

Information Technology Total Services Co., Ltd.
and Subsidiaries
Consolidated Financial Report and Independent
Auditors' Report
Three Months Ended March 31, 2023, and 2022
(Stock Code: 6697)

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Information Technology Total Services Co., Ltd. and Subsidiaries
Three Months Ended March 31, 2023 and 2022 Consolidated Financial Report and
Independent Auditors' Report
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Independent Auditor's Report

(2023) Cai-Shen-Bao-Zi No. 22006441

To Information Technology Total Services Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Information Technology Total Services Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of March 31, 2023 and 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" 'endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2023 and 2022, its consolidated financial performance and its consolidated cash flows for the three months ended

March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

PricewaterhouseCoopers Taiwan

Ping-Chun Chih

CPA

Tsung-Hsi Lai

Former Securities Administration Commission, Ministry of Finance

Approval No.: (1999) Tai-Cai-Zheng (VI) No. 16120
Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan

Approval No.: Jin-Guan-Zheng-VI-Zi No. 0960038033

May 10, 2023

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
March 31, 2023 and December 31 2022 v March 31 2022

Assets		Note	March 31, 2023		December 31, 2022		Unit: NTD thousand March 31, 2022	
			Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalent	6(1)	\$ 281,958	29	\$ 171,492	19	\$ 237,042	23
1136	Financial assets measured at amortized cost – current	6(3)and8	918	-	755	-	605	-
1140	Contract assets – current	6(16)	35,969	4	35,235	4	59,330	6
1150	Notes receivable, net	6(4)	6,048	1	1,657	-	1,831	-
1160	Notes receivable – related parties, 7 net		444	-	441	-	8,552	1
1170	Accounts receivable, net	6(4)	279,782	29	293,888	33	318,459	31
1180	Accounts receivable - related 7 parties, net		61,354	6	71,217	8	69,108	7
1200	Other receivables		8,774	1	6,030	1	7,943	1
1210	Other receivables – related parties 7		-	-	61	-	-	-
130X	Inventories	6(5)	6,973	1	7,939	1	11,127	1
1410	Prepayments		37,433	4	24,469	3	46,631	5
1470	Other current assets		343	-	106	-	97	-
11XX	Total current assets		<u>719,996</u>	<u>75</u>	<u>613,290</u>	<u>69</u>	<u>760,725</u>	<u>75</u>
Non-current assets								
1517	Financial assets at fair value 6(2) through other comprehensive profit or loss - non-current		32,254	3	32,530	4	30,324	3
1535	Financial assets measured at 6(3)and8 amortized cost – non-current		357	-	357	-	722	-
1550	Investment using equity method	6(6)	47,410	5	46,289	5	37,551	4
1600	Property, plant, and equipment	6(7)	31,870	3	33,265	4	35,639	3
1755	Right-of-use assets	6(8)and8	14,019	2	14,592	1	15,224	1
1780	Intangible assets		1,010	-	1,191	-	993	-
1840	Deferred income tax assets	6(23)	6,036	1	5,847	1	1,483	-
1920	Refundable deposits		7,922	1	7,907	1	7,965	1
1930	Long-term notes and accounts 6(9) receivable		96,906	10	130,095	15	129,863	13
1990	Other non-current assets – others		248	-	248	-	248	-
15XX	Total non-current assets		<u>238,032</u>	<u>25</u>	<u>272,321</u>	<u>31</u>	<u>260,012</u>	<u>25</u>
1XXX	Total non-current assets		<u>\$ 958,028</u>	<u>100</u>	<u>\$ 885,611</u>	<u>100</u>	<u>\$ 1,020,737</u>	<u>100</u>

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Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to March 31, 2023 and 2022

Unit: NTD thousand
(except for earnings per share in NT\$1)

