- Obtain valid statements of changes to verify the accuracy of the reporting periods for inventory age.
- Sample the current replacement costs for row materials and current product market values, and re-compute the net realized value upon assessment of the promotional expense ratio, to evaluate the reasonableness of the net realized value reported by the Company in the statements.

Responsibilities of Management and Governing Bodies for the Individual Financial Statements

Management is responsible for the preparation and fair representation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for maintaining such internal procedures as it deems necessary for the preparation thereof, to ensure the individual financial statements are free of material misrepreentation, whether due to fraud or mistake.

In preparing the individual financial statements, management is also responsible for evaluating the Company's ability to continue as a going concern, disclosure of pertinent information, and implementation of the going concern basis of accounting, unless management intends to liquidate or cease the operations of the Company, or has no other practicable alternatives other than doing so.

The governing bodies of the Company, including the Audit Committee, are responsible for overseeing its financial reporting process.

Auditors' Responsibilities in Auditing the Individual Financial Statements

The objectives of our audit of the individual financial statements are to deduce reasonable assurance whether the individual financial statements as a whole are free of material misrepresentation, whether due to fraud or mistake, and to issue a report on our findings and opinion. Reasonable assurance denotes a high level of certainty, but is not a guarantee that an audit conducted according to the Standards on Auditing of the Republic of China will always ferret out a material misrepresentation when it exists in the individual financial statements. Misrepresentations can arise from fraud or mistake and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users who make such decisions on the basis of these individual financial statements.

We exercised professional judgment and maintained professional skepticism in conducting the audit pursuant to the Standards on Auditing of the Republic of China. In addition, we:

1. Identified and assessed potential material misrepresentations in the individual financial statements, whether due to fraud or mistake; planned and executed responsive procedures to the potentials thus identified; and deduced valid and sufficient evidence to form the bases for our opinion. Because fraud involves conspiracy, forgery, intentional omissions, deceitful

representation, and/or matters beyond internal control, the probability of failing to identify a material misrepresentation as a result of fraud is higher than that as a result of mistake.

2. Attained an adequate understanding of the internal procedures that had bearings on the audit in planning for such audit procedures suitable for the circumstances, although the purpose was not to express any opinions concerning the efficacy of said internal procedures
.
3. Evaluated the adequacy of the accounting policies and the reasonableness of the accounting estimates and relevant disclosures made by management.

4. Drew conclusion, based on evidence obtained from the audit, on the adequacy of the going concern basis of accounting implemented by management and the existence of material uncertainty whether there might be matters or circumstances that might cast significant doubt on the Company's ability to continue as a going concern. If we believed such a material uncertainty existed, we were required in the auditors' report to draw the attention of the users of the individual financial statements to the relevant disclosures made therein, or, in the case that the disclosures were deemed inadequate, to amend our opinion. Our conclusions are based on evidence obtained in the course of the audit up to the date of this auditors' report. Future events or conditions might nevertheless affect the ability of the Company to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the individual financial statements, including the notes, and whether the individual financial statements fairly represent the underlying transactions and matters.

6. Expressed our opinion concerning the individual financial statements upon obtaining adequate and sufficient audit evidence on the financial status of the investees in investments accounted for using the equity method. We were responsible for the direction, supervision and execution of the audit activities and for deriving an opinion therefrom about the Company.

Matters we discussed with the governing bodies include planned scope and timing of the audit and important audit findings, including significant deficiencies in the internal procedures identified during the course of the audit.

We also provided the governing bodies with a statement that we the practitioners at KPMG who are subject to the standards of independence have complied with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China regarding independence, and communicated to the governing bodies all the relationships and other matters that might be deemed to affect the independence of the auditors, including relevant safeguards.

In the matters discussed with the governing bodies, we determined which matters were of the most significance in auditing the individual financial statements (i.e., the key audit matters) for the year ending on December 31, 2022. We discuss these matters in the auditors' report unless disclosure of the matters is forbidden by law or regulations or when, in extremely rare circumstances, we have determined that a particular matter should not be discussed in our report, in which case it should reasonably be inferred that the detrimental effects from the disclosure outweigh the public interest.

Audit undertaken and report prepared by Chen, Chung-Che and Lai, Li-Chen,

KPMG
Taipei, Taiwan
Republic of China
March 10, 2023

Notes to Readers: The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China. The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

IEI Integration Corp

Balance Sheet

As of December 31, 2022 and 2021

In thousands of NTD

		Notes	Dec. 31, 2022 Amount	%	Dec. 31, 2021 Amount	%
	ASSETS					
	Current Assets:					
1100	Cash and cash equivalents	6(1)(20)	$ 1,255,603	11	697,147	7
1110	Financial assets at fair value through profit or loss - current	6(2)	381,000	3	-	-
1170	Notes and accounts receivable, net	6(4)(17)(20)	413,272	4	380,401	4
1180	Notes and accounts receivable from related parties, net	6(20)&7	257,607	2	158,468	2
1210	Other receivables from related parties	6(20)&7	11,694	-	12,844	-
130X	Inventory	6(5)	519,544	4	245,126	2
1476	Other financial assets - current	6(6)(20)&8	7,260	-	7,226	-
1479	Other current assets	7	75,906	1	48,325	-
			2,921,886	25	1,549,537	15
	Non-current Assets:					
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)(20)	32,025	-	36,639	-
1550	Investments accounted for using equity method	6(7)	7,900,757	67	7,641,412	75
1600	Property, plant and equipment	6(8)&7	532,060	5	540,941	6
1755	Right-of-use assets	6(9)	16,526	-	2,937	-
1760	Investment properties, net	6(10)	388,694	3	394,922	4
1821	Other intangible assets, net		15,123	-	11,648	-
1840	Deferred income tax assets	6(14)	34,361	-	22,154	-
1975	Net defined benefit assets - non-current	6(13)	8,093	-	8,811	-
1990	Other non-current assets		195	-	801	-
			8,927,834	75	8,660,265	85
	Total Assets		$11,849,720	100	10,209,802	100

		Notes	Dec. 31, 2022 Amount	%	Dec. 31, 2021 Amount	%
	Liabilities and Equity					
	Current Liabilities:					
2130	Contract liabilities -current	6(17)&7	$ 184,035	2	256,487	3
2170	Accounts payable	6(20)	435,215	4	181,914	2
2180	Accounts payable to related parties	6(20)&7	382,180	3	414,976	4
2219	Other payables	6(20)	259,777	2	239,332	2
2220	Other payables to related parties	6(20)&7	16,476	-	4,246	-
2230	Income tax payable		272,685	2	93,882	1
2280	Lease liabilities - current	6(11)(20)&7	6,931	-	3,011	-
2399	Other current liabilities		23,066	-	16,813	-
			1,580,365	13	1,210,661	12
	Non-current Liabilities:					
2570	Deferred income tax liabilities	6(14)	921,131	8	893,354	9
2580	Lease liabilities -non-current	6(11)(20)&7	10,298	-	-	-
2670	Other non-current liabilities		105,843	1	69,410	1
			1,037,272	9	962,764	10
	Total Liabilities		2,617,637	22	2,173,425	22
	Equity Attributable to Shareholders of the Parent	6(15)				
3100	Share Capital		1,765,978	15	1,765,978	17
3200	Capital surplus		820,437	7	820,325	8
	Retained earnings:					
3310	Legal reserve		1,753,262	15	1,665,388	16
3320	Special reserve		687,892	6	604,488	6
3350	Unappropriated retained earnings		4,658,093	39	3,868,090	38
			7,099,247	60	6,137,966	60
3400	Other equity		(453,579)	(4)	(687,892)	(7)
	Total Equity		9,232,083	78	8,036,377	78
	Total Liabilities and Equity		$11,849,720	100	10,209,802	100

(See accompanying notes to financial statements.)

(English Translation of Financial Statements and Report Originally Issued in Chinese)

IEI Integration Corp.

STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, 2022 and 2021

In thousands of NTD

Code	Item	Notes	2022 Amount	2022 %	2021 Amount	2021 %
4110	**Sales Revenue**		$ 5,266,950	101	3,476,460	101
4170	Sales returns and discounts		28,144	1	24,552	1
	Net Sales Revenue	6(16)&7	5,238,806	100	3,451,908	100
5110	**Cost of Sales**	6(5)&7&12	3,680,695	70	2,597,366	75
	Gross Profit		1,558,111	30	854,542	25
5910	Unrealized profit (loss) from sales		(49,791)	(1)	(12,913)	-
5920	Realized profit (loss) from sales		12,913	-	48,880	1
	Gross Profit from operations		1,521,233	29	890,509	26
	Operating Expenses	6(4)(18)&7&12				
6100	Selling expenses		298,911	6	263,332	8
6200	General and administrative expenses		118,399	2	103,759	3
6300	Research and development expenses		300,659	6	314,313	9
6450	Expected credit impairment loss (gain)		14,442	-	(574)	-
	Total Operating Expenses		732,411	14	680,830	20
	Net Operating Income		788,822	15	209,679	6
	Non-operating Income and Expenses	6(7)(12)(19)&7				
7100	Interest income		11,027	-	282	-
7010	Other income		75,877	1	62,927	2
7020	Other gains and losses, net		68,741	1	(7,345)	-
7050	Finance costs		(218)	-	(126)	-
7060	Share of profits of associates and joint ventures accounted for using equity method, net		800,204	16	712,399	21
	Total Non-operating Income and Expenses		955,631	18	768,137	23
	Profit Before Income Tax		1,744,453	33	977,816	29
7950	**Income tax expense**	6(14)	252,264	4	111,871	3
	Profit for the year		1,492,189	29	865,945	26
8300	**Other Comprehensive Income :**					
8310	**Components that will not be reclassified to profit or loss**	6(15)(20)				
8311	Gain/(loss) on re-measurements of defined benefit plans		(1,394)	-	15,999	-
8316	Unrealized gain/(loss) from investments in equity instruments measured at fair value through other comprehensive income		(10,114)	-	3,158	-
8330	Share of other comprehensive gain/(loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		140,853	2	(45,223)	(1)
8349	Income tax related to components that will not be reclassified to profit or loss		279	-	(3,200)	-
			129,624	2	(29,266)	(1)
8360	**Components that will be reclassified to profit or loss**	6(15)(20)				
8361	Exchange differences on translation		80,917	2	(33,028)	(1)
8380	Share of other comprehensive gain/(loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		22,657	-	(8,311)	-
8399	Income tax related to components that will be reclassified to profit or loss		-	-	-	-
	Total components that will be reclassified to profit or loss		103,574	2	(41,339)	(1)
8300	**Other Comprehensive Income (Loss), net**		233,198	4	(70,605)	(2)
	Total Comprehensive Income		**$ 1,725,387**	**33**	**795,340**	**24**
	Earnings per Share (NT$)					
	Basic Earnings per Share (NT$)	6(16)	**$**	**8.45**		**4.90**
	Diluted Earnings per Share (NT$)	6(16)	**$**	**8.38**		**4.86**

(See accompanying notes to financial statements.)

(English Translation of Financial Statements and Report Originally Issued in Chinese)

IEI Integration Corp.

STATEMENT OF CHANGES IN EQUITY

January 1 to December 31, 2022 and 2021

In thousands of NTD

Item Code		Share Capital		Retained Earnings				Others			
		Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappro-priated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
A1	**Balance at January 1, 2021**	$ 1,765,978	819,341	1,566,050	635,680	3,410,688	5,612,418	(472,411)	(132,077)	(604,488)	7,593,249
D1	Profit for the year	-	-	-	-	865,945	865,945	-	-	-	865,945
D3	Other comprehensive income (loss)	-	-	-	-	12,799	12,799	(41,339)	(42,065)	(83,404)	(70,605)
D5	Total comprehensive income (loss)	-	-	-	-	878,744	878,744	(41,339)	(42,065)	(83,404)	795,340
	Earnings appropriation and distribution:										
B1	Legal reserve appropriated	-	-	99,338	-	(99,338)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(353,196)	(353,196)	-	-	-	(353,196)
B17	Reversal of special reserve	-	-	-	(31,192)	31,192	-	-	-	-	-
	Changes in other capital reserves:										
C7	Adjustments to share of changes in equities of associates	-	(1,872)	-	-	-	-	-	-	-	(1,872)
C17	Other changes in capital reserves	-	2,856	-	-	-	-	-	-	-	2,856
	Balance at December 31, 2021	1,765,978	820,325	1,665,388	604,488	3,868,090	6,137,966	(513,750)	(174,142)	(687,892)	8,036,377
D1	Profit for the year	-	-	-	-	1,492,189	1,492,189	-	-	-	1,492,189
D3	Other comprehensive income (loss)	-	-	-	-	(1,115)	(1,115)	103,574	130,739	234,313	233,198
D5	Total comprehensive income (loss)	-	-	-	-	1,491,074	1,491,074	103,574	130,739	234,313	1,725,387
	Earnings appropriation and distribution:										
B1	Legal reserve appropriated	-	-	87,874	-	(87,874)	-	-	-	-	-
B3	Special reserve	-	-	-	83,404	(83,404)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(529,793)	(529,793)	-	-	-	(529,793)
	Changes in other capital reserves:										
C7	Adjustments to share of changes in equities of associates	-	(134)	-	-	-	-	-	-	-	(134)
C17	Other changes in capital reserves	-	246	-	-	-	-	-	-	-	246
Z1	**Balance at December 31, 2022**	**$ 1,765,978**	**820,437**	**1,753,262**	**687,892**	**4,658,093**	**7,099,247**	**(410,176)**	**(43,403)**	**(453,579)**	**9,232,083**

(See accompanying notes to financial statements.)

(English Translation of Financial Statements and Report Originally Issued in Chinese)

IEI Integration Corp.