Liability and equity		Note	March 31, 2023		December 31, 2022		March 31, 2022	
			Amount	%	Amount	%	Amount	%
Current liabilities								
2130	Contract liabilities – current	6(16)	\$ 47,851	5	\$ 14,633	2	\$ 13,712	1
2150	Notes payable		891	-	891	-	990	-
2170	Accounts payable		244,035	25	187,610	21	332,378	33
2180	Accounts payable – related parties	7	4,011	-	8,341	1	7,531	1
2200	Other payables	6(10)	86,460	9	72,292	8	54,996	5
2220	Other payables – related parties	7	2,046	-	2,978	-	-	-
2230	Income tax liabilities in the current period	6(23)	14,554	2	9,867	1	17,209	2
2280	Lease liabilities – current		5,808	1	5,577	1	5,241	1
2399	Other current liabilities – others		6,612	1	13,286	1	3,947	-
21XX	Total current liabilities		<u>412,268</u>	<u>43</u>	<u>315,475</u>	<u>35</u>	<u>436,004</u>	<u>43</u>
Total current liabilities								
2570	Deferred income tax liabilities	6(23)	6,265	1	6,576	1	4,725	-
2580	Lease liabilities – non-current		8,455	1	9,239	1	9,657	1
2645	Deposit received		880	-	743	-	650	-
25XX	Total non-current liabilities		<u>15,600</u>	<u>2</u>	<u>16,558</u>	<u>2</u>	<u>15,032</u>	<u>1</u>
2XXX	Total liabilities		<u>427,868</u>	<u>45</u>	<u>332,033</u>	<u>37</u>	<u>451,036</u>	<u>44</u>
Equity								
Equity attributable to owners of the parent company								
Share capital 6(12)								
3110	Common shares		273,234	28	273,234	31	273,234	27
Capital surplus 6(13)								
3200	Capital surplus		158,042	16	158,042	18	158,042	16
Retained earnings 6(14)								
3310	Legal Reserve		48,340	5	48,340	5	41,087	4
3320	Special reserves		5,484	1	5,484	1	4,279	-
3350	Undistributed Earnings		46,239	5	69,520	8	96,118	9
Other equity 6(15)								
3400	Other equity		(1,179)	-	(1,042)	-	(3,059)	-
31XX	Total equity attributable to owners of the parent company		<u>530,160</u>	<u>55</u>	<u>553,578</u>	<u>63</u>	<u>569,701</u>	<u>56</u>
3XXX	Total equity		<u>530,160</u>	<u>55</u>	<u>553,578</u>	<u>63</u>	<u>569,701</u>	<u>56</u>
Material contingent liabilities and unrecognized contractual commitments 9								
3X2X	Total liabilities and equity		<u>\$ 958,028</u>	<u>100</u>	<u>\$ 885,611</u>	<u>100</u>	<u>\$ 1,020,737</u>	<u>100</u>

The attached Notes to the financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to March 31, 2023 and 2022

Unit: NTD thousand
(except for earnings per share in NT\$1)

Item	Note	January 1 to March 31, 2023		January 1 to March 31, 2022	
		Amount	%	Amount	%
4000 Operating Revenue	6(16)and7	\$ 400,665	100	\$ 437,722	100
5000 Operating costs	6(5)(11) (21)(22)and7	(350,090)	(88)	(387,938)	(89)
5950 Gross profit, net		<u>50,575</u>	<u>12</u>	<u>49,784</u>	<u>11</u>
Operating expenses	6(11)(21) (22)and7				
6100 Selling expenses		(4,272)	(1)	(4,357)	(1)
6200 Administrative expenses		(21,067)	(5)	(20,866)	(5)
6300 R&D expense		(1,766)	(1)	(2,321)	-
6000 Total operating expenses		<u>(27,105)</u>	<u>(7)</u>	<u>(27,544)</u>	<u>(6)</u>
6900 Operating profits		<u>23,470</u>	<u>5</u>	<u>22,240</u>	<u>5</u>
Non-operating income and expense					
7100 Interest revenue	6(17)	162	-	67	-
7010 Other revenue	6(2)(18)	79	-	199	-
7020 Other gains and losses	6(19)	56	-	114	-
7050 Financial costs	6(8)(20)	(101)	-	(175)	-
7060 Share of profit or loss on associates and joint ventures accounted for using the equity method	6(6)	<u>1,121</u>	<u>-</u>	<u>1,404</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>1,317</u>	<u>-</u>	<u>1,609</u>	<u>-</u>
7900 Profit before tax		<u>24,787</u>	<u>5</u>	<u>23,849</u>	<u>5</u>
7950 Income tax expense	6(23)	(4,351)	(1)	(4,267)	(1)
8200 Current net income		<u>\$ 20,436</u>	<u>4</u>	<u>\$ 19,582</u>	<u>4</u>
Other net consolidated incomes					
Items possibly recategorized to profits and losses later					
8361 Difference in exchange from the conversion of financial statements of overseas operating entities	6(15)	(\$ 171)	-	\$ 2,425	1
8399 Income tax related to items likely to be reclassified	6(23)	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300 Other net consolidated incomes		<u>(\$ 137)</u>	<u>-</u>	<u>\$ 2,425</u>	<u>1</u>
8500 Current total comprehensive income		<u>\$ 20,299</u>	<u>4</u>	<u>\$ 22,007</u>	<u>5</u>
Net profit attributable to:					
8610 Parent company shareholders		<u>\$ 20,436</u>	<u>4</u>	<u>\$ 19,582</u>	<u>4</u>
Total comprehensive income attributable to:					
8710 the owner of parent company		<u>\$ 20,299</u>	<u>4</u>	<u>\$ 22,007</u>	<u>5</u>
Earnings per share					
9750 Basic earnings per share	6(24)	<u>\$ 0.75</u>	<u>0.75</u>	<u>\$ 0.72</u>	<u>0.72</u>
9850 Diluted earnings per share		<u>\$ 0.74</u>	<u>0.74</u>	<u>\$ 0.71</u>	<u>0.71</u>

The attached Notes to the financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to March 31, 2023 and 2022

Unit: NTD thousand

	Notes	Equity attributable to owners of the parent company					Exchange differences on translation of financial statements of foreign operations	Total
		Common shares	Capital surplus- additional paid-in capital	Legal reserve	Special reserves	Undistributed Earnings		
<u>2022</u>								
Balance on January 1, 2022		\$ 273,234	\$ 158,042	\$ 41,087	\$ 4,279	\$ 76,536	(\$ 5,484)	\$ 547,694
Current net income		-	-	-	-	19,582	-	19,582
Current other comprehensive income	6(15)	-	-	-	-	-	2,425	2,425
Current total comprehensive income		-	-	-	-	19,582	2,425	22,007
Balance on March 31, 2022		<u>\$ 273,234</u>	<u>\$ 158,042</u>	<u>\$ 41,087</u>	<u>\$ 4,279</u>	<u>\$ 96,118</u>	<u>(\$ 3,059)</u>	<u>\$ 569,701</u>
<u>2023</u>								
Balance on January 1, 2023		\$ 273,234	\$ 158,042	\$ 48,340	\$ 5,484	\$ 69,520	(\$ 1,042)	\$ 553,578
Current net income		-	-	-	-	20,436	-	20,436
Current other comprehensive income	6(15)	-	-	-	-	-	(137)	(137)
Current total comprehensive income		-	-	-	-	20,436	(137)	20,299
2022 earnings allocation and appropriation								
Distribution of cash dividends	6(14)	-	-	-	-	(43,717)	-	(43,717)
Balance on March 31, 2023		<u>\$ 273,234</u>	<u>\$ 158,042</u>	<u>\$ 48,340</u>	<u>\$ 5,484</u>	<u>\$ 46,239</u>	<u>(\$ 1,179)</u>	<u>\$ 530,160</u>

The attached Notes to the financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Cash flow of operating activities

Net profit before tax this term		\$	24,787	\$	23,849
Adjustments					
Income, expense, and loss					
Depreciation expenses	6(7) and (8)		3,423		3,674
Amortization expenses			181		402
Share of profit on associates and joint ventures accounted for the using equity method	6(6)	(	1,121 )	(	1,404)
Interest revenue	6(17)	(	162 )	(	67)
Interest expenses	6(20)		101		175
Gains on disposal of property, plant, and equipment	6(19)		-	(	25)
Changes in assets/liabilities related to operating activities					
Net changes in assets related to operating activities					
Notes receivable, net		(	4,391 )	(	1,397)
Notes receivable – related parties, net		(	3 )	(	3,394)
Accounts receivable			14,106	(	45,752)
Accounts receivable - related parties, net			9,863	(	7,153)
Contract assets – current		(	734 )	(	7,324)
Other receivables		(	2,744 )	(	644)
Other receivables – related parties			61		-
Inventories			966	(	2,614)
Prepayments		(	12,964 )	(	28,405)
Other current assets – others		(	237)		152
Net changes in liabilities related to operating activities					
Notes payable			-	(	360)
Accounts payable			56,425		173,248
Accounts payable – related parties		(	4,330 )	(	3,438)
Contract liabilities – current			33,218	(	3,564)
Other payables		(	28,720 )	(	20,511)
Other payables – related parties		(	1,041)		-
Other current liabilities – others		(	6,674 )	(	784)
Cash inflow from operations			80,010		74,664
Interest received			162		67
Interest paid		(	101 )	(	175)
Income tax paid		(130)		-
Net cash inflow from operating activities			<u>79,941</u>		<u>74,556</u>

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Cash flow of Investment activities

Cash paid for purchase of property, plant, and equipment	6(25)	(\$ 1,216)	(\$ 7,241)
Proceeds from disposal of property, plant, and equipment		-	200
Acquisition of financial assets measured at amortized cost		(163)	-
Disposal of financial assets measured at amortized cost		-	144
Decrease in long-term notes and accounts receivable		33,189	32,023
Increase in refundable deposit		(15)	(2,898)
Net cash inflow from investing activities		<u>31,795</u>	<u>22,228</u>

Cash flow of fund-raising activities

Increase in guarantee received	6(26)	137	-
Repayment of lease principal	6(8) and (26)	(1,498)	(1,434)
Net cash outflow from financing activities		(1,361)	(1,434)
Exchange rate effect		91	1,412
Increase in cash and cash equivalents in the current period		110,466	96,762
Balance of cash and cash equivalents at beginning of period	6(1)	<u>171,492</u>	<u>140,280</u>
Balance of cash and cash equivalents at ending of period	6(1)	<u>\$ 281,958</u>	<u>\$ 237,042</u>

The attached Notes to the financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Shang-Wei Kao

Manager: Shang-Wei Kao

Accounting Manager: Lung-Chu Hung

Information Technology Total Services Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Ended March 31, 2023, and 2022

Unit: NTD thousand
(Unless otherwise specified)

1. Company History

Information Technology Total Services Co., Ltd. (the “Company”) was incorporated in December 1990. The main business items of the Company and its subsidiaries (collectively, the “Group”) are information technology outsourcing (ITO), business process outsourcing (BPO), and innovative applications and services of the Internet of Things (IoT). TECO Electric and Machinery Co., Ltd. holds 41.97% of the Company’s equity, and TECO Electric and Machinery Co., Ltd. is the ultimate parent company of the Group.