STATEMENT OF CASH FLOWS

January 1 to December 31, 2021 and 2022

In thousands of NTD

		2022	2021
AAAA	**Cash Flows from Operating Activities:**		
A10000	**Profit before income tax**	$ 1,744,453	977,816
A20000	**Adjustments items:**		
A20100	Depreciation expense	51,989	51,857
A20200	Amortization expense	19,069	17,264
A20300	Expected credit impairment loss (reversal of impairment loss)	14,442	(574)
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(1,335)	(216)
A20900	Interest expense	218	126
A21200	Interest income	(11,027)	(282)
A21300	Dividend income	(647)	(1,581)
A22400	Share of profits of associates and joint ventures accounted for using equity method	(800,204)	(712,399)
A22500	Impairment loss (gain) on property, plant and equipment	(1,384)	(386)
A23700	Allowance for inventory valuation and obsolescence loss	11,864	6,951
A24000	Unrealized (realized) profit from sales	36,878	(35,967)
A24100	Unrealized loss (gain) on foreign exchange	(1,239)	(3,782)
A20010	Total adjustments to reconcile profit (loss)	(681,376)	(678,989)
A30000	Changes in operating assets and liabilities:		
A31115	Decrease (increase) in financial assets measured at fair value through profit and loss	(379,665)	60,219
A31150	Decrease (increase) in Notes and accounts receivable	(53,543)	(13,708)
A31160	Decrease (increase) in accounts receivable from related parties	(99,139)	80,908
A31190	Decrease (increase) in other receivables from related parties	1,140	(10,172)
A31200	Decrease (increase) in Inventory	(286,282)	(42,328)
A31240	Decrease (increase) in Other current assets	(26,211)	(2,983)
A31990	Decrease (increase) in Net defined benefit assets	(676)	(847)
A32000	Changes in operating liabilities, net:		
A32125	Increase (decrease) in contract liabilities	(72,452)	93,730
A32150	Increase (decrease) in Notes and accounts payable	260,770	83,707
A32160	Increase (decrease) in accounts payable to related parties	(32,796)	79,653
A32180	Increase (decrease) in other payables	8,174	(23,955)
A32190	Increase (decrease) in Other payables to related parties	12,230	579
A32230	Increase (decrease) in other current liabilities	6,253	(1,150)
A30000	Total changes in operating assets and liabilities	(662,197)	303,653
A20000	Total adjustments	(1,343,573)	(375,336)
A33000	Cash inflow generated from operations	400,880	602,480
A33100	Interest received	9,656	270
A33200	Dividends received	607,899	169,825
A33300	Interest paid	(218)	(126)
A33500	Income tax paid	(57,612)	(68,116)
AAAA	**Net cash flows from (used in) operating activities**	960,605	704,333
BBBB	**Cash Flows from Investing Activities:**		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(6,000)	-
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	500	2,700
B02400	Pay-back from capital reduction of investees accounted for using equity method	177,900	-
B02700	Acquisition of property, plant and equipment	(16,052)	(45,681)
B02800	Disposal of property, plant and equipment	1,471	50
B04500	Acquisition of intangible assets	(22,544)	(21,855)
B06600	Decrease (increase) of other financial assets	(34)	3,992
B06800	Decrease (increase) of other non-current assets	(1,394)	255
BBBB	**Net cash flows from (used in) investing activities**	133,847	(60,539)
CCCC	**Cash Flows from Financing Activities:**		
C04020	Payment of lease liabilities	(6,165)	(6,871)
C04400	Decrease in other non-current liabilities	(70)	(434)
C04500	Cash dividends paid	(529,793)	(353,196)
C09900	Other financial activities	32	-
CCCC	**Net cash flows from (used in) financing activities**	(535,996)	(360,501)
EEEE	Net Increase in Cash and Cash Equivalents	558,456	283,293
E00100	Cash and Cash Equivalents at Beginning of Year	697,147	413,854
E00200	Cash and Cash Equivalents at End of Year	**$ 1,255,603**	**697,147**

(See accompanying notes to financial statements.)

(English Translation of Financial Statements and Report Originally Issued in Chinese)

IEI Integration Corp.

NOTES TO FINANCIAL STATEMENTS

For the Years Ending on December 31, 2022 and 2021

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

1. GENERAL

The IEI Integration Corp. (the "Company" or "IEI") was incorporated with the Taiwan Ministry of Economic Affairs on April 17, 1997. The Company's principal business involves the manufacturing and sales of computers, computer components and peripherals and related trading.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying individual financial statements were approved for issuance by the Board of Directors on March 10, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effects from the Application of New and Revised Standards and Interpretations Endorsed and Issued into Effect by the Financial Supervisory Commission

Effective January 1, 2022, the Company has applied the following international financial reporting standards, which do not significantly affect the individual financial statements.

- Amendments to the International Accounting Standards (IAS) 16, "Property, Plant and Equipment – Proceeds Before Intended Use"
- Amendments to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to International Financial Reporting Standards (IFRS) 2018-2020
- Amendments to IFRS 3, "Reference to the Conceptual Framework"

(2) Effects from Non-application of Standards Endorsed and Issued into Effect by the Financial Supervisory Commission

The Company finds that the application of the following international financial reporting standards which have been promulgated since January 1, 2023, will not significantly affect the individual financial statements.

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

(3) New and Revised Standards and Interpretations Not Yet Endorsed and Issued into Effect by the Financial Supervisory Commision

The Company finds that the following new and revised standards which have not been endorsed by the Financial Supervisory Commission (FSC) will not significantly affect the individual financial statements.

- IFRS 10 and Amendments to IAS 28, "Sales or Contributions of Assets Between an Investor and Its Associate/Joint Venture"
- IFRS 17, "Insurance Contracts," and Amendments to IFRS 17
- Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1, "Non-current Liabilities with Covenants"
- Amendments to IFRS 16, "Lease Liability in a Sale and Leaseback"

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the accompanying individual financial statements, which apply categorically to the entire reporting period thus covered, are summarized as follows:

(1) Statement of Compliance

The accompanying individual financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

(2) Bases for Preparation

1) Measurement bases

The accompanying individual financial statements are compiled on the basis of historical cost, except the following key items in the balance sheet:

a) Financial assets at fair value through profit or loss are measured at fair value.

b) Financial assets at fair value through other comprehensive income are measured at fair value.

c) Net defined benefit liabilities (assets) are measured by deducting the current value of defined benefit obligation from pension plan assets at fair value, subject to the upper limit as prescribed in Note 4(17).

2) Functional and presentation currencies

The Company and its units of operation use the prevailing currency of the principal economic environment in which it conducts business as its functional currency. Monetary values in the accompanying individual financial report is presented in the Company's functional currency, the New Taiwan dollar (NTD). All the financial data expressed in NTD are in thousands of NTD unless specified otherwise.

(3) Foreign Currencies

1) Foreign currency transactions

Transactions using foreign currencies are recognized in NTD at the exchange rates prevailing on the dates of the respective transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the exchange rates prevailing on the reporting period's end date ("the reporting date").

Non-monetary items measured at fair value that are denominated in foreign currencies are translated into NTD at the exchange rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated at the exchange rates on the dates of the respective transactions.

The differences resulting from exchange rates are typically recognized in profit or loss, whereas equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

2) Overseas Operations

Assets and liabilities of overseas operations are translated into NTD at the exchange rates prevailing on the reporting date. Income and expenses are translated into NTD at the average exchange rate for the reporting period, and the resulting exchange differences are recognized in other comprehensive income.

When the disposition of an overseas operation results in the loss or share of control or in serious consequences, the cumulative exchange differences related to said overseas operation are reclassified into profit or loss. Upon partial disposition of a subsidiary which has units operating overseas, the relevant cumulative exchange differences are reattributed proportionally to noncontrolling interests. Upon partial disposition of an investment in an affiliate or joint venture which has units operating overseas, the relevant cumulative exchange differences are reclassified proportionally to profit or loss.

When there is no plan to settle a monetary receivable or payable to an overseas operation and it is not likely to be settled in the foreseeable future, the resultant foreign exchange gain or loss is deemed as part of the net investment in the overseas operation and recognized in other comprehensive income.

(4) Guidelines for classification of Assets and Liabilities into Current and Non-current

An asset is classified current if it is any of the following. All assets that are not current are non-current assets.

1) The asset is expected to be realized in the normal operating cycle or intended to be sold or consumed;
2) The asset is held primarily for trading purposes;
3) The asset is expected to be realized within 12 months of the reporting period; or
4) The asset is cash or cash equivalent, unless it is otherwise restricted from being traded or used to settle a liability for at least twelve months after the reporting period.

A liability is classified current if it is any of the following. All liabilities that are not current are non-current liabilities.

1) The liability is expected to be settled in the normal operating cycle;
2) The liability is maintained primarily for trading purposes;
3) The liability is expected to be settled within 12 months of the reporting period; or
4) The liability is not attached with an unconditional right to defer settlement for at least 12 months after the

reporting period. The classification is not affected if the terms of the liability may, at the option of the counterparty, be settled through the issuance of equity instruments.

(5) Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to a minimal risk of value variation. Time deposits that meet the foregoing definition and are held to meet short-term cash commitments rather than for investment or other purposes are reported as cash equivalents.

(6) Financial Instruments

Accounts receivable and debt securities issued are recognized initially when incurred. All other financial assets and financial liabilities are recognized when initially the Company becomes a party to the contractual provisions of the financial instruments. Financial assets (other than accounts receivable which do not involve a significant financial element) or financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance thereof. Accounts receivable that do not involve significant financial elements are measured initially at their transaction prices.

1) Financial assets

For the purchase or sale of financial assets consistent with customary trading practices, the Company categorically accounts for all purchases and sales of the financial assets that are classified in the same manner on the date of the transaction or settlement.

Financial assets are classified on initial recognition as financial assets measured at amortized cost, investments in debt instruments measured at fair value through other comprehensive income, investments in equity instruments measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. The Company will reclassify all of the affected financial assets effective the first day of the next reporting period only when the Company changes its operating models for managing financial assets

a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it is not designated as measured at fair value through profit or loss and meets both of the following criteria:

- The financial asset is held pursuant to an operating model which purpose is to receive cash flow under the contractual terms.
- The financial asset under the contractual terms is to generate cash flow on a specific date and solely for the purpose of repaying the principal and interest on the outstanding sum of principal.

These assets are subsequently measured at their initially recognized values plus or minus the cumulative amortization using the effective interest method, adjusted for the amortized cost of any loss allowances. Interest income, foreign currency exchange gains or losses and impairment losses are recognized in profit or loss. Upon derecognition, the gains or losses are recognized in profit or loss.

b) Financial assets measured at fair value through other comprehensive income

An investment in debt instrument is measured at fair value through other comprehensive income when it is not designated as measured at fair value through profit or loss and meets both of the following criteria:

- The financial asset is held pursuant to an operating model which purpose is to receive cash flow and resale under the contractual terms.
- The financial asset under the contractual terms is to generate cash flow on a specific date and solely for the purpose of repaying the principal and interest on the outstanding sum of principal.

On initial recognition, the Company may make an irrevocable choice to report subsequent changes in the fair value of investments in equity instruments not held for trading purposes in other comprehensive income. The aforesaid choice is made on an instrument-by-instrument basis.

Investments in debt-instrument are subsequently measured at fair value. Interest income, foreign currency exchange gains or losses and impairment losses calculated based on the effective interest method are recognized in profit or loss, while other net gains or losses are recognized in other comprehensive income. Upon derecognition, the accumulated other comprehensive income is reclassified to profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income (unless it clearly reflects a partial recovery of investment costs) is recognized in profit or loss, while the other net gains or losses are recognized in other comprehensive income and are not reclassified to profit or loss.

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

c) Financial assets measured at fair value through profit or loss

Financial assets, that are not classified as measured at amortized cost or at fair value through other comprehensive income as described above, are measured at fair value through profit or loss—this includes derivative financial assets. Upon initial recognition, the Company may irrevocably designate such financial assets, which qualify as measured at amortized cost or at fair value through other comprehensive income, as financial assets measured at fair value through profit or loss, for the purpose of eliminating or significantly reducing accounting mismatches.

These assets are subsequently measured at fair value, which net gains or losses (including any dividends and interest income) are recognized in profit or loss.

d) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

Loss allowance for the following financial assets is measured based on the value of the expected credit loss over 12 months, while loss allowance for others is measured based on the value of the expected credit loss over the life of the asset:

- Debt securities determined to have a low credit risk on the reporting date.
- Other debt securities and bank deposits which credit risk (i.e., the risk of default over the expected life of the financial instruments) has not increased significantly since initial recognition.

Loss allowance on accounts receivable and contract assets is measured based on the value of the expected credit loss over the life of the contract.

In determining whether there has been a significant increase in credit risk since initial recognition, the Company takes into account reasonable information based on evidence that are available without undue cost or input, including qualitative and quantitative data and analyses based on the Company's past experience, credit evaluations and prospective information.

The Company assumes that the credit risk on a financial asset has increased significantly if payments are overdue under the contractual terms.

The Company considers a financial asset to be in default if it is unlikely that the borrower will be able to fulfill its credit obligation to pay the full amount to the Company.

Expected credit losses over the life of the instrument are the expected credit losses arising from all possible defaults over the expected life of the instrument

Expected credit loss over twelve months is the expected credit loss arising from a possible default of the financial instrument within twelve months after the reporting date, or a shorter period if the expected life of the financial instrument is less than twelve months.

The maximum time period for measuring expected credit losses is the maximum contractual period during which the Company is exposed to credit risk.

The expected credit loss is a weighted estimate of the probability of credit loss over the expected life of the financial instrument. Credit losses are measured at the present value of all the cash shortfalls, which is the difference between the cash flows that the Company can receive under the contracts and those that it expects to receive. Expected credit losses are discounted based on the effective interest rates of the financial assets.

On each reporting date the Company assesses whether financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income are impaired. A financial asset is credit-impaired if one or more events have occurred which have an adverse effect on the estimated future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes observable information as follows:

- Significant financial difficulties of the borrower or issuer;
- Defaults, such as delays or exceeding credit terms over a extended period;

- The Company has made condcessions that it otherwise would not have considered but for some economic or contractual reasons related to the borrower's financial difficulties;
- The borrower is likely to file for bankruptcy or undertake other financial reorganization; or
- Loss of an active market for the financial asset due to financial difficulties

Allowance for loss on financial assets measured at amortized cost is deducted from the carrying amount of the assets.

The Company reduces the total carrying amount of a financial asset when it cannot reasonably expect to recover all or part of the financial asset. For corporate accounts, the Company assesses the timing and amount of write-off on a case-by-case basis based on whether recovery is reasonably expected. The Company does not expect any material reversal of the amount that has thus been written off. However, financial assets that have been written off are still enforceable to comply with the Company's procedures for recovering past due amounts.

e) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When entering into a transaction to transfer a financial asset, the Company continues to recognize a financial asset on its balance sheet if it retains all or nearly all the risks and rewards related to the ownership of the transferred financial asset.

2) Financial liabilities and equity instruments

a) Classification as debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definition of financial liabilities.

b) Equity transactions

An equity instrument is any contract that recognizes the Company's remaining interest in an asset from which all of its liabilities are deducted. Equity instruments issued by the Company are recognized at the acquisition price less direct issue costs.

c) Financial liabilities

Financial liabilities are classified as measured either at amortized cost or at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, are derivative instruments or are so designated at initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and the asssociated net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gain or loss are recognized in profit or loss. Any gain or loss upon derecognition is also recognized in profit or loss.

d) Derecognition of financial liabilities

The Company derecognize a financial liability when the contractual obligations pertaining thereto expire or are discharged or cancelled. When the terms of a financial liability are amended and the cash flows per the liability are materially different upon amendment, the pre-amendment financial liability is derecognized and the amended liability is recognized at fair value based on the amended terms.

When a financial liability is derecognized, the difference between the carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(7) Inventory

Inventories are measured at its cost or net realizable value, whichever is lower. Cost includes the cost of acquisition, production or processing, plus other associated costs, incurred in bringing the inventory to the location and condition in which it becomes available for use.

Net realizable value is the estimated selling price under normal operations less the estimated costs necessary to complete the project and to make the sale.

(8) Investments in Associates

An associate is an entity over which the Company has significant influence, but not control or joint control, in its financial and operating policies. The Company's equity interest in an associate is accounted for using the equity method. Under the equity method, the original acquisition is recognized at cost, and the cost of investment includes the transaction cost. The carrying amount of an investment in an associate includes the goodwill recognizable at the time of investment, less any accumulated impairment loss.