2. Date and Procedures for Approval of the Financial Report

The consolidated financial report was released after being approved by the board of directors on May 10, 2023.

3. Application of Newly Issued and Amended Standards and Interpretations

(1) The effect of adopting new or amended IFRSs endorsed and promulgated by the Financial Supervisory Commission (FSC)

The table below lists the new, revised and amended standards and interpretations of the IFRSs, which apply to the reporting period of 2023, as endorsed and promulgated by the FSC:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

The Group has assessed that the above standards and interpretations have no material impact on the Group’s financial position and financial performance.

(2) Effect of not adopting the newly promulgated or amended IFRS endorsed by the FSC

None.

(3) Impacts of IFRSs issued by the IASB but not yet endorsed by the FSC

New, amended and revised standards and interpretations of the IFRSs issued by IASB but not yet approved by FSC:

<u>New, Amended, or Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IAS
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

The Group has assessed that the above standards and interpretations have no material impact on the Group’s financial position and financial performance.

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this consolidated financial report as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance Statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, ‘Interim financial reporting’ that came into effect as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (“IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Principles for preparing consolidated financial statements

- (a) The Group includes all subsidiaries as entities in the preparation of the consolidated financial statements. A subsidiary refers to an entity under the control of the Group. When the Group is exposed to variable returns from the participation in the entity or has rights to said variable returns, and has the ability to affect such returns through its power over the entity, the Group controls the entity. Subsidiaries are included in the consolidated financial statements from the day when the Group obtains control over them, and the consolidation is terminated on the day when the control is lost.
- (b) Transactions, balances, and unrealized gains and losses between companies within the Group have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Group.
- (c) The various components of profit or loss and other comprehensive income are attributable to the owners of the parent company and non-controlling interests; the total comprehensive income is also attributable to the owners of the parent company and non-controlling interests, even if the resulting loss of non-controlling interests occurs.
- (d) If the change in the ownership of a subsidiary does not result in the loss of control (transaction with non-controlling interests), it is treated as an equity transaction, that is, as a transaction with owners. The difference between the adjusted amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity.
- (e) When the Group loses control over a subsidiary, the remaining investment in the former subsidiary is remeasured at fair value and used as the fair value of the financial asset initially recognized or as the cost of the investment in an associate or joint venture initially recognized; the difference between the fair value and the carrying amount is recognized as the current profit or loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is on the same basis as if the Group directly disposes of the relevant assets or liabilities, that is, the gains or losses previously recognized as other comprehensive income will be reclassified as profit or loss when the relevant assets or liabilities are disposed of, so when the control over the subsidiary is lost, the gains or losses will be reclassified from equity in profit or loss.

B. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of the Subsidiary	Nature of Business	Percentage of ownership			Description
			March 31,2023	December 31, 2022	March 31,2022	
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Customer relationship management services and consulting services for customer service center establishment	100%	100%	100%	
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Postal information integration and bill printing outsourcing services	100%	100%	100%	
Information Technology Total Services Co., Ltd.	Information Technology Total Services (BVI) CO., LTD.	Investment holding company	100%	100%	100%	
Information Technology Total Services (BVI) CO., LTD.	Information Technology (Wuxi) Co., Ltd.	ERP establishment, system maintenance, and information equipment procurement	100%	100%	100%	
Information Technology (Wuxi) Ltd.	Information Technology Total Service (Xiamen)	Customer relationship management service	-	-	100%	Note

Note: The deregistration was completed on August 11, 2022.

- C. The subsidiaries not included in the consolidated financial statements: None.
- D. Different adjustments and treatment methods of subsidiaries in the accounting period: None.
- E. Major restrictions: Cash and short-term deposits of \$22,920 are deposited in China, subject to local foreign exchange controls. These foreign exchange controls restrict the repatriation of funds outside of China (except through the channel of normal dividends).
- F. Subsidiaries with non-controlling interests that are material to the Group: None.

(4) Foreign currency exchange

The items listed in the financial statements of each entity in the Group are measured in the currency of the main economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

A. Foreign currency transactions and balances

- (a) In foreign currency transactions, the spot exchange rate on the transaction or measurement date is used for translation to the functional currency. The exchange difference from the translation is recognized in profit or loss of the period.
- (b) The monetary assets and balance of liabilities in foreign currency are adjusted based on the spot exchange rate valuation on the balance sheet date. The exchange difference from the adjustment is recognized in profit or loss of the period.
- (c) The non-monetary assets and balance of liabilities in foreign currency measured at fair value through profit or loss are adjusted based on the spot exchange rate valuation on the balance sheet date. The exchange difference from the adjustment is recognized in profit or loss of the period; for those measured at fair value through other comprehensive income, the adjustment is made based on the spot exchange rate valuation on the balance sheet date. The exchange difference from the adjustment is recognized in other comprehensive income; those that are not measured at fair value are measured based on the historical exchange rate on the initial transaction date.
- (d) All the translation profits or losses are stated under the “other profits and losses” in the income statement.

B. Translation of foreign operations

For all entities of the Group and associates whose functional currencies are different from the presentation currency, their business results and financial position shall be translated into the presentation currency using the following method:

- (a) The assets and liabilities presented at each balance sheet are translated at the closing exchange rate at the balance sheet date;
- (b) The income and expenses presented in each statement of comprehensive income are translated at the average exchange rate of the current period; and
- (c) All exchange differences arising from translation are recognized in other comprehensive income.

(5) Criteria for classification of current and non-current assets and liabilities

A. Financial assets that meet any of the following conditions shall be classified as current assets:

- (a) The assets are expected to be realized, sold or consumed in a normal operating cycle.
- (b) The liabilities are held mainly for the purpose of trading.
- (c) The assets are expected to be realized within 12 months after the balance sheet date.
- (d) The cash or cash equivalents, excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date.

The Group classifies all assets that do not meet the conditions above as non-current.

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

- (a) The liabilities are expected to be settled in a normal operating cycle.
- (b) The liabilities are held mainly for the purpose of trading.
- (c) The liabilities expected to be due and settled within 12 months after the balance sheet date.
- (d) Liabilities whose due date cannot be unconditionally extended by at least 12 months after the balance sheet date. The terms and conditions of the liabilities that may, at the option of the counterparty, result in settlement of the liabilities by issuing equity instruments do not affect the classification of liabilities.

The Group classifies all liabilities that do not meet the conditions above as non-current.

(6) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a certain amount of cash at any time and the risk of value changes is very small. Time deposits in alignment with the above definition that are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. The Group may, upon initial recognition, make an irrevocable choice to recognize the fair value changes of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:
 - (a) The financial asset is held under an operating model for the purpose of collecting contractual cash flows and selling.
 - (b) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. The Group adopts trade date accounting for financial assets at fair value through other comprehensive income in compliance with transaction practices.
- C. The Group measures said assets at fair value plus transaction costs upon initial recognition, which are subsequently measured at fair value:
 - (a) Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income shall not be subsequently reclassified to profit or loss and shall be transferred to retained earnings instead. When the right to receive dividends is established, economic benefits related to dividends are likely to flow in, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

- (b) Changes in the fair value of debt instruments are recognized in other comprehensive income, and impairment losses, interest revenue, and foreign currency exchange gains and losses before derecognition are recognized in profit or loss. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income will be reclassified from equity to profit or loss.

(8) Financial assets measured at amortized cost

- A. Financial assets meeting all of the following criteria:
 - (a) Financial assets held under a business model where the purpose is to collect contractual cash flows.
 - (b) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. The Group adopts trade date accounting for financial assets at amortized cost in compliance with transaction practices.
- C. The Group measures the fair value of such assets plus transaction cost upon initial recognition and subsequently uses the effective interest method to recognize them in interest income or impairment losses during the outstanding period as per the amortization procedure. Upon derecognition, such gain or loss is recognized in profit or loss.
- D. The Group holds time deposits that do not constitute cash equivalents for only a short period. Therefore, the deposits are measured at the amounts of investment since the effect of their discounting is not immaterial.

(9) Accounts and notes receivable

- A. These are the accounts and notes with which the right to receive the amount of the consideration for transfer of commodities or services is acquired unconditionally.
- B. The non-interest-bearing short-term accounts and notes receivable are barely affected by discounting, so the Group measures them based on the original invoice amount.

(10) Impairment of financial assets

The Group, at each balance sheet date, considers all reasonable and corroborative information (including forward-looking information) based on the debt instrument investments at fair value through other comprehensive income, financial assets at amortized cost, and accounts receivable or contract assets that contain significant financial components, lease receivables, loan commitments, and financial guarantee contracts. For those with no significant increase in credit risk since initial recognition, the loss allowance is measured at 12-month expected credit losses; for those with a significant increase in credit risk since initial recognition, the loss allowance is measured at the lifetime expected credit losses. For accounts receivable or contract assets that do not contain significant financial components, the loss allowance is measured at the lifetime expected credit losses.

(11) Derecognition of Financial Assets

When the Group's contractual right to receive cash flows from financial assets has expired, said financial assets will be derecognized.

(12) Inventories

Inventory is evaluated on the basis of the cost and net realizable value, whichever is lower; the cost is defined using the weighted average method. When cost and net realizable value are compared to see which is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the ordinary course of business less the estimated cost required for completion and the estimated cost necessary to complete the sale.