The individual financial statements include the amount of profit or loss and other comprehensive income of the associates, recognized in proportion to the Company's equity interest in each associate during the time in which the Company retains said signification influence and after adjustments to attain conformity to the Company's accounting policies. When there is a change in equity in an associate not recognized as profit or loss nor other comprehensive income that does not proportionally affect the Company's share in the associate, the Company recognizes the change in equity corresponding to its equity interest in the associate as capital surplus in proportion to its holdings.

Unrealized gains and losses arising from transactions between the Company and its associates are recognized in its financial statements only to the extent of equity interest in the associates not owned by the Company.

The Company ceases to recognize an associate's losses when its share of such losses equals or exceeds its equity interest in the associate. Thereafter the Company recognizes additional losses and associated liabilities only to the extent of any legal or constructive obligations incurred or of any payments made on behalf of the investee.

From the date investment in the associate terminates, the Company ceases to use the equity method and measures any remaining interest in the associate at fair value. The difference between the fair value of the remaining interest and the disposal price and the carrying amount of the investment on the date the Company ended the equity method is recognized in profit or loss for the reporting period. All amounts previously recognized in other comprehensive income pertaining to the investment are accounted for on the same basis as that applicable in cases in which the relevant assets or liabilities are disposed of by the associate. For instance, any gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss, or retained earnings, upon disposal of the relevant assets or liabilities—i.e., when an enterprise ceases to use the equity method, the gains or losses are reclassified from equity to profit or loss, or retained earnings. If the Company continues to apply the equity method when its ownership interest in an associate has declined, the Company shall reclassify the gains or losses previously recognized in other comprehensive income that are attributable to the decrease in ownership interest and make adjustments according to the preceding method proportionate to the reduction in ownership.

In cases of an investment in an associate becoming that of a joint venture, or vice versa, the Company will continue to apply the equity method without reevaluating the retained interest.

(9) Investments in Subsidiaries

In preparing the individual financial statements, the Company uses the equity method of accounting relating to investees over which it has control. Under the equity method, the apportionment of current profit or loss and other comprehensive income in the individual financial statements is the same as the apportionment of current profit or loss and other comprehensive income attributable to the shareholders of the Company in the consolidated financial statements, and the shareholders' equity in the individual financial statements is the same as the equity attributable to the shareholders of the Company in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as equity transactions among the shareholders.

(10) Investment Properties

Investment properties are real properties held for rental revenue or asset appreciation, or both, but not for sale in the ordinary course of business, nor to use for production, supply of goods or services or administrative purposes.

Investment property is initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment, and the methods used to account for the depreciation, useful life and residual value follows those used for property, plant and equipment.

Gain or loss upon disposal of investment property, calculated as the difference between the net price of disposal and the carrying amount of the item, is recognized in profit or loss.

Lease revenue from investment properties is recognized in non-operating income from other income using the straight-line method over the lease term. Lease incentives granted are recognized as part of lease revenue over the lease term

When an investment property changes in usage and is reclassified as property, plant and equipment, the reclassification shall carry the carrying amount of the property at the time of the usage change.

(11) Property, Plant and Equipment

1) Recognition and measurement

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

If the major components of property, plant and equipment have different service lives, they are deemed separate items (primary components) of property, plant and equipment.

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

2) Subsequent costs

Subsequent expenditures are capitalized only if it is likely that future economic benefits will flow into the Company.

3) Depreciation

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

Land is not account for depreciation.

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

- Premises and buildings 3 to 55 years
- Machines and equipment 3 to 8 years
- Other equipment 1 to 7 years

The Company reviews the depreciation method, useful life and residual value at each reporting and makes appropriate adjustments as necessary.

4) Reclassification to investment properties

When a real property used for other purposes is turned into an investment property, the property is reclassified to investment properties at the carrying amount as of the time of the usage change.

(12) Leases

The Company assesses, on the date a contract is entered into, whether a contract is a lease or includes a lease. If a contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is a lease or includes a lease.

1) Lessee

The Company recognizes a right-of-use asset and a lease liability on the commencement date of the lease. A right-of-use asset is measured initially at cost, which comprises the original measurement of the lease liability, adjusted for any lease payments made on or before the commencement date of the lease, plus the original direct costs incurred and the estimated costs for dismantling and removing and restoring the subject asset, whether by itself or to its location, and less any lease incentives received

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date of the lease to either the end of the useful life or the end of the lease term, whichever is sooner, of the right-of-use asse. In addition, the Company periodically assesses whether a right-of-use asset is impaired and addresses any impairment loss incurred and, when lease liability is remeasured, adjusts the right-of-use asset accordingly.

Lease liabilities are measured initially at present value of the lease payments outstanding on the date the lease is entered into. The discount rate is set to the implied interest rate of the lease if it is readily determinable and, if it is not, to the Company's incremental borrowing rate. In general, the Company uses its incremental borrowing rate as the discount rate

Lease payments included in the measurement of lease liabilities include:

a) fixed payment, including real fixed payment;
b) variable lease payment that depend on some index or rate, measured initially using the index or rate at the commencement date of each lease;
c) the expected payment of the balance of the lease deposit; and
d) the price or penalty to pay to exercise purchase option or lease termination option upon a reasonable amount of certainty that it will be exercised.

The interest for lease liabilities is subsequently calculated using the effective interest method and will be remeasured when:

a) the index or rate used to determine lease payments has changed that causes future lease payments to change;

b) the expected payment of the balance of the lease deposit has changed;

c) the expectation concerning the purchase option for the subject asset has changed;

d) the expectation whether to exercise the option to extend or terminate the lease has changed that causes the expectation of the duration of the lease to change; or

e) the subject, scope or other terms of the lease have changed.

When a lease liability is remeasured as a result of changes in the index or rate used to determine lease payments, changes in the balance of the lease deposit and changes in the assessment of purchase, extension or termination options, as described above, the carrying amount of the right-of-use asset shall be adjusted accordingly, and, when the carrying amount of the right-of-use asset is reduced to zero, the remaining amount upon remeasurement is recognized in profit or loss.

When the scope of the lease is narrowed upon amendment, the carrying amount of the right-of-use asset is reduced to reflect the termination of the lease in full or in part, and the difference between the carrying amount and the remeasurement amount of the lease liability is recognized in profit or loss.

The Company itemizes right-of-use assets and lease liabilities that do not meet the definition of investment properties in separate lines in the balance sheet.

The Company elects not to recognize short-term leases and leases of low-value assets as right-of-use assets or lease liabilities and, instead, recognizes the relevant lease payments as expenses on a straight-line basis over the lease term.

2) Lesser

Transactions in which the Company is the lessor are classified as finance lease if, on the date the lease was entered into, the lease contract transfers nearly all the risks and rewards associated with the ownership of the subject asset, and as operating lease if it does not. In said assessment, the Company considers pertinent specific indicators such as whether the lease term covers a significant portion of the economic life of the subject asset.

If the Company is a sublessor, it then processes the master lease and any sublease transactions separately and determines the classification of a sublease transaction based on the right-of-use assets arising from the master lease. If the master lease is a short-term lease to which a recognition exemption applies, the sublease transaction should be classified as an operating lease.

If a lease agreement includes both lease and non-lease components, the Company uses IFRS 15 to allocate the consideration in the contract.

(13) Intangible Assets

1) Recognition and measurement

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

Development expenditures are capitalized only when: the expenditures can be reliably measured; the technical or commercial feasibility of the product or process has been achieved; future economic benefits will most likely flow to the Company; and the Company intends and has sufficient resources to complete the development and use or sell the asset. Other development expenditures are recognized in profit or loss when incurred. After initial recognition, capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment.

Other intangible assets acquired by the Company with finite useful lives are measured at cost less accumulated amortization and accumulated impairment.

2) Subsequent expenditures

Subsequent expenditures are capitalized only to the extent that they will enhance the future economic benefits of the specific asset to which they relate. All other expenses, including goodwill and branding for internal development, are recognized in profit or loss when incurred.

3) Amortization

For amortization, the amortizable amount is calculated by deducting the residual value from the cost of the asset.

Intangible assets are amortized on a straight-line basis over their estimated useful lives (one to three years) from the date they attain their serviceable condition, and the amortization is recognized in profit or loss.

The Company reviews the amortization method and the useful lives and residual values of intangible assets at each reporting, and makes appropriate adjustments as necessary.

(14) Impairment of non-financial assets

The Company assesses at each reporting whether there is any indication that the carrying amount of non-financial assets (other than inventories, contract assets and deferred income tax assets) may have been impaired. If any such indication exists, the recoverable amount of the asset will then be assessed.

In detecting impairment, a group of assets with cash inflows that are predominantly independent of other individual assets or groups of assets is treated as the smallest identifiable group of assets.

The recoverable amount is the fair value of an individual asset or cash-generating unit less its value in use or costs to sell, whichever is higher. If the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit is adjusted downward to its recoverable amount, and an impairment loss is recognized for the difference. The impairment loss is recognized, immediately in the current period, in profit or loss.

The Company re-evaluates at each reporting whether there is any indication that an impairment loss recognized for a non-financial asset in the preceding year may no longer exist or may have decreased. If there is any change in the estimates used to determine the recoverable amount, the impairment loss is reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, but not to exceed the carrying amount, less recognizable depreciation or amortization, that would have been determined if no impairment loss had been recognized for that individual asset or cash-generating unit in the preceding year.

(15) Liability Reserve

A liability reserve is recognized when the Company is exposed, by a present obligation resulting from a past event, to the likelihood under which it is required to direct an outflow of economic resources to settle the obligation in the future, when the amount of the obligation can reliably be estimated. The liability reserve is discounted at a pre-tax discount rate that reflects the market's current assessments of the time value of money and the risks specific to the liability, with amortization of the discount being recognized as interest expense.

Warranty liability reserve is recognized upon the sale of goods or services. The reserve is measured based on historical warranty information and all possible outcomes weighted by their respective probabilities.

(16) Revenue Recognition

1) Revenue from customer contracts

Revenue is measured as the consideration to which one expects to be entitled for transferring goods or services. The Company recognizes an item in revenue when it has performed the obligation by transferring control of the goods or services to customers. The Company's primary sources of revenue are described as follows:

a) Product sales

The Company's primary business is the manufacture and sale of computers and computer peripherals. The Company recognizes an item in revenue when it has transferred control of a product. The transfer of control of the product means that the product has been delivered to the customer who then has the sole discretion over the marketing channel and price of the product and to whom no outstanding obligation needs to be performed for the customer's acceptance of the product. Delivery occurs when the product is delivered to the specified location at which the risks of obsolescence and loss are transferred to the customer and when the customer has accepted the product in accordance with the sales contract, the terms of acceptance have lapsed, or the Company has objective evidence that all the conditions for acceptance have been met.

The Company provides general warranties on products sold and recognizes them as liability reserve at the time of sale.

The Company recognizes accounts receivable upon delivery of goods because the Company has an unconditional right to receive consideration at that point in time.

b) Financial components

The Company expects that the time interval between the transfer of goods or services to a customer and the payment for the goods or services by the customer will not exceed one year for all customer contracts. Therefore, the Company does not adjust the transaction price for the time value of money.

(17) Employee Benefits

1) Defined contribution plans

The contribution obligation for defined contribution pension plans is recognized as an expense over the period of service rendered by the employees.

2) Defined benefit plans

The Company's net obligation for defined benefit plans is calculated for each plan by discounting the amounts of future benefits earned by employees for the current or the preceding period to the present value, less the fair value of any plan assets.

The defined benefit obligation is actuarially determined annually by a certified actuary using the projected unit benefit method. When the result of the calculation is likely to be beneficial to the Company, the asset is recognized to the extent of the present value of any economic benefits available in the form of refund of contributions from the plan or reduction in future contributions to the plan. The present value of the economic benefits is calculated by taking into account any minimum contribution funding requirements.

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

When a plan is amended or curtailed, the change in benefits related to the previous service cost or the curtailment benefit or loss is recognized immediately in profit or loss. The Company recognizes a gain or loss on the settlement of a defined benefit plan at the time of the settlement.

3) Short-term employee benefits

A short-term employee benefit obligation is recognized as an expense when the subject services are being rendered. The amount is recognized as a liability if the Company has a present legal or constructive obligation to pay for services rendered by the employees in the past and if the obligation can reliably be estimated.

(18) Income Tax

Income tax consists of the current and deferred income taxes. The current and deferred income taxes are recognized in profit or loss, except when they relate to business combinations or items directly recognizable in equity or in other comprehensive income.

The current income tax includes the estimated income tax payable or tax refund receivable based on the current year taxable income (or loss), with any adjustments for the preceding year’s income tax payable or tax refund receivable. The amount is determined as the best estimate of the amount expected to be paid or received pursuant to the statutory tax rate or rate prescribed by substantive legislation as of the reporting date.

Deferred income tax is recognized and determined from the temporary differences between the carrying amounts of assets and liabilities for purposes of financial reporting and their tax bases. Deferred income tax is not recognized for temporary differences arising from the following:

1) Assets or liabilities that are not initially recognized in a business combination and do not affect the accounting profit or taxable income (or loss) at the time of the transaction;
2) Temporary differences arising from investments in subsidiaries, associates and joint ventures where the Company can control the timing of the reversal of the temporary difference and where it is most likely that the temporary difference will not reverse in the foreseeable future; and
3) Taxable temporary differences arising from the original recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses and unused income tax credits in the next reporting period, with deductible temporary differences, to the extent that taxable income will most likely be available in the future. Deferred income tax assets are reassessed on subsequent reporting dates on which such assets may be written down to the extent that the relevant income tax benefit will be less likely to be realized and on which such write-down may be reversed to the extent that it appears sufficient taxable income will most likely be available.

Deferred income tax is measured based on the tax rate at the time the temporary difference is expected to be reversed, using the statutory tax rate or rate prescribed by substantive legislation.

Deferred income tax assets and deferred income tax liabilities are offset only if both of the following conditions are met:

1) There is a right by law to offset the period's income tax assets and income tax liabilities; and
2) The deferred income tax assets and deferred income tax liabilities pertain to one of the following taxable entities which are subject to income taxation by the same taxing authority:
   a) the same taxable entity; or
   b) different taxable entities, provided that each entity intends to settle each period's income tax liabilities with the period's income tax assets on a net basis, or to realize such assets and settle such liabilities at the same time, in each future period in which significant amounts of deferred income tax assets and significant amounts of deferred income tax liabilities are expected to be recovered and settled respectively.

(19) Earnings Per Share

The Company accounts for the basic and diluted earnings per share attributable to equity holders of the Company's common stock. The basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's common stock by the weighted-average number of common shares outstanding during the period. The diluted earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's common stock by the weighted-average number of common shares outstanding, after adjusting each first for all the potential dilutive effects of the common shares.

(20) Segment Information

The Company has disclosed segment information in the consolidated financial statements and does not reiterate here in the individual financial statements.

5. KEY SOURCES OF UNCERTAINTY IN CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the within individual financial statements requires management to make judgments, estimates and assumptions which affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses reported. Actual outcomes may differ from the estimates.

Management reviews estimates and underlying assumptions on an ongoing basis and recognizes changes in accounting estimates in the period of change and in the future periods affected.

The accounting policies which involve critical judgments and significantly affects the amounts recognized in the within individual financial statements are as follows:

1) Please refer to the consolidated financial statements for the year ended December 31, 2022, for determination whether the investee company has substantial control over its affairs.