(13) Investment using equity method

- A. Associates refer to all entities that the Group has a significant influence on without control. Generally, the Group holds at least 20% of their voting shares directly or indirectly. The Group adopts the equity method to treat the investment in associates, which is recognized at cost of acquisition.
- B. The Group recognizes the share of profit or loss on associates after acquisition in current profit or loss, and recognizes the share of other comprehensive income on associates after acquisition as other comprehensive income. If the Group's share of losses on an associate equals or exceeds its equity in the associate (including any other unsecured receivables), the Group will not recognize further losses unless the Group has incurred legal obligations or constructive obligations to said associate, or made payments on behalf of said associate.
- C. When equity changes which are not related to profit or loss and other comprehensive income occur to an associate, and said changes do not affect the shareholding percentage of the associate, the Group recognizes all equity changes in "capital surplus" based on the shareholding percentage.
- D. Unrealized gains or losses arising from transactions between the Group and associates have been eliminated based on the proportion of its equity of the associates; unless evidence shows that the assets transferred have been impaired, the unrealized losses are also eliminated. The accounting policies of the associates have been adjusted as necessary and are consistent with the policies adopted by the Group.
- E. Where the Group disposes of an associate and if it loses significant influence on the associate, for all amounts previously recognized in other comprehensive income related to the associate, the accounting treatment is on the same basis as if the Group directly disposes of the relevant assets or liabilities, that is, the gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when the relevant assets or liabilities are disposed

of, and when the significant influence on the associate is lost, the gains or losses will be reclassified from equity to profit or loss. If the Company still has significant influence on the associate, only the amount previously recognized in other comprehensive income is transferred out in the manner above on a pro-rata basis.

(14) Property, plant, and equipment

- A. The acquisition cost is the account entry basis for property, plant, and equipment. The interest accruing during the purchase and construction period is capitalized.
- B. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset only when the future economic benefits related to an item are likely to flow into the Group and the cost of the item can be reliably measured. The carrying amount of the part replaced shall be derecognized. All other repair and maintenance expenses are recognized in profit or loss of the period when incurred.
- C. The cost model is used for subsequent measurement of property, plant, and equipment. Except for the land, others are depreciated on the straight-line basis within the useful life. Each and every major part of the property, plant, and equipment are depreciated individually.
- D. The Group conducts at least one annual review at the end of each year to assess the estimated useful lives, residual value, and depreciation methods. If the expected residual value and useful lives are different from the previous estimates, or the expected consumption pattern of future economic benefits contained in an asset has changed significantly, the Group shall adjust it in accordance with the provisions of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” regarding changes in accounting estimates from the date the changes occur. The useful life of each asset is as follows:

Machinery and equipment	2–12 years
Office equipment	1–5 years
Leasehold improvements	1–10 years
Other equipment	3–5 years

(15) Lessee’s lease transactions – right-of-use assets/lease liabilities

- A. Leased assets are recognized in right-of-use assets and lease liabilities on the date they are available for use by the Group. When a lease contract is a short-term lease or lease of a low-value asset, the lease payment is recognized as an expense during the lease term using the straight-line method.
- B. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the commencement date of a lease at the discounted interest rate of the Group’s incremental borrowings. The lease payments include:

Fixed payments, less any rental incentives that can be collected;

Subsequently, the interest approach is adopted to measure said payments at amortized cost, and interest expenses are recognized during the lease term. Where the lease period of payment is changed due to the factor other than modification of the contract, the right-of-use assets will be adjusted based on the remeasurement.

C. The right-of-use asset is recognized at cost at the commencement date of a lease, and the cost includes:

- (a) The original measured amount of the lease liability;
- (b) Any lease payments paid on or before the commencement date;
- (c) Any original direct costs incurred; and

Subsequently, the measurement is based on the cost model, and the depreciation expense is recognized when the useful life of the right-of-use asset expires or the lease term expires, whichever is earlier. When the lease liability is reassessed, the remeasurement of the lease liability will be adjusted for the right-of-use asset.

D. For lease modifications with the scope of a lease reduced, the lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between said carrying amount and the remeasured amount of the lease liability is recognized in profit or loss.

(16) Intangible assets – computer software

Computer software is recognized at acquisition cost and amortized based on the estimated useful lives of 1 to 5 years using the straight-line method.

(17) Impairment of non-financial assets

The Group estimates the recoverable amount of assets with signs of impairment at the balance sheet date. When the recoverable amount is lower than its carrying amount, it is recognized in impairment loss. The recoverable amount refers to the fair value of an asset less the cost of disposal or its value in use, whichever is higher. If impairment of assets was not recognized in the previous year or was reduced, an impairment loss will be reversed. However, the increased carrying amount of the assets due to reversal of the impairment loss shall not exceed the carrying amount after deduction of the depreciation or amortization if the impairment loss of the assets is not recognized.

(18) Accounts and notes payable

Accounts and notes payable are the obligation of payment against acquisition of goods or services from suppliers during normal operating processes. These payables are measured at fair value when initial recognition is conducted and subsequently at amortized cost under the effective interest method. However, as the non-interest-bearing short-term accounts payable are barely affected by discounting, they will subsequently be measured using the original invoice amount.

(19) Derecognition of financial liabilities

The Group derecognizes financial liabilities when the obligations specified in a contract are fulfilled, cancelled, or expired.

(20) Offsetting of financial assets and liabilities

The financial assets and liabilities may be offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts of the financial assets and liabilities and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid and recognized in expense when related services are provided.

B. Pension

(a) Defined appropriation plan

The amount of the pension fund to be appropriated under the defined pension appropriation plan is recognized in pension cost of the period on the accrual basis. Prepayment of contribution is recognized in assets within the scope of the refundable cash or future deductible contribution.

(b) Defined benefit plan

- i. The net obligation under the defined benefit plan is calculated by discounting the future benefit amount earned by the employees from provision of current or previous services. The par value of the plan assets is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation under the defined benefit plan is calculated annually by actuaries using the projected unit benefit method. The discount rate is the market yield rate of government bonds (at the balance sheet date) with the currency and period consistent with those of the defined benefit plan at the balance sheet date.
- ii. The remeasurement generated by the defined benefit plan is recognized in other comprehensive income in the current period and presented in retained earnings.
- iii. The expenses related to the previous service cost is directly recognized in profit or loss.

C. Post-employment benefits

Post-employment benefits are benefits provided when an employee's employment is terminated before the normal retirement date or when the employee decides to accept the benefits offered by the Company in exchange for termination of employment. The

Group recognizes expenses when it is no longer able to withdraw the offer of post-employment benefits or when the relevant restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled 12 months after the balance sheet date shall be discounted.

D. Employee compensation and directors' remuneration

Remuneration to employees and directors is recognized in expenses and liabilities when the Company has a present statutory or presumed obligation and the obligation can be estimated reliably. If subsequently the finally determined distribution amount is different from the estimated amount, the difference will be dealt with according to the principle of changes in accounting estimates. In case stocks are distributed as remuneration to employees, the number of stocks is calculated based on the closing price one day before the resolution date of the Board of Directors

(22) Income tax

- A. The tax expenses include current and deferred income taxes. The income tax is recognized in the profit or loss except the income taxes relevant to the items which are recognized in other comprehensive income or directly counted into the equity, which are recognized in other comprehensive income or directly counted into equity respectively.
- B. The Group calculates current income tax based on the tax rates that have been enacted or substantively enacted at the balance sheet date in the country where the taxable income is generated and the business is operated. The management regularly evaluates the status of income tax filings with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. The additional income tax imposed on the undistributed earnings according to the Income Tax Act is recognized in tax expenses of undistributed earnings based on the actual distribution of earnings after the earnings distribution proposal is approved at the shareholders' meeting held in the year next to the year when the earnings are generated.
- C. The deferred income tax is recognized based on the temporary difference between the tax base of assets and liabilities and their carrying amount in the consolidated balance sheet under the balance sheet method. Deferred income tax liabilities from goodwill arising from initial recognition are not recognized. If the deferred income tax is derived from initial recognition of the asset or liability in a transaction (excluding business combinations), and if the accounting profit or taxable income (tax losses) is not affected at the time of the transaction, then the liabilities will not be recognized. For temporary differences caused by the investment in a subsidiary or an associate, if the Group can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future, the liabilities will not be recognized. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet

date and are expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.

- D. The deferred income tax assets are recognized when the temporary difference is likely to be used for the offset of taxable income in the future. Unrecognized and recognized deferred income tax assets are reassessed on every balance sheet date.
- E. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period. Relevant information is disclosed in accordance with the aforementioned policies.

(23) Share capital

In the fiscal year 110 of the Republic of China, cash dividends allocated from retained earnings were recognized as liabilities in the financial statements upon resolution by the company's shareholders' meeting. However, in the fiscal year 111, cash dividends allocated from retained earnings were recognized as liabilities in the financial statements after being approved by the board of directors in accordance with the revised Article 240 of the Company Act and the company's bylaws. Ordinary shares are classified as equity, and the incremental cost directly attributable to the issue of new shares is listed in equity as a deduction, net of tax, from the proceeds.

(24) Dividend allocation

Dividends are recognized in the Company's financial statements in the period in which they are approved to be distributed as resolved by the Company's shareholders' meeting. Cash dividends are recognized as liabilities. Stock dividends are recognized as stock dividends to be allocated and reclassified to ordinary shares on the record date of the issue of new shares.

(25) Recognition of revenue

A. Sales revenue

The Group sells various products related to information equipment. Sales revenue is recognized when the control of products is transferred to customers, that is, when products are delivered to the buyer and the Group has no outstanding performance obligations that may affect the buyer's acceptance of the products.

B. Service revenue

- (a) The Group provides information software, data processing, electronic information supply, and other relevant services. When the result of a transaction for the provision of services can be reliably estimated, it shall be recognized in revenue according to the percentage of completion method. The percentage of completion is estimated based on the proportion of the cost incurred to the estimated total transaction cost and the value of the service

transferred to a customer as of the balance sheet date (and as for the value of the contract performance completed to the customer so far, the amount, for which receipts can be issued, is recognized in revenue based on practical expediency). When the result of the transaction cannot be estimated reliably, revenue is recognized within the range where the cost recognized is likely to be recovered. Where a customer makes a payment according to the contract price in line with the agreed payment schedule, when the service provided by the Group exceeds the customer's payable, it is recognized as a contract asset, and if the customer pays more than the service provided by the Group, it is recognized as a contract liability.