The uncertainty inherent in the assumptions and estimates described as follows pose significant risks of material adjustments to the carrying amounts of assets and liabilities in the next financial year:

2) Valuation of inventory

   Because inventory is measured at the lower of cost or net realizable value, the Company evaluates the amount of inventory through normal wear and tear, obsolescence or having no market value as of the reporting date and writes down the cost of inventory to the net realizable value. Said inventory valuation is based primarily on the estimation of product demand in a specific period in the future and is subject to vary significantly due to rapid changes in the industry. Please refer to Note 6, (5), for estimates in inventory valuation.

   The Company's accounting policies and disclosures include the use of fair value to measure its financial or non-financial assets and liabilities. The Company verifies that independent sources of information approximate market conditions and that the sources of information are independent, reliable, consistent with other sources, and representative of executable prices. The Company regularly calibrates its valuation models, performs back testing, updates input values and information and any other necessary fair value adjustments as required by the valuation models to ensure that the outcome of the valuation is reasonable.

   The Company uses observable input from the market whenever possible to measure its assets and liabilities. The fair value hierarchy is based on the input values used in the valuation technique and is set forth as follows:

   Level 1: Publicly quoted price for the identical asset or liability in an active market (unadjusted).

Level 2: Except the publicly available quotation in Level 1, the input value for an asset or a liability is observable either directly (i.e., the price) or indirectly (i.e., derived from the price).

Level 3: The input value for an asset or a liability that is not based on observable market data (non-observable value)

If a transfer among the fair value hierarchy occurs, the Company recognizes it on the reporting date.

Please refer to Note 6, (20), for information related to the assumptions used to measure the fair value of financial instruments.

6. SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	12/31/2022	12/31/2021
Cash and cash equivalents	$ 663	548
Bank deposits - foreign currency and callable deposits	210,800	419,799
Bank deposits - time deposits	1,044,140	276,800
Cash and cash equivalents in the statement of cash flows	$ 1,255,603	697,147

1) The above cash and cash equivalents are not pledged as security.
2) Time deposits not fitting the definition of cash equivalents have been re-recognized in other financial assets – current. Please refer to Note 6(6).
3) Please refer to Note 6 (20) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

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

	12/31/2022	12/31/2021
Financial assets that must be measured at fair value through profit or loss:		
Fund beneficiary certificates	$ 381,000	-

1) Please refer to Note 6 (19) for the amount recognized in profit or loss based on fair value remeasurement.
2) The above financial assets are not pledged as security.

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

	12/31/2022	12/31/2021
Equity instruments measured at fair value through other comprehensive income:		
Domestic listed company stocks	$ -	2,595
Domestic unlisted company stocks	32,025	34,044
Total	$ 32,025	36,639

1) The Company holds these equity instruments not for trading purposes but as long-term strategic investments and have thus designated them as measured at fair value through other comprehensive income.
2) Please refer to Note 6 (20) for credit risk and market risk information.
3) The above financial assets are not pledged as security.

(4) Notes and Accounts Receivable

	12/31/2022	12/31/2021
Notes receivable	$ 2,081	3,066
Accounts receivable	425,634	377,336
Deduct: loss allowance	(14,443)	(1)
	$ 413,272	380,401

The Company takes a simplified approach to estimate expected credit losses for all notes and accounts receivable, which is to measure the expected credit losses over the life of the contract. For purposes of the measurement, these notes and accounts receivable are grouped, upon incorporation of prospective information, by the common credit risk characteristics that represent the customer's ability to pay all the amounts due under the terms of the contract. The aging analysis of the Company's notes and accounts receivable is as follows:

1) Group One

	12/31/2022		
	Accounts receivable carrying amount	**Weighted average expected credit loss ratio**	**Allowance for credit loss over life of contract**
Not past due	$ 371,260	0%	-
Past due 0-90 days	42,012	0%	-
Past due 90-180 days	-	0%	-
	$ 413,272		-

	12/31/2021		
	Accounts receivable carrying amount	**Weighted average expected credit loss ratio**	**Allowance for credit loss over life of contract**
Not past due	323,287	0%	-
Past due 0-90 days	57,113	0%	-
Past due 90-180 days	1	0%	-
Past due over 181 days	1	100%	1
	$ 380,402		1

2) Group Two

	12/31/2022		
	Accounts receivable carrying amount	**Weighted average expected credit loss ratio**	**Allowance for credit loss over life of contract**
Not past due	$ 6,285	100%	6,285
Past due 0-90 days	4,944	100%	4,944
Past due 90-180 days	3,214	100%	3,214
Past due over 181 days	-	0%	-
	$ 14,443		14,443

The changes in the allowances for loss on notes and accounts receivable were as follows:

	2022	2021
Balance, beginning of period	$ 1	628
Impairment loss recognized	14,442	-
Amounts written off as uncollectible during the year	-	(53)
Reversal of impairment loss	-	(574)
Balance, end of period	$ 14,443	1

As of December 31, 2022 and 2021, the Company had not pledged the aforementioned notes receivable and accounts receivable as collateral.

(5) **Inventories**

	12/31/2022	12/31/2021
Finished goods	$ 186,407	103,088
Work in progress	115,654	16,855
Raw materials	217,483	125,183
	$ 519,544	245,126

1) For the years ended on December 31, 2022 and 2021, the costs of inventories recognized as costs of goods sold were $3,680,695 thousand and $2,597,366 thousand, respectively. For the years ended on December 31, 2022 and 2021, the Company recognized losses of $11,864 thousand and $6,951 thousand, respectively, on the write-down of inventories to net realizable value.
2) As of December 31, 2022 and 2021, none of the Company's inventories were pledged as collateral.22

(6) **Other Financial Assets**

The breakdown of the Company's other financial assets is as follows:

	12/31/2022	12/31/2021
Current:		
Time deposits	$ 7,260	7,226

Please refer to Note 8 for information on pledges of other financial assets of the Company.

(7) Investments Accounted for Using the Equity Method

The Company's investments accounted for using the equity method as of the reporting date are as follows:

	12/31/2022	12/31/2021
Subsidiaries	$ 5,767,229	5,707,177
Associates	2,133,528	1,934,235
	$ 7,900,757	7,641,412

1) Subsidiaries

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

2) Information on associates of significant importance to the Company is as follows

Name of associate	Nature of relationship with the Company	Main business venue/country of incorporation	Percentage of ownership and voting rights	
			12/31/2022	12/31/2021
QNAP Systems, Inc.	Sales of network security monitoring and network storage & communication related products	Taiwan	24.44%	24.43%

The aggregate financial information for associates of significant importance to the Company, which has been adjusted for amounts reported in the associates' financial statements prepared per IFRS standards to reflect the fair-value adjustments made upon the Company's acquisition of equity interest in the associates and the adjustments for differences in accounting policies, is as follows:

Aggregate financial information for QNAP Systems, Inc.

	12/31/2022	12/31/2021
Current assets	$ 2,301,697	3,079,211
Non-current assets	7,663,244	6,892,010
Current liabilities	(1,311,110)	(2,167,235)
Non-current liabilities	(143,519)	(91,188)
Net assets	$ 8,510,312	7,712,798

	2022	2021
Operating revenue	$ 4,926,063	6,112,009
Net income of continuing operations for the period	$ 445,134	1,030,038
Other comprehensive income	631,893	(204,161)
Total comprehensive income	$ 1,077,027	825,877
Total comprehensive income attributable to the Company	$ 268,342	205,459

	2022	2021
Carrying amount of equity held by the Company in the associate, beginning of period	$ 1,879,323	1,782,671
Total comprehensive income attributable to the Company for the period	268,342	205,459
Recognition of Changes in the associate	(134)	(1,872)
Dividends received from the associate during the period	(67,866)	(101,790)
The Company's share of the associate's net assets, end of period	2,079,665	1,884,468
Deduct: Unrealized write-off of sales benefits from side-stream sales transactions	6,440	4,745
Unrealized write-off of sales benefits from counterflow sales transactions	909	400
Carrying amount of equity held by the Company in the associate, end of period	$ 2,072,316	1,879,323

As of December 31, 2022, QNAP Systems, Inc., held 23,963 thousand shares of the Company's stock.

3) The aggregate financial information on associates of individual insignificant relationships with the Company, which has been included in the Company's individual financial statements, is as follows:

	12/31/2022	12/31/2021
Aggregate carrying amount of equity in individual insignificant associates, end of period	$ 61,212	54,912

	2022	2021
Attributable to the Company:		
Net income of continuing operations for the period	$ 6,758	1,155
Other comprehensive income	101	(4)
Total comprehensive income	$ 6,859	1,151
Dividends received by the Company	$ 559	-

4) Collateral

As of December 31, 2022 and 2021, none of the Company's investments accounted for under the equity method was pledged as collateral.

(8) Property, Plant and Equipment

The changes in the cost, depreciation and impairment losses of property, plant and equipment for the years ended on December 31, 2022 and 2021, were as follows:

	Land	Premises & Buildings	Machinery & Equipment	Other Equipment	Total
Cost or deemed cost:					
Balance on 01/01/2022	$ 274,601	297,405	15,780	225,390	813,176
Reclassification of prepayment	2,000	-	-	-	2,000
Additions	-	153	939	27,456	28,548
Disposal	-	-	(1,380)	(2,503)	(3,883)
Balance on 12/31/2022	$ 276,601	297,558	15,339	250,343	839,841
Balance on 01/01/2021	$ 305,492	421,254	14,642	203,065	944,453
Reclassification to investment property	(30,891)	(70,997)	-	-	(101,888)
Additions	-	281	1,568	43,832	45,681
Disposal	-	(53,133)	(430)	(21,507)	(75,070)
Balance on 12/31/2021	$ 274,601	297,405	15,780	225,390	813,176
Depreciation and impairment loss:					
Balance on 01/01/2022	$ -	77,698	10,630	183,907	272,235
Annual depreciation	-	12,263	1,752	24,952	38,967
Disposal	-	-	(918)	(2,503)	(3,421)
Balance on 12/31/2022	$ -	89,961	11,464	206,356	307,781
Balance on 01/01/2021	$ -	134,211	9,227	180,805	324,243
Reclassification to investment property	-	(17,098)	-	-	(17,098)
Annual depreciation	-	13,718	1,794	24,609	40,121
Disposal	-	(53,133)	(391)	(21,507)	(75,031)
Balance on 12/31/2021	$ -	77,698	10,630	183,907	272,235
Carrying amount:					
December 31, 2022	$ 276,601	207,597	3,875	43,987	532,060
January 1, 2021	$ 305,492	287,043	5,415	22,260	620,210
December 31, 2021	$ 274,601	219,707	5,150	41,483	540,941

1) Please refer to Note 6, (19), for the Company's gains or losses on disposal of property, plant and equipment.

2) As of December 31, 2022 and 2021, none of the Company's property, plant or equipment was pledged as collateral.

3) Reclassification to investment property

In October 2021 and November 2021, respectively, the Company leased some of its offices to an associate and reclassified the real property as investment property at the cost of the change of use.

(9) Right-of-Use Assets

The changes in the cost, depreciation and impairment losses of the premises and buildings leased by the Company are as follows:

	Premises and Buildings
Cost of right-of-use assets:	
Balance on January 1, 2022	$ 20,383
Additions	20,383
Reductions	(20,383)
Balance on December 31, 2022	**$ 20,383**
Balance on January 1, 2021	$ 20,383
Balance on December 31, 2021	**$ 20,383**
Depreciation and impairment losses of right-of-use assets:	
Balance on January 1, 2022	$ 17,446
Annual depreciation	6,794
Reductions	(20,383)
Balance on December 31, 2022	**$ 3,857**
Balance on January 1, 2021	$ 10,651
Annual depreciation	6,795
Balance on December 31, 2021	**$ 17,446**
Carrying amount:	
December 31, 2022	**$ 16,526**
January 1, 2021	**$ 9,732**
December 31, 2021	**$ 2,937**

(10) Investment Properties

	Land and Improvements	Premises and Buildings	Total
Cost or deemed cost:			
Balance on January 1, 2022	$ 196,925	266,160	463,085
Balance on December 31, 2022	**$ 196,925**	**266,160**	**463,085**
Balance on January 1, 2021	$ 166,034	195,163	361,197
Transferred from Property, Plant and Equipment	30,891	70,997	101,888
Balance on December 31, 2021	**$ 196,925**	**266,160**	**463,085**
Depreciation and impairment losses:			
Balance on January 1, 2022	$ -	68,163	68,163
Annual depreciation	-	6,228	6,228
Balance on December 31, 2022	**$ -**	**74,391**	**74,391**
Balance on January 1, 2021	$ -	46,124	46,124
Transferred from Property, Plant and Equipment	-	17,098	17,098
Annual depreciation	-	4,941	4,941
Balance on December 31, 2021	**$ -**	**68,163**	**68,163**
Carrying amount:			
December 31, 2022	**$ 196,925**	**191,769**	**388,694**
January 1, 2021	**$ 166,034**	**149,039**	**315,073**
December 31, 2021	**$ 196,925**	**197,997**	**394,922**
Fair value:			
December 31, 2022			**$ 1,275,876**
December 31, 2021			**$ 920,258**

1) The fair value of investment properties is assessed based on the Company's evaluation using the comparative method with reference to information such as real estate agency transaction quotations and the transaction price registry maintained by the Ministry of the Interior. The input values used in the fair value valuation technique are classified as Level 3.
2) In 2021, the Company decided to lease some of its offices to an associate and thus transferred the property from property, plant and equipment to investment properties (please refer to Note 6(8)).
3) As of December 31, 2022 and 2021, none of the Company's investment properties was pledged as collateral.

(11) **Lease Liabilities**

The Company's lease liabilities are as follows:

	12/31/2022	12/31/2021
Current	$ 6,931	3,011
Non-current	$ 10,298	-

Please refer to Note 6 (20) "Financial Instruments", for maturity analysis.

The amounts recognized in profit or loss are as follows:

	2022	2021
Interest expense on lease liabilities	$ 217	123
Expenses relating to short-term leases	$ 850	1,965

The amounts recognized in the Statement of Cash Flows are as follows:

	2022	2021
Total cash outflow for leases	$ 7,232	8,959

Lease of land, premises and buildings

On April 15, 2022, and September 1, 2022, respectively, the Company leased premises and buildings for use as factory for a period of one year with the option to extend, at the end of the lease, for another contractual period identical to that of the original.

(12) **Operating Leases**

The leasing out of investment properties by the Company is classified as operating leases because, as described in Note 6(10), "Investment Properties," it does not transfer nearly all of the risks and rewards associated with the ownership of the subject assets to the lessee.

The maturity analysis of lease payments for accounting of the total undiscounted lease payments to be received in the future is shown in the following table:

	12/31/2022	12/31/2021
Less than one year	$ 10,129	10,268
Total undiscounted lease payments	$ 10,129	10,268

Rental income generated by investment properties amounted to $15,050 thousand and $12,400 thousand for the years ended on December 31, 2022 and 2021, respectively.

(13) **Employee Benefits**

1) Defined benefit plans

A reconciliation of the present value of the Company's defined benefit obligation to the fair value of plan assets is as follows:

	12/312022	12/31/2021
Present value of defined benefit obligation	$ 2,028	35,233
Fair value of plan assets	(10,121)	(44,044)
Net defined benefit liability (assets)	$ (8,093)	(8,811)

The Company's defined benefit plan is contributed to the Bank of Taiwan's Labor Retirement Reserve Fund. The retirement payment for each employee under the Labor Standards Law is calculated based on the base figure obtained from years of service and the average salary for the six months prior to retirement.

a) Plan assets composition

The Company's retirement fund under the Labor Standards Act is managed by the Ministry of Labor, Bureau of Labor Funds. According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," the minimum annual earnings to be distributed from the fund shall not be less than the earnings calculated based on the two-year time deposit rate of the local bank.

As of the date of reporting, the balance in the Company's labor pension reserve funds account in the Bank of Taiwan's was $10,121 thousand. Please visit the Bureau of Labor Funds' website for information on the utilization of the labor retirement fund assets including the fund yield and fund asset allocation.

b) Changes in the present value of the defined benefit obligation

The changes in the present value of the Company's defined benefit obligation for the years ended on December 31, 2022 and 2021 were as follows:

		2022	2021
Defined benefit obligation, January 1	$	35,233	51,001
Service cost and interest for the period		182	267
Remeasurement of net defined benefit liability (assets)			
- Actuarial gains and losses resulting from experiential adjustments		5,341	(14,491)
- Actuarial gains and losses resulting from changes in financial assumptions		(508)	(823)
Plan benefit payments		(38,220)	(721)
Defined benefit obligation, December 31	$	2,028	35,233

c) Changes in the fair value of plan assets

The changes in the current value of the Company's defined benefit plan assets for the years ended on December 31, 2022 and 2021, were as follows

		2022	2021
Fair value of plan assets, January 1	$	(44,044)	(42,966)
Interest income		(230)	(134)
Remeasurement of net defined benefit liability (assets)			
- Return on plan assets (excluding interest for the period)		(3,439)	(685)
Amount contributed to the plan		(628)	(980)
Plan benefit payments		38,220	721
Fair value of plan assets, December 31	$	(10,121)	(44,044)

d) Expenses recognized in profit or loss

For the years ended on December 31, 2022 and 2021, the Company reported the following expenses:

		2022	2021
Service cost for the period	$	-	108
Net interest on net defined benefit liabilities		(48)	24
	$	(48)	132
Operating costs	$	(12)	13
Marketing expenses		(15)	51
Management expenses		(23)	29
Research and development expenses		2	39
	$	(48)	132

e) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

The remeasurement of the net defined benefit liabilities cumulatively recognized by the Company in other comprehensive income was as follows:

		2022	2021
Cumulative balance on January 1	$	(716)	(13,515)
Recognized profit (loss) for the period		(1,115)	12,799
Cumulative balance on December 31	$	(1,831)	(716)

f) Actuarial assumptions

The key actuarial assumptions taken to determine the present value of the Company's defined benefit obligation at the end of the financial reporting period are as follows:

	12/31/2022	12/31/2021
Discount rate	1.7744%	0.5170%
Future salary increase rate	1.25%	1.25%

The Company expects to contribute $86 thousand to the defined benefit plan within one year from the reporting date in 2022.

The weighted-average duration of the defined benefit plan is 22.42 years.

g) Sensitivity analysis

The calculation of the present value of the defined benefit obligation requires the Company to exercise judgment and estimation to determine the pertinent actuarial assumptions on the date of the balance sheet. Subject considered includes discount rates, employee turnover rates and future salary changes. Any changes in actuarial assumptions could materially affect the amount of the Company's defined benefit obligation.

The effect of changes in the key actuarial assumptions as of December 31, 2022 and 2021, on the present value of the defined benefit obligation is as follows:

		Effect on the defined benefit obligation	
		Increase	Decrease
December 31, 2022			
0.5% change in discount rate	$	(209)	237
1% change in future salary increase rate		498	(395)
December 31, 2021			
0.5% change in discount rate		(1,922)	2,085
1% change in future salary increase rate		4,204	(3,648)

The foregoing sensitivity analysis assesses the effect of changes in each individual assumption ceteris paribus. In reality, changes in multiple assumptions may intertwine. The sensitivity analysis is consistent with the methodology used to calculate the net defined benefit liabilities in the balance sheet. The methodology used and assumptions taken in the sensitivity analysis in the current period are the same as those used in the previous period.

2) Defined contribution plans

Pursuant to the Labor Pension Act, the Company contributes 6% of each employee's monthly wages under the defined contribution plan to an individual labor pension account administered by the Bureau of Labor Insurance. Upon contributing the specific amount to the Bureau of Labor Insurance under the plan, Company has no further legal or constructive obligation for any additional payments.

For the years ended on December 31, 2022 and 2021, the Company’s pension expenses under the defined contribution pension plan were $16,084 thousand and $17,191 thousand, respectively, which have been transferred to the Bureau of Labor Insurance.

(14) **Income Tax**

1) The breakdown of the Company’s income tax expenses for the years ended on December 31, 2022 and 2021, is as follows:

		2022	2021
Income tax expenses for the period			
Incurred in current period	$	241,839	44,932
Tax on unappropriated earnings		8,884	26,373
Adjustment for prior periods		(14,308)	(29,290)
		236,415	42,015
Deferred income tax expenses			
Origination/reversal of temporary differences		15,849	69,856
Income tax expenses	$	252,264	111,871

2) A reconciliation of the Company’s income tax expenses to net income before income tax for the years ended on December 31, 2022 and 2021, is as follows:

		2022	2021
Net income before income tax	$	1,744,453	977,816
Income tax based on the Company’s domestic tax rate		348,891	195,563
Tax-exempt income		(396)	(359)
Investment benefits under the equity method		(49,302)	(77,674)
Non-deductible expenses		-	7
Under(over)estimate for prior periods		(14,308)	(29,290)
Tax on unappropriated earnings		8,884	26,373
Tax-deductible offshore income		(41,510)	-
Others		5	(2,749)
	$	252,264	111,871

3) Deferred income tax assets and liabilities

a) Unrecognized deferred income tax assets

The following is not recognized as deferred income tax assets:

	12/31/2022	12/31/2021
Investment deduction	$ 22,893	22,585

Investment tax credits for investments in equipment, technology, research and development, and personnel training are deducted from net income for the current year in accordance with the Statute for Industrial Innovation before income tax is applied. These items are not recognized as deferred income tax assets because there is significant uncertainty in the assessment of the realization of these investment tax credits.

b) Deferred income tax assets and liabilities recognized

The changes in deferred income tax assets and liabilities for the years ended on December 31, 2022 and 2021, were as follows:

Deferred income tax assets:

	Allowance for post-sale service liabilities	Deferred income	Allowance for decline in value of inventory	Others	Total
January 1, 2022	$ 2,651	2,582	9,120	7,801	22,154
(Debit) Credit in income statement	1,042	7,376	2,034	1,755	12,207
December 31, 2022	**$ 3,693**	**9,958**	**11,154**	**9,556**	**34,361**
January 1, 2021	$ 2,796	9,776	8,022	5,818	26,412
(Debit) Credit in income statement	(145)	(7,194)	1,098	1,983	(4,258)
December 31 2021	**$ 2,651**	**2,582**	**9,120**	**7,801**	**22,154**

Deferred income tax liabilities:

	Subsidiaries' undistributed earnings	Defined benefit retirement plan	Others	Total
January 1, 2022	$ 889,750	3,604	-	893,354
(Debit) Credit in income statement	27,719	135	202	28,056
(Debit) Credit in other comprehensive income	-	(279)	-	(279)
December 31, 2022	**$ 917,469**	**3,460**	**202**	**921,131**
January 1, 2021	$ 824,944	234	(622)	824,556
(Debit) Credit in income statement	64,806	170	622	65,598
(Debit) Credit in other comprehensive income	-	3,200	-	3,200
December 31, 2021	**$ 889,750**	**3,604**	**-**	**893,354**

4) The Company's income tax returns have been cleared by the tax authorities through the year ending on December 31, 2020.

(15) **Capital and Other Equity**

As of December 31, 2022 and 2021, the total authorized capital stock of the Company was $3,500,000 thousand, with a par value of $10 per share for 350,000 thousand shares, in which 176,598 thousand shares have been issued. All issued shares were paid up upon issuance.

1) Capital surplus

The Company's capital surplus comprises the following:

	12/31/2022	12/31/2021
Additional paid-in capital	$ 46,223	46,223
From convertible bonds	730,821	730,821
From treasury stock	13,187	13,187
From changes in net equity in affiliates	12,264	12,398
Others	17,942	17,696
	$ 820,437	820,325

2) Retained earnings

Pursuant to the Company's Articles of Incorporation, if there are any profits in the Company's annual final accounts, the Company shall reserve taxes to be paid, offset losses, set aside 10% of the remainder as the legal capital reserve, and set aside or reverse the special reserve as required by law. If there is any remaining balance, the Board of Directors shall prepare a proposal for the distribution of the surplus, together with the accumulated undistributed earnings, and submit it to the shareholders for resolution.

The Company is in a business growth phase. In response to the overall industry environment and for needs in business expansion, the future dividend distribution will be based on mid- to long-term capital budget planning, with the goal of pursuing a balanced dividend policy and stable and sustainable business development. The Board of Directors will consider the past issuance, industry standards and future operating capacity and other factors in formulating a proposal for dividends to shareholders. The total amount of dividends to shareholders shall not exceed 90% of the accumulated earnings available for distribution each year, of which the percentage of cash dividends shall not be less than 5% of the total amount of dividends to shareholders.

a) Legal capital reserve

When it has incurred no loss, the Company may distribute dividends in new shares or cash from the legal capital reserve by resolution at the shareholders' meeting. The distribution is limited to the portion of the reserve in excess of 25 percent of the paid-in capital.

b) Special capital reserve

In accordance with the regulations of the FSC, when it distributes distributable earnings, the Company shall set aside a special capital reserve equivalent to the current period’s net debit balance of the other components of the shareholders’ equity from the current period's profit or loss and the prior period's undistributed earnings. The amount of the debit balance in the other components of the shareholders' equity carried over from the prior period is not distributable from the special capital reserve set aside from the prior period’s undistributed earnings. If there is a reversal of the debit balance in other components of the shareholders' equity subsequently, the amount reversed may be distributed as distributable earnings.

c) Earnings distribution

At the annual shareholders’ meetings on June 14, 2022, and August 6, 2021, the Company resolved the appropriation of earnings for the years ended on December 31, 2021, and December 31, 2020, respectively, and the amounts of dividends distributed to shareholders were as follows:

	2021		2020	
	Per share (NT$)	Total	Per share (NT$)	Total
Dividends to common shareholders:				
Cash Dividends	$ 3.00	529,793	2.00	353,196

On March 10, 2023, the Board of Directors approved the appropriation of earnings for the year ended on December 31, 2022, and the amount of dividends to be distributed to shareholders is as follows

	2022	
	Per share (NT$)	Total
Dividends to common shareholders:		
Cash Dividends	$ 3.50	618,092

3) Other equity (net of tax)

		Exchange differences on translation of financial statements of overseas operations	Unrealized (loss) gain on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2022	$	(513,750)	(174,142)	(687,892)
Exchange differences arising from the translation of net assets of foreign operations		80,917	-	80,917
Unrealized (loss) gain on financial assets at fair value through other comprehensive income		-	(10,114)	(10,114)
Share of unrealized gain or loss on financial assets at fair value through other comprehensive income attributed to affiliates		-	140,853	140,853
Share of exchange differences on translation attributed to affiliates		22,657	-	22,657
Balance, December 31, 2022	$	(410,176)	(43,403)	(453,579)

		Exchange differences on translation of financial statements of overseas operations	Unrealized (loss) gain on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2021	$	(472,411)	(132,077)	(604,488)
Exchange differences arising from the translation of net assets of foreign operations		(33,028)	-	(33,028)
Unrealized (loss) gain on financial assets at fair value through other comprehensive income		-	3,158	3,158
Share of unrealized gain or loss on financial assets at fair value through other comprehensive income attributed to affiliates		-	(45,223)	(45,223)
Share of exchange differences on translation attributed to affiliates		(8,311)	-	(8,311)
Balance, December 31, 2021	$	(513,750)	(174,142)	(687,892)

(16) **Earnings Per Share**

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

		2022	2021
Basic earnings per share (NT$)			
Net income attributable to holders of the Company's common stock	$	1,492,189	865,945
Weighted-average number of outstanding common shares (in thousands)		176,598	176,598
	$	8.45	4.90
Diluted earnings per share (NT$)			
Net income attributable to holders of the Company's common stock (after adjusting for the effects of dilutive potential ordinary shares)	$	1,492,189	865,945
Weighted-average number of outstanding common shares (in thousands)		176,598	176,598
Effect of dilutive potential ordinary shares			
Effect of stock-based employee compensation		1,557	1,584
Weighted-average number of outstanding common shares (after adjusting for the effects of dilutive potential ordinary shares) (in thousands)		178,155	178,182
	$	8.38	4.86

(17) **Revenue from Contracts with Customers**

1) Revenue sources

	2022	2021
Major markets:		
Domestic	$ 586,455	636,162
America	2,457,312	1,198,240
Europe	848,909	696,442
Asia	1,303,652	882,806
Others	42,478	38,258
	$ 5,238,806	3,451,908

2) Contract balances

	12/31/2022	12/31/2021	01/01/2021
Notes and Accounts Receivable	$ 427,715	380,402	363,033
Less: loss allowance	(14,443)	(1)	(628)
Total	$ 413,272	380,401	362,405
Contract liabilities – prepayment received	$ 184,035	256,487	162,757

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

The opening balances of contract liabilities as of January 1, 2022 and 2021, were recognized as income in the amounts of $256,487 and $162,757, respectively, for the years ended on December 31, 2022 and 2021.

(18) **Remuneration for employees, directors and supervisors**

Pursuant to the Company's Articles of Incorporation, 5% to 20% of the annual profit shall be appropriated as compensation to employees and up to 3% as compensation to directors and supervisors. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The aforementioned employees' remuneration includes that of the employees of the Company’s subsidiaries which meet the predefined criteria.

For the years ended on December 31, 2022 and 2021, the estimated amount of employee compensation was $91,976 thousand and $62,016 thousand, respectively, and the estimated amount of director compensation was $3,300 thousand for each year. The estimated amounts were based on the Company's pre-tax net income for the respective periods, before deducting employee and director compensations, multiplied by the distribution percentages of employee and director compensations as prescribed in the Company's Articles of Incorporation, and reported as operating costs or operating expenses for the years ended on December 31, 2022 and 2021. If the amounts actually distributed differ from the estimated amounts in the ensuing year, the differences are deemed as changes in accounting estimate and recognized in profit or loss for the that year.

For the years ended on December 31, 2021 and 2020, the amount of employee compensation was $62,016 thousand and $72,739 thousand, respectively, and the amount of director or supervisor compensation was $3,300 thousand for each year, which did not differ from the actual distribution. Please visit the Market Observation Post System for relevant information.

(19) **Non-operating Income and Expenses**

1) Interest income

The Company’s interest income for the years ended on December 31, 2022 and 2021, were as follows:

	2022	2021
Interest income from bank deposits	$ 11,027	282
Other interest	-	-
	$ 11,027	282

2) Other income

The Company’s other income for the years ended on December 31, 2022 and 2021, were as follows:

	2022	2021
Rental income	$ 15,010	12,400
Dividends	647	1,581
Others	60,220	48,946
Total	$ 75,877	62,927

3) Other gains and losses

The Company's other gains and losses for the years ended on December 2022 and 2021, were as follows:

	2022	2021
Foreign exchange gains (losses)	$ 73,069	(2,958)
Net gains on financial assets at fair value through profit or loss	1,335	216
Gain on disposal of property, plant and equipment	1,384	386
Others	(7,047)	(4,989)
Total	$ 68,741	(7,345)

4) Financial costs

The Company's financial costs for the years ended on December 31, 2022 and 2021, were as follows:

	2022	2021
Interest expenses		
Other financial costs	$ 218	126

(20) **Financial Instruments**

1) Credit risk

a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount of credit risk.

b) Credit risk concentration

Because the Company sells globally, it does not have significant concentration of transactions with a single customer and has scattered sales regions, so there is no obvious concentration of credit risk on accounts receivable. It is the Company's policy to transact with creditworthy counterparties and to continue to monitor credit risk exposure and the credit ratings of the counterparties.

c) Credit risk with accounts receivable

Please refer to Note 6(4), for information on the credit risk exposure concerning notes and accounts receivable.

Other financial assets measured at amortized cost include other receivables and other financial assets, among others. Please refer to Note 6(6), for information on relevant investments. All of these financial assts carry low credit risk, and, therefore, the allowance for loss is measured at the amount of expected credit loss for the 12-month period. The Company's time deposit institutions and trading and contractual counterparties are considered to have low credit risk because they are financial institutions with investment grade or above.

2) Liquidity risk

The following table shows the contract maturities for financial liabilities, including estimated interest but excluding the effect of netting agreements:

	Carrying amount	Contract cash flow	Within 6 months	6-12 months	1-2 years	2-5 years
December 31, 2022						
Non-derivative financial liabilities						
Non-interest-bearing liabilities (including related parties)	$ 1,093,648	1,093,648	1,001,672	91,976	-	-
Lease liabilities	17,229	17,595	4,080	3,497	6,994	3,024
	$ 1,110,877	1,111,243	1,005,752	95,473	6,994	3,024
December 31, 2021						
Non-derivative financial liabilities						
Non-interest-bearing liabilities (including related parties)	$ 840,468	840,468	840,468	-	-	-
Lease liabilities	3,011	3,024	2,587	437	-	-
	$ 843,479	843,492	843,055	437	-	-

The Company does not expect the timing of the cash flows in the maturity analysis to be significantly earlier or the actual amounts to be significantly different

3) Exchange rate risk

a) Exchange rate risk exposure

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

	12/31/2022			12/31/2021		
	Foreign currency	**Exchange Rate**	**NTD**	**Foreign currency**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
USD : NTD	$ 57,706	30.710	1,772,158	38,977	27.680	1,078,893
Financial liabilities						
Monetary items						
USD : NTD	23,410	30.710	718,933	19,375	27.680	536,292

b) Sensitivity Analysis

The exchange rate risk for the Company's monetary items arises primarily from foreign currency denominated cash and cash equivalents, accounts receivable and other receivables, accounts payable and other payables, which generate foreign exchange grains or losses when translated. As of December 31, 2022 and 2021, if NTD had weakened or strengthened by 5% against the U.S. dollar, with all other factors held constant and the same assumption applied to both periods, net income would have decreased or increased by $42,129 thousand and $21,704 thousand, respectively, for the years ended on December 31, 2022 and 2021.

c) Exchange gains or losses on monetary items

As there is a variety of functional currencies within the Company, information on the foreign currency exchange gains or losses on monetary items is disclosed here in the aggregate. The realized and unrealized foreign exchange gains or losses (in parentheses) are $73,069 thousand and ($2,958) thousand, respectively, for the years ended on December 31, 2022 and 2021.

4) Interest rate risk

The Company's interest rate risk exposure of financial assets and financial liabilities is duscussed in the foregoing Liquidity Risk section in this note.

The flunctuation rate used in internal reporting of interest rates to the Company’s key management is a five basis point in increase or decrease, which also represents management's expectation of the reasonably possible fluctuation in interest rates

If interest rates had increased or decreased by 5 basis points, with all other factors held constant, the Company's net income would have decreased or increased by $84 thousand and $168 thousand for the years ended on December 31, 2022 and 2021, respectively.

5) Other price risk

The effects on comprehensive income of changes in commodity prices or equity securities prices, with all other factors held constant, as of the reporting dates for the following periods, which are analyzed on the same basis for both periods, are as follows

	2022		2021	
Securities prices as of reporting date	**Other comprehensive income, after tax**	**Net income**	**Other comprehensive income, after tax**	**Net income**
Increase 5%	$ 1,601	19,050	1,832	-
Decrease 5%	$ (1,601)	(19,050)	(1,832)	-

6) Fair value analysis

a) Types of financial intruments and fair values

The Company's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The carrying amounts and fair values, including fair value hierarchy information, of different types of financial assets and financial liabilities are presented as follows (the carrying amount of a financial instrument not carried at fair value is a reasonable approximation of fair value, and the disclosure of fair value information on lease liabilities is not required under the regulations):

	12/31/2022				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Fund beneficiary certificate	$ 381,000	381,000	-	-	381,000
Financail assets at fair value through other comprehensive income					
Domestic unlisted stocks	$ 32,025	-	-	32,025	32,025
Financial assets at amortized cost					
Cash and cash equivalents	$ 1,255,603	-	-	-	-
Notes and accounts receivables (including related parties)	670,879	-	-	-	-
Other receivables - related parties	11,694	-	-	-	-
Other financial assets	7,260	-	-	-	-
Total	1,945,436	-	-	-	-
Finanacial liabilities at amortized cost					
Notes and accounts receivables (including related parties)	$ 817,395	-	-	-	-
Other receivables - related parties	276,253	-	-	-	-
Lease liabilities	17,229	-	-	-	-
Total	1,110,877	-	-	-	-

	12/31/2021				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financail assets at fair value through other comprehensive income					
Domestic listed stocks	$ 2,595	2,595	-	-	2,595
Domestic unlisted stocks	34,044	-	-	34,044	34,044
Total	36,639	2,595	-	34,044	36,639
Financial assets at amortized cost					
Cash and cash equivalents	$ 697,147	-	-	-	-
Notes and accounts receivables (including related parties)	538,869	-	-	-	-
Other receivables - related parties	12,844	-	-	-	-
Other financial assets	7,226	-	-	-	-
Total	1,256,086	-	-	-	-
Finanacial liabilities at amortized cost					
Notes and accounts receivables (including related parties)	$ 596,890	-	-	-	-
Other receivables - related parties	243,578	-	-	-	-
Lease liabilities	3,011	-	-	-	-
Total	843,479	-	-	-	-

b) Fair value valuation techniques for financial instruments not carried at fair value

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

A) Financial assets measured at amortised cost and financial liabilities measured at amortised cost

If information on relevant transactions or quotations from the market maker is available, the most recent transaction price and quotation information will be used as the basis for assessing the fair value. If market values are not available, the valuation techniques will be used, i.e., to assess the fair value using the valuation method and assumptive discounted cash flow for estimation.

c) Fair value valuation techniques for financial instruments carried at fair value

A) Non-dirivative financial instruments

If there is a public quotation on a financial instrument in the active market, the fair value of the instrument will be based on the quotation. The fair values of listed equity instruments and of debt instruments with quotations in the active market are based on the market prices announced by the major exchanges and, for instruments that are deemed popular, by the government bond OTC trading locations.

A financial instrument has a public quotation in the active market if quotations can be obtained, timely and routinely, from exchanges, brokers, underwriters, industry associations, pricing services or the competent authority and if the price represents those of actual and normal fair market transactions. If the aforementioned conditions are not met, the market is considered inactive. Generally, a large bid-ask spread, a significant increase in the bid-ask spread, or a low volume of transactions are all indicators of an inactive market.

Except the aforementioned financial instruments with quotes in active markets, the fair values of all other financial instruments are obtain ed using the valuation techniques or by reference to quoted prices from counterparties. The fair value obtained through the valuation techniques may be determined by reference to the current fair values of other financial instruments with similar substantive conditions and characteristics, or using the discounted cash flow method, or using other valuation techniques, including computation using models built on market information available as of the date of the consolidated balance sheet.

d) Transfer between Level 1 and Level 2: None.

e) Table of changes in Level 3

	At fair value through other comprehensive income Financial instruments without public quotation
January 1, 2022	$ 34,044
Total gains or losses	
Recognized in other comprehensive income	(10,114)
Reclassification	2,595
Purchase	6,000
Cash capital reduction	(500)
December 31, 2022	$ 32,025
January 1, 2021	$ 35,033
Total profit or loss	
Recognized in other comprehensive income	1,711
Cash capital reduction	(2,700)
December 31, 2021	$ 34,044

The foregoing total gains or losses was reported in "unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income." Of these, the following related to the assets owned as of December 31, 2022 and 2021:

	2022	2021
Total gains or losses		
Recognized in other comprehensive income (reported in “Unrealized valuation gains (losses) on fanacial assets at fair value through other comprehensive income)”)	$ (10,114)	1,711

f) Quantitative information on fair value measurements of significant unobservable input (Level 3)

The Company's fair value measurements classified as Level 3 apply primarily to financial assets measured at fair value through other comprehensive income - equity securities investments.

The majority of the Company's fair values that are classified as Level 3 have only one single significant unobservable input, and only investments in equity instruments without an active market have multiple significant unobservable inputs. Significant unobservable inputs to investments in equity instruments with no active market are not correlated with one another as they are independent of any other.

The quantitative information of significant unobservable input values is listed below:

Assets	Valuation technique	Significant unobservable input	Relationship between signification unobservable input and fair value
Financial assets at fair value through other comprehensive income - investments in equity instruments with no active market	Discounted cash flow Approach Asset Approach Market Approach-valuation multiples of comparable listed company	• Weighted average capital cost (7.50%~13.16% for both years) • Lack of market liquidity discount (20% for both years) • Minority interest discount (18.57%~21.30% for both years) • Price-Book ratio (1.38~ 1.74 for both years) • Price to Sales ratio (1.08~1.71 for both years)	· The higher the weighted average capital cost, minority interest discount and deficient liquidity discount, the lower the fair value. · The lower the multiplier, the lower the fair value

g) Analysis of sensitivity of fair values to reasonably possible alternatives for Level 3 fair value measurement

The Company's fair value measurements of financial instruments may differ if different valuation models or valuation parameters are used.

(21) **Financial Risk Management**

1) Overview

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

a) Credit risk

b) Liqiudity risk

c) Market risk

This Note presents information on the Company's exposure to each of the risks in the above and the Company's objectives, policies and procedures for measuring and managing the risks. For further quantitative disclosures, please refer to the respective notes to the individual financial statements.

2) Risk management framework

The Board is fully responsible for and oversees the risk management of the Company. The Board is responsible for and controls the Company's risk management policies and reports regularly to the directors on its operations.

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

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the Company's risk management framework with respect to the risks it faces. Internal auditorial personnel assists the Company's Audit Committee in its oversight role. Said personnel conduct regular and non-regular reviews of risk management controls and procedures and report the results of these reviews to management.

3) Credit risk

Credit risk is the risk of financial loss arising from the failure of the Company's customers or financial instrument counter-parties to meet their contractual obligations. It is inherent primarily in the Company's accounts receivable from customers and bank deposits.

a) Accoutns receivable and other receivables

It is the Company's policy to transact only with reputable or long-standing counterparties and with businesses that are rated as investment grade or above based on information provided by independent rating agencies. If rating information is not available, the Company will use other publicly available financial information and transaction records to rate key customers. The Company monitors credit risk exposures and counterparty credit ratings on an ongoing basis, and it disperses the total transaction volumn over customers with qualified credit ratings and controls exposures to credit risk by reviewing counterparty credit limits annually.

b) Investments

The credit risk in bank deposits, fixed-income investments and other financial instruments is measured and monitored by the Company's finance department. The Company's transactional and contractual counter-parties are financial institutions, corporate organizations and government agencies with outstanding credit ratings so as to cast no significant doubt about their performance and, thus, to give rise to no significant credit risk.

c) Guarantee

The Company had not provide any endorsement or guarantee as of December 31, 2022 and 2021.

4) Liquidity risk

The Company manages and maintains sufficient amounts of cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. All of he non-dirivative financial intruments for which the Company has definitive repayment dates are financial liabilities due in one year (including mostly short-term borrowings, notes and accounts payables, accounts payable – related parties, other payables and other payables – related parties). At current, the Company has sufficient capital and working capital to meet all of its contractual obligations and, thus, is not exposed to liquidity risk which might arise from its inability to raise capital to meet contractual obligations. As of December 31, 2022 and 2021, the Company had unused financing facilities of $500,000 thousand and $300,000 thousand, respectively.

5) Market risk

Market risk is the risk that subjects the Group's earnings or the values of the financial intruments it holds to the influence of changes in the market price, such as changes in exchange rates, interest rates or prices of equity intruments. The objective of market risk management is to control the degree of exposure to market risk within acceptable levels and to optimize investment returns. The Company's market risk management practices are as follows:

a) Exchange rate risk

The Company is exposed to exchange rate risk in the sales, purchase and borrowing transactions that are not denominated in a functional currency. The principal currencies in which these transactions are denominated are NTD and the U.S. dollar.

When there is a short-term imbalance in a monetary asset or liability denominated in one of the other foreign currencies, the Company purchases or sells the foreign currency at the prevailing exchange rate to ensure that the net risk exposure is maintained at an acceptable level.

b) Interest rate risk

The Company's policy is to adopt a fixed interest rate for time deposit. Considering that market interest rates at present are relatively low, the Company has not entered into any interest rate swap contracts. However, it may consider using interest rate swap to reduce risk should the interest rates rise.

c) Other market risk

The Company is exposed to equity price risk due to its investments in listed equity securities. The equity investments are not held for trading and are for strategic porposes. The Company does not actively trade these investments, and its management manages the risk by maintaining a investment portfolio with different risks.

(22) **Capital Management**

The Company's objectives in capital management are to ensure the ability to continue as a going concern in order to continue to provide compensations to shareholders and profits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Company may maintain or adjust its capital structure by adjusting the dividends paid to shareholders, reducing capital with refunds to shareholders, or issuing new shares.

As standard practice in the industry, the Company bases its capital control on the liability to capital ratio. This ratio is calculated by dividing net liability by total capital. Net liability is total liabilities as shown in the balance sheet less cash and cash equivalents. Total capital is the sum of all components of equity (i.e., capital stock, capital surplus, retained earnings and other equity) plus net debt.

The Company's capital management strategy was consistent through the years ended on December 31, 2022 and 2021. The liability-to-capital ratio as of December 31, 2022 and 2021 were as follows:

	12/31/2022	12/31/2021
Total liabilities	$ 2,617,637	2,173,425
Less: cash and cash equivalents	(1,255,603)	(697,147)
Net liability	$ 1,362,034	1,476,278
Total equity	$ 9,232,083	8,036,377
Liability to capital ratio	14.75%	18.37%

7. RELATED PARTY TRANSACTIONS

(1) Related Party Names and Categories

The related parties who had transactions with the Company's subsidiaries and those others with whom the Company had transactions during the period covered by the within individual financial statement were as follows:

Related Party Name	Relationship
BriteMED Technology Inc.	Subsidiary
IEI Halza Health Intelligence Corp.	Subsidiary
Armorlink SH Corp.	Subsidiary
Ailean Technologies Corp.	Subsidiary
ASH ENERGY GROUP LIMITED	Subsidiary
IEI Technology (Shanghai)Co., Ltd.	Subsidiary
Weibotong Technology (Shanghai) Co., Ltd.	Subsidiary
ICP Electronics Limited	Subsidiary
Internet Application Technology Ltd.	Subsidiary
Fortunetec International Corp.	Subsidiary
Rich Excel Corporation Holdings Limited	Subsidiary
IEI Technology USA Corporation	Subsidiary
Equilico Inc.	Subsidiary
Potency Inc.	Subsidiary
Suntend LLC	Subsidiary
QNAP Systems, Inc.	Associate
Oring Industrial Networking Corp.	Associate
Genevisio Co., Ltd.	Associate
Anewtech Systems Pte Ltd.	Associate
Acquire System Inc.	Associate
QNAP Inc. (USA)	Associate
QNAP Inc. (Canada)	Associate
QNAP Co., Ltd. (Japan)	Associate
QNAP GmbH	Associate
QNAP UK Limited	Associate
QNAP HK Limited	Associate

(2) Significant Transactions with Related Parties

1) Operating revenue

The Company's significant sales to related parties were as follows:

	2022	2021
Subsidiary – IEI Technology USA Corporation	$ 1,563,419	409,353
Subsidiaries	284,995	291,563
Associates	54,820	31,963
	$ 1,903,234	732,879

The terms of sales to subsidiaries and affiliates were not significantly different from the normal sales prices. The collection period with related parties was 30 to 90 days from month to month.

2) Purchases

The Company's purchases from related parties were as follows:

	2022	2021
Armorlink SH Corp.	$ 2,258,426	1,637,560
Subsidiaries	139	700
Associates	101,168	198,182
	$ 2,359,733	1,836,442

The purchase prices that the Company paid to the associates were not significantly different from that paid to other vendors in general.

3) Receivables and payables

The Company’s receivables from, and payables to, related parties were as follows:

Account Item	Relationship	12/31/2022	12/31/2021
Receivable	Subsidiary – IEI Technology USA Corporation	$ 205,839	122,420
Receivable	Subsidiary – BriteMED Technology Inc.	43,483	30,259
Receivable	Associates	8,285	5,789
		$ 257,607	158,468
Other receivable	Subsidiary – Armorlink SH Corp.	$ 9,837	10,573
Other receivable	Subsidiaries	800	1,093
Other receivable	Associates	1,057	1,178
		$ 11,694	12,844
Payable	Subsidiary – Armorlink SH Corp.	$ (364,068)	(399,595)
Payable	Subsidiaries	(87)	(166)
Payable	Associates	(18,025)	(15,215)
		$ (382,180)	(414,976)
Other payable	Subsidiaries	$ (4,627)	(1,789)
Other payable	Associates – QNAP Systems, Inc.	(11,690)	(2,141)
Other payable	Associates	(159)	(316)
		$ (16,476)	(4,246)

As of December 31, 2022 and 2021, none of the Company’s accounts receivable or other receivables from related parties was overdue, and it did not expect any credit losses.

4) Prepayments

The Company's prepayments to related parties, recorded as other current assets, were as follows:

	12/31/2022	12/31/2021
Subsidiary – Armorlink SH Corp.	$ 18,239	20,553

5) Contractual liabilities

The Company's contractual liabilities to related parties were as follows

	12/31/2022	12/31/2021
Subsidiary – IEI Technology USA Corporation	$ 20,438	9,535
Associates	6,663	-
	$ 27,101	9,535

6) Property transactions

a) Acquisition of property, plant and equipment

The acquisition prices of the property, plant and equipment of the Company from related parties are summarized as follows:

	2022	2021
Subsidiary – IEI Technology USA Corporation	$ -	130

b) Disposal of property, plant and equipment

The disposal prices of the property, plant and equipment of the Company to related parties are summarized as follows:

	2022	2021
Associate – QNAP Systems, Inc.	$ -	50

7) Lease

a) Lessees

Item	Relationship	2022	2021
Lease income	Subsidiary – BriteMED Technology Inc.	$ 5,771	3,257
Lease income	Subsidiaries	123	211
Lease income	Associate – QNAP Systems, Inc.	8,023	6,480
Lease income	Associates	493	-
		$ 14,410	9,948

b) Lessors

In April and September, 2022, the Company leased a factory from related party – QNAP Systems, Inc. and entered into a lease agreement upon referencing the rental quotes in the geographic area. At the time of acquisition, a right-to-use asset and a lease liability, of $20,383 thousand each, were recognized. Interest expenses of $217 thousand and $123 thousand were recognized in the years ended on December 31, 2022 and 2021, respectively, and the balance of lease liabilities were $17,229 thousand and $3,011 thousand as of December 31, 2022 and 2021, respectively.

8) Other transactions

Account Item	Relationship	2022	2021
Other income	Subsidiary – Armorlink SH Corp.	$ 9,874	10,600
Other income	Subsidiaries	5,465	5,539
Other income	Associate – QNAP Systems, Inc.	12,021	11,592
Other income	Associates	2,852	2,836
Manufacturing and operating expenses	Subsidiaries	(20,016)	(5,105)
Manufacturing and operating expenses	Associates	(35,982)	(15,392)
		$ (25,786)	10,070

(3) **Key Management Personnel**

Remuneration of key management personnel included:

	2022	2021
Short-term employee benefits	$ 34,542	34,445
Post-employment benefits	729	788
	$ 35,271	35,233

8. PLEDGED ASSETS

The carrying values of the assets pledged by the Company were as follows:

Asset name	Collateral Pledged for	12/31/2022	12/31/2021
Other financial assets – current	Tax payable for release-first-tax-later imported goods	$ 7,260	7,226

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS: NONE.

10. LOSS DUE TO MAJOR DISASTER: NONE.

11. SIGNIFICANT POST-PERIOD EVENTS: NONE.

12. OTHER MATTERS

The employee benefits, depreciation, depletion and amortization expenses are summarized by function as follows:

Function / Nature	2022 Cost of sale	2022 Operating expenses	2022 Total	2021 Cost of sale	2021 Operating expenses	2021 Total
Employee benefit expense						
Salaries and Wages	24,399	390,678	415,077	21,870	411,374	433,244
Labor and Health Insurance	2,246	28,389	30,635	1,961	30,532	32,493
Pension	954	15,082	16,036	818	16,505	17,323
Directors' remuneration	-	3,300	3,300	-	3,300	3,300
Other employee benefits	693	10,361	11,054	583	11,242	11,825
Depreciation	9,408	36,353	45,761	9,885	37,031	46,916
Amortization	-	19,069	19,069	-	17,264	17,264

The depreciation expense in the above does not include the amount of depreciation of investment properties, which is recorded as non-operating expenses in the amounts as follows:

	2022	2021
Depreciation of investment properties	$ 6,228	4,941

The Company′s number of employees and additional information on employee benefit expense for the years ended on December 31, 2022 and 2021, were as follows:

	2022	2021
Number of employees	371	404
Number of non-employee directors	6	6
Average employee benefit expense	$ 1,295	1,243
Average employee salaries and wages	$ 1,137	1,089
Adjustments to average employee salaries and wages	4.41%	20.33%
Supervisor remuneration	$ -	-

Information on the Company's employee compensation policy, applicable to directors, manages and employees, is provided as follows:

(1) **Directors**

Remuneration for directors, including independent directors, is provided at the rate pursuant to the Company's Articles of Incorporation and is paid annually. The compensation to directors for carrying out businesses is adjusted according to the degree of participation and value contributed by individual directors.

(2) **Managers and Employees**

1) According to the "Remuneration Committee Policy and Procedures", the Remuneration Committee of the Company establishes and regularly reviews the policies, systems, standards and structure concerning the compensation of its directors and managers, ensuring the compensations are consistent with industry norms.

2) When the Company is profitable it shall provide compensation to the employees at the rate as set forth in its Article of Incorporation.

3) The Company has established a "Wage Management System" which specifies the recurring salary structure for employees to be the basis for employee salaries. In addition, dependent on its operating performance and profit making, the Company distributes year-end bonuses calculated according to the performance of individual departments and employees. It also has established a salary adjustment mechanism based on such performance to provide employees with adequate salaries and benefits.

13. ADDITIONAL DISCLOSURE

(1) **Material Transactions**

Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company should disclose information regarding material transactions for the year ended on December 31, 2022, as follows:

1) Loans to other parties

In thousands of NTD

No. (Note 1)	Name of lender	Name of borrower	Account Item	Related party	Maximum balance for the period (Note 2)	Ending balance (Note 2)	Amount actually drawn in the period (Note 2)	Interest rate	Nature for financing	Transaction amount for business	Reason for financing	Allowance for loss	Collateral		Financing limit for each borrowing company (Note 3)	Total financing limit (Note 1)
													Item	Value		
1	Armorlink SH Corp.	Ailean Technologies Corp.	Other receivables – related party	Yes	21,644	-	-	-	Short-term financial assistance	-	Operating capital	-	None	-	411,682	411,682

Note 1: Items are ordered as follows:
1. 0 for issuer.
2. The investee companies are numbered individually in order, starting with the Arabic number 1.

Note 2: The amounts are calculated based on the exchange rate of RMB$1 = NTD$4.4094 at the end of December 2022.

Note 3: The financing limit for each borrowing company and total financing limit amount are limited to 40% of the lending company's net worth as in its most recent financial statements as of December 31, 2022.

Note 4: The above-listed transaction has been offset in preparing the Group's consolidated financial statements.

2) Endorsements and guarantees: None.

3) Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures:

In thousands of NTD

Holder name	Marketable Securities type and name (Note 1)	Relationship with the issuer	Account Item	End of period				Maximum percentage of ownership held during the period	Note
				Shares/units in thousands	Carrying value	Percentage of ownership	Fair value		
IEI Integration Corp.	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	15,722	200,391	- %	200,391	- %	
IEI Integration Corp.	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	11,984	180,609	- %	180,609	- %	
IEI Integration Corp.	Hundure Technology Co. Ltd.	-	Financial assets at fair value through other comprehensive income or loss - non-current	497	2,380	4.78 %	2,380	4.78 %	

Holder name	Marketable Securities type and name (Note 1)	Relationship with the issuer	Account Item	End of period				Maximum percentage of ownership held during the period	Note
				Shares/units in thousands	Carrying value	Percentage of ownership	Fair value		
IEI Integration Corp.	Hua Da Venture Capital Corp.	-	Financial assets at fair value through other comprehensive income or loss - non-current	500	3,382	10.00 %	3,382	10.00 %	
IEI Integration Corp.	Anteya Technology Corp.	-	Financial assets at fair value through other comprehensive income or loss - non-current	500	-	5.26 %	-	5.26 %	
IEI Integration Corp.	Genesis Photonics Inc.	-	Financial assets at fair value through other comprehensive income or loss - non-current	309	-	0.41 %	-	0.41 %	
IEI Integration Corp.	Castec International Corp.	-	Financial assets at fair value through other comprehensive income or loss - non-current	2,400	26,263	6.60 %	26,263	6.60 %	

Note 1: "Marketable Securities" in this table refers to stocks, bonds, beneficiary certificates and other marketable securities derived from the aforementioned items that fall within the scope of IFRS 9, "Financial Instruments".

4) The cumulative amount of acquisition or disposal of the same marketable securities that exceeded $300 million or 20% of the paid-in capital.

In thousands of NTD

Company name	Marketable security Type and Name	Account	Counterparty	Relationship	Beginning balance		Acquisition		Disposal				Ending balance	
					Shares/units (in thousands)	Amount	Shares/units (in thousands)	Amount	Shares/units (in thousands)	Amount	Carrying value	Gain/loss on disposal	Shares/units in thousands	Amount
IEI Integration Corp	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	38,577	490,0	22,855	290,335	290,000	335	15,722	200,391

Note: Amount at end of period includes valuation gains or losses of $391 thousand.

5) Acquisition of real properties in an amount that exceeded $300 million or 20% of the paid-in capital: None.

6) Disposal of real properties in an amount that exceeded $300 million or 20% of the paid-in capital: None.

7) Total purchase from or sales to related parties in an amount that exceeded $100 million or 20% of the paid-in capital:

In thousands of NTD

Company name	Related party	Relationship	Transaction detail				Abnormal transaction		Notes/accounts receivable or payable		Note
			Purchase/ sales	Amount	Percentage to total	Payment terms	Unit price	Payment terms	Ending balance	Percentage to total	
IEI Integration Corp.	BriteMED Technology Inc.	Subsidiary	Sales	(284,995)	(5.44) %	90 days	-	-	43,483	6.48%	
BriteMED Technology Inc.	IEI Integration Corp.	Ultimate parent company	Purchase	284,995	70.17 %	90 days	-	-	(43,483)	(54.90)%	
IEI Integration Corp.	IEI Technology USA Corporation	Subsidiary	Sales	(1,563,419)	(29.84) %	60 days	-	-	205,838	30.68%	
IEI Technology USA Corporation	IEI Integration Corp.	Ultimate parent company	Purchase	1,563,419	93.03 %	60 days	-	-	(205,838)	(91.91)%	
Armorlink SH Corp.	IEI Integration Corp.	Ultimate parent company	Sales	(2,258,426)	(53.64) %	60 days	-	-	364,068	43.09%	
IEI Integration Corp.	Armorlink SH Corp.	Subsidiary	Purchase	2,258,426	57.62 %	60 days	-	-	(364,068)	(44.54)%	
Armorlink SH Corp.	IEI Technology (Shanghai) CO., Ltd.	Subsidiary	Sales	(1,256,433)	(29.84) %	60 days	-	-	343,673	40.68%	
IEI Technology (Shanghai) CO., Ltd.	Armorlink SH Corp.	Subsidiary	Purchase	1,256,433	97.01 %	60 days	-	-	(343,673)	(78.72)%	
Armorlink SH Corp.	Weibotong Technology (Shanghai) Co., Ltd.	Subsidiary	Sales	(431,630)	(10.25) %	60 days	-	-	120,441	14.26%	
Weibotong Technology (Shanghai) Co., Ltd.	Armorlink SH Corp.	Parent company	Purchase	431,630	100.00 %	60 days	-	-	(120,441)	(99.99)%	
QNAP Systems, Inc.	Armorlink SH Corp.	Associate	Sales	(195,094)	(3.96) %	60 days			84,764	9.99%	
Armorlink SH Corp.	QNAP Systems, Inc.	Associate	Purchase	195,094	6.59 %	60 days			(84,764)	(10.68)%	
Xingwei Computer (Kunshan) Co. Ltd.	Armorlink SH Corp.	Associate	Sales	(164,782)	(41.02) %	30 days			39,355	33.79%	
Armorlink SH Corp.	Xingwei Computer (Kunshan) Co. Ltd.	Associate	Purchase	164,782	5.57 %	30 days			(39,355)	(4.96)%	

8) Accounts receivable from related parties in an amount that exceeded $100 million or 20% of paid-in capital:

In thousands of NTD

Company name	Related party	Relationship	Ending balance	(Note 2) Turnover rate	Overdue		Amount received In subsequent period	Allowance for loss
					Amount	Action taken		
IEI Integration Corp.	IEI Technology USA Corporation	Subsidiary	206,524	9.53	-		206,524	-
Armorlink SH Corp.	IEI Integration Corp.	Ultimate parent company	364,068	5.91	-		335,822	-
Armorlink SH Corp.	IEI Technology (Shanghai) CO., Ltd.	Subsidiary	343,673	4.25	-		190,266	-
Armorlink SH Corp.	Ailean Technologies Corp.	Subsidiary	735,449	25.57	-		804	-
Armorlink SH Corp.	Weibotong Technology (Shanghai) Co., Ltd.	Subsidiary	120,441	5.51	-		88,188	-
IEI Technology USA Corporation	QNAP Inc. (USA)	Associate	150,386	1.52	-		150,386	-
Fortunetec Internatinoal Corp.	Armorlink SH Corp.	Subsidiary	2,259,415	-	-		-	-

Note 1: Parent-subsidiary transaction has been offset in preparing the consolidated financial statements.
Note 2: The turnover calculation did not include other receivables.

9) Transactions involving derivative financial instruments: None.

(2) **Investments**

Information on the Company's investees for the year ended on December 31, 2022, was as follows (excluding investees located in mainland China):

In thousands of NTD

Investor company	Investee company	Location	Main business and products	Original investment amount (Note 1) December 31, 2022	Original investment amount (Note 1) December 31, 2021	Balance as of December 31, 2022 (Note 1) Shares (in thousands)	Balance as of December 31, 2022 (Note 1) Percentage of ownership	Balance as of December 31, 2022 (Note 1) Carrying value	Maximum percentage of shares held during the period	Net income (loss) of Investee company	Share of investee's profit or loss (Note 2)	Note
IEI Integration Corp.	ICP Electronics Limited	Samoan Islands	Holding company and sales of computers and related products	219,313	397,213	5,000	100.00%	4,368,724	100.00%	472,177	463,080	Subsidiary
IEI Integration Corp.	QNAP Systems, Inc.	Taiwan	Sales of network security monitoring and network storage and communication related products	584,106	584,106	33,930	24.44%	2,072,316	24.44%	445,134	106,573	Investment using the equity method
IEI Integration Corp.	Internet Application Technology Ltd.	Samoan Islands	Holding company and sales of computer and related products	375,897	375,897	11,853	100.00%	1,123,413	100.00%	90,613	90,613	Subsidiary
IEI Integration Corp.	BriteMED Technology Inc.	Taiwan	Manufacturing and sales of electronic components	80,000	80,000	8,000	100.00%	274,828	100.00%	134,226	134,226	Subsidiary
IEI Integration Corp.	Oring Industrial Networking Corp.	Taiwan	Sales of products related to network storage and communication and electronic materials	30,510	30,510	2,797	18.28%	61,212	18.28%	36,973	6,758	Investment using the equity method
IEI Integration Corp.	IEI Halza Health Intelligence Corp.	Taiwan	Development of medical software and related products	1,650	1,650	165	55.00%	264	55.00%	(1,903)	(1,046)	Subsidiary
ICP Electronics Limited	Fortunetec International Corp.	Mauritius	Holding company and sales of computers and related products	153,550	214,970	500	100.00%	4,103,105	100.00%	459,448	Exempt from disclosure	Subsidiary
ICP Electronics Limited	Acquire System Inc.	Mauritius	Holding company and sales of computers and related products	58,423	58,423	199	49.71%	173,790	49.71%	7,512	Exempt from disclosure	Investment using the equity method
Internet Application Technology Ltd.	Rich Excel Corp.oration Holdings Limited	British Virgin Islands	Holding company and sales of computers and related products	357,081	357,081	11,628	100.00%	980,618	100.00%	89,219	Exempt from disclosure	Subsidiary
BriteMED Technology Inc.	Oring Industrial Networking Corp.	Taiwan	Sales of products related to network storage and communication and electronic materials	30,517	30,517	1,483	9.69%	33,002	9.69%	36,973	Exempt from disclosure	Investment using the equity method
Rich Excel Corp.oration Holdings Limited	Equilico Inc.	USA	Real estate leasing	199,120	199,120	6,484	100.00%	198,221	100.00%	9,693	Exempt from disclosure	Subsidiary
Rich Excel Corp.oration Holdings Limited	Potency Inc.	Samoan Islands	Holding company and sales of computers and related products	228,221	228,221	5,840	100.00%	750,178	100.00%	79,217	Exempt from disclosure	Subsidiary
Equilico Inc.	Suntend LLC	USA	Real estate leasing	122,038	122,038	-	100.00%	190,711	100.00%	9,478	Exempt from disclosure	Subsidiary
Potency Inc.	IEI Technology USA Corp.oration	USA	Sales of industrial computers and related products	55,711	55,711	14,000	100.00%	570,097	100.00%	62,508	Exempt from disclosure	Subsidiary
Potency Inc.	Anewtech Systems Pte. Ltd	Singapore	Sales of industrial computers and related products	37,373	37,373	400	31.68%	63,410	31.68%	12,079	Exempt from disclosure	Investment using the equity method

Note 1: The original amount of investment and the carrying amount held at the end of the period were converted based the exchange rate as of December 31, 2022, of $1 U.S. dollar to $30.710 NTD.

Note 2: The profit or loss for the period is converted based on the exchange rate of $1 U.S. dollar to $29.805 NTD.

(3) **Investments in Mainland China**

1) Information on the Company's investees located in mainland China for the year ended on December 31, 2022, was as follows:

In thousands of NTD

Investee company	Main business and products	Total amount of paid-in capital	Method of investment (Note)	Accumulated outflow of investment from Taiwan as of 01/01/2022	Investment flows for the period		Accumulated outflow of investment from Taiwan as of 12/31/2022	Net income (loss) Of investee company	Percentage of ownership through direct or indirect investment	Maximum percentage of shares held during the period	Share of investee's Profit or loss	Carrying value as of 21/31/2022	Accumulated inward remittance Of earnings as of 12/31/2022
					Out-flow	In-flow							
IEI Technology (Shanghai) Co., Ltd	Distribution center and sales of industrial computers	115,354 (RMB26,161)	Investee of Armorlink SH Corp.	109,021 (USD3,550)	-	-	109,021 (USD3,550)	1,336	100.00%	100.00%	1,336	90,211	-
XINGWEI Computer (Kunshan) CO.,LTD.	Distribution center and sales of industrial computers	147,408 (USD4,800)	Investment in mainland China through third party Acquire System Inc.	58,410 (USD1,902)	-	-	58,410 (USD1,902)	6,557	49.71%	49.71%	3,259	162,319	-
Armorlink SH Corp.	Manufacturing and sales of computers and related products	245,680 (USD8,000)	Investment in mainland China through third party Fortunetec International Corp.	391,553 (USD12,750)	-	330,133 (USD10,750)	61,420 (USD2,000)	297,680	100.00%	100.00%	297,680	1,029,204	149,588 (USD4,871)
AILEAN Technologies Corp.	Manufacturing and sales of computers and related products	258,563 (RMB58,639)	Investee of Armorlink SH Corp.	760,073 (USD24,750)	-	575,813 (USD18,750)	184,260 (USD6,000)	34,045	100.00%	100.00%	34,045	529,944	280,352 (USD9,129)
ASH ENERGY GROUP LIMITED	Supply chain management	44,094 (RMB10,000)	Investee of AILEAN Technologies Corp.	-	-	-	-	1,275	100.00%	100.00%	1,275	57,383	-
Weibotong Technology (Shanghai) Co., Ltd.	Distribution center and sales of industrial computers	8,819 (RMB2,000)	Investee of Armorlink SH Corp.	-	-	-	-	(15,967)	100.00%	100.00%	(15,967)	(18,388)	-

Note 1: Furtunetec International Corp. disposed of shares in AILEAN Technologies Corp. and reinvested in Armorlink SH Corp. during the period ended on December 31, 2022.

2) Investment limit to mainland China:

Accumulated investment in mainland China as of December 31, 2022	**Investment amounts authorized by the Investment Commission, MOEA**	**Upper limit on investment per Investment Commission, MOEA (Note 4)**
413,111 (USD 13,452)	IEI Technology (Shanghai) 109,021 (USD 3,550) XINGWEI Computer 72,383 (USD 2,357) Armorlink SH 391,553 (USD 12,750) AILEAN Technology 760,073 (USD 24,750)	5,539,379

USD/NTD exchange rate: end of period 30.710, period average 29.805

RMB/NTD exchange rate: end of period 4.4094, period average 4.4341

Note 1: Investment methods are categorized as follows:

1) Direct investment in China.
2) Reinvestment in China through a third region company.
3) Other method.

Note 3: The relevant figures in this table are presented in NTD. The net investment income recognized for the period and the carrying value of investments at the end of the period that were measured in foreign currencies are translated into NTD using the average exchange rate for the financial reporting period and the exchange rate as of the date of the financial report, respectively.

Note 4: Calculation of investment limit: Net equity for the period × 60% = 9,232,298 thousand × 60% = 5,539,379 thousand.

Note 5: Due to operational considerations, the equity investments in subsidiaries in mainland China were restructured for the year ended on December 31, 2022.

3) Material transactions:

For information on material transactions between the Company and its investees in mainland China for the year ended on December 31, 2022, please refer to the "a. Material Transactions" section.

(4) Major Shareholders

In unit of shares

Shares Shareholder	Total shares owned	Ownership percentage
QNAP Systems, Inc.	23,963,007	13.56%
KUO, PO-TA	21,763,469	12.32%
Custodianship of bitbank investment account by HSBC	13,392,000	7.58%

4. OPERATING SEGMENTS INFORMATION

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

IEI Integration Corp.
STATEMENT OF CASH AND CASH EQUIVALENTS
December 31, 2022

In thousands of NTD

Item	Description	Amount
Cash	Cash in hand	$ 663
Bank Deposits		
Foreign currency	USD$3,235 thousand (exchange rate 30.71)	99,357
	EUR$217 thousand (exchange rate 32.72)	7,086
	JPY¥27,039 thousand (exchange rate 0.2324)	6,284
	GBP£26 thousand (exchange rate 37.09)	958
	CNY¥3 thousand (exchange rate 4.4094)	14
Demand deposit		97,101
		210,800
Term deposit	USD$34,000 thousand (exchange rate 30.71)	1,044,140
		$ 1,255,603

IEI Integration Corp.
STATEMENT OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
December 31, 2022

In thousands of NTD

	Beginning Balance			Increase		Decrease		Ending Balance			Market Value /Net Equity		Guarantees or
Investee Company	**Shares**	**Ownership %**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Ownership %**	**Amount**	**Per share**	**Total**	**Pledges**
Subsidiaries													
ICP Electronics Limited	11,000	100%	$ 4,503,098	-	463,080	(6,000)	(597,454)	5,000	100%	4,368,724	-	4,410,596	None
IEI Halza HealthIntelligence Corp.	165	55%	1,310	-	-	-	(1,046)	165	55%	264	-	264	〃
Internet Application Technology Ltd.	11,853	100%	938,494	-	184,919	-	-	11,853	100%	1,123,413	-	1,123,413	〃
BriteMED Technology Inc.	8,000	100%	264,275	-	134,279	-	(123,726)	8,000	100%	274,828	-	274,828	〃
Associates													
QNAP Systems, Inc.	33,930	24.43%	1,879,323	-	260,993	-	(68,000)	33,930	24.44%	2,072,316	-	8,510,312	〃
Oring Industrial Networking Corp.	2,797	18.28%	54,912	-	6,859	-	(559)	2,797	18.28%	61,212	-	334,872	〃
Total			$ 7,641,412		1,050,130		(790,785)			7,900,757			

Note 1: The increase in this period was due to the recognition of $801,250 thousand of equity interest in subsidiaries and associates using the equity method, $108,027 thousand of exchange differences on the translation of financial statements of overseas operations, and $140,853 thousand of other comprehensive income.

Note 2: The decrease in this period was due to the recognition of a loss of $1,046 thousand in the shares of subsidiaries and associates recognized under the equity method, a translation difference of $4,453 thousand in the financial statements of overseas operations, cash dividends of $607,252 thousand distributed by investees, a change of $134 thousand in the shares of associates recognized under the equity method, and a refund of $177,900 thousand for capital reduction from investees.

IEI Integration Corp.
STATEMENT OF PROPERTY, PLANT AND EQUIPMENT
December 31, 2022 **In thousands of NTD**

Please refer to Note 6(8).

STATEMENT OF DEFERRED INCOME TAX LIABILITIES
December 31, 2022

Please refer to Note 6(14).

STATEMENT OF OPERATING REVENUE
January 1 to December 31, 2022

Item	Quantity (thousands)	Amount	Note
Industrial computer products	254	$ 2,970,272	
Industrial computer components and peripherals	1,325	1,867,357	
Others		429,321	
Total		5,266,950	
Less: Sales return		(13,545)	
Sales discount		(14,599)	
Net revenue		**$ 5,238,806**	

IEI Integration Corp.
STATEMENT OF OPERATING COSTS
January 1 to December 31, 2022

In thousands of NTD

Item		Amount
Inventory, beginning of period	$	150,833
Add: Materials purchased this period		1,525,493
Finished products		139,256
Less: Row and other materials, end of period		(254,750)
Internal use		(9,281)
Other uses		(525)
Direct consumption of materials		1,551,026
Direct labor		17,950
Production expenses		93,804
Production costs		1,662,780
Add: Work in progress, beginning of period		18,944
Finished products reuse in production		814,964
Less: Work in progress, end of period		(118,715)
Costs for finished products		2,377,973
Add: Finished products, beginning of period		120,951
Materials purchased this period		2,381,842
Less: Finished products, end of period		(201,850)
Finished products reuse in production		(814,964)
Research and development use		(15,461)
Scrapping		(1,695)
Transfer of row materials		(139,256)
Others		(8)
Sales costs		3,707,532
Less: De-materialization adjustment		(80,391)
Other operating costs		41,690
Inventory depreciation		11,864
Total operating costs	**$**	**3,680,695**

IEI Integration Corp.
STATEMENT OF OPERATING COSTS
January 1 to December 31, 2022

In thousands of NTD

Item		Sales Expense	Management Expense	R&D Expense	Total
Salaries and wages	$	133,154	76,462	184,362	393,978
Export expenses		34,594	-	-	34,594
Insurance expenses		14,231	6,462	10,265	30,958
Depreciations		4,467	3,171	28,714	36,352
Service expenses		12,232	8,148	17,088	37,468
Sampling expenses		10,678	-	11,867	22,545
Commission expenses		28,853	-	-	28,853
Other expenses		60,702	24,156	48,363	133,221
Total	**$**	**298,911**	**118,399**	**300,659**	**717,969**

Note: None of the amounts of the listed items exceeds 5 percent of the total balance.