The Group also provides services for information software and its license maintenance. Because it is still part of the information service, it is recognized in service revenue after the performance obligations are fulfilled.

- (b) The Group's estimates of revenue, cost, and percentage of completion are revised as circumstances change. Any increase or decrease in the estimated revenue or cost due to changes in estimates will be reflected in profit or loss during the period in which the circumstances resulting in the correction become known to the management.

(26) Government subsidies

Government grants are recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government grant and will be able to receive the grant. If the nature of the government grant is to compensate the expenses incurred by the Group, the government grant shall be recognized as current profit or loss on a systematic basis during the period in which the relevant expenses are incurred.

(27) Operating segments

The Group's information on operating segments is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance. The board of directors has been identified as the Group's chief operating decision-maker.

5. Major sources of uncertainty for significant accounting judgments, estimates and assumptions

During the preparation of the consolidated financial statements, the management has exercised its judgments to adopt the accounting policies to be used, and made accounting estimates and assumptions based on reasonable expectations of future events with reference to the circumstances at the balance sheet date. If there is any difference between any critical accounting estimates and assumptions made and actual results, assessment and adjustment will be conducted continuously by taking into account the historical experience and other factors. The aforementioned estimates and assumptions have the risk that may cause major adjustments to the carrying amount of assets and

liabilities in the coming financial year. Please refer to the uncertainties to significant account judgments, estimates, and assumptions as stated below:

(1) Significant judgments used in the accounting policies

N/A.

(2) Critical accounting estimates and assumptions

A. Recognition of revenue

The service revenue is the revenue recognized according to the percentage of completion method, which is calculated according to the degree of service provided during the service contract period, and the relevant service costs are recognized as expenses during the period in which they are incurred. The degree of service provided is calculated by referring to the cost incurred by each service contract as of the end of the financial reporting period as a percentage of the estimated total cost of the service contract. The estimated total cost of service contracts is assessed by the management as per the nature of different cases, estimated manpower requirements, and contract duration and based on the Company's subjective judgment. The actual results may differ from the estimates, so there may be significant changes.

B. Assessment of impairment of accounts receivable

The Group must adopt historical experience to assess the possibility of future cash flow recovery. When there is objective evidence showing signs of impairment, the amount of the impairment loss is measured based on the differences between the present value of the asset's carrying amount and the estimated future cash flows at the original effective discount interest rate of the financial asset. If the actual cash flow in the future is less than estimated, significant impairment losses may occur. After considering all reasonable and corroborative information (including forward-looking information), if the credit risk has not increased significantly since the initial recognition, the loss allowance is measured based on the 12-month expected credit loss. In the case of a significant increase in the credit risk since the initial recognition, the loss allowance is measured based on the lifetime expected credit loss; for accounts receivable that do not contain a significant financial component, the loss allowance is measured based on the lifetime expected credit loss. The assessment of the allowance is based on a reasonable expectation of future events according to the situation at the balance sheet date, but the actual results may differ from the estimates, so there may be significant changes.

On December 31, 2022, the Group's accounts receivable and allowance for bad debts were \$303,820 and \$24,038, respectively.

6. Description of Significant Accounting Titles

(1) Cash and cash equivalent

	<u>March 31,2023</u>	<u>December 31, 2022</u>	<u>March 31,2022</u>
Cash on hand and working capital	\$ 250	\$ 257	\$ 254
Checking deposit and demand deposit	281,708	171,235	236,788
Total	<u>\$ 281,958</u>	<u>\$ 171,492</u>	<u>\$ 237,042</u>

- A. The financial institutions the Group deals with have high credit ratings. The Group also deals with multiple financial institutions at the same time to diversify credit risks. Therefore, the expected risk of default is rather low.
- B. As of March 31, 2023 and December 31, 2022 and March 31,2022, the Group provided restricted cash and cash equivalents as performance bonds, amounting to \$1,275 and \$1,112 and \$1,327, respectively (recognized in “1136 Financial assets measured at amortized cost – current” and “1535 Financial assets measured at amortized cost – non-current”).

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

<u>Item</u>	<u>March 31,2023</u>	<u>December 31, 2022</u>	<u>March 31,2022</u>
Non-current items:			
Unlisted stocks	<u>\$ 32,254</u>	<u>\$ 32,530</u>	<u>\$ 30,324</u>

- A. The Group has elected to classify unlisted stocks with stable dividends as financial assets measured at fair value through other comprehensive income. The fair values of these investments as of March 31, 2023, December 31, 2022, March 31, 2022, were \$32,254 and \$32,530 and \$30,324, respectively.
- B. The amount of financial assets at fair value through other comprehensive income recognized in dividend revenue under profit or loss in March 31, 2023 was \$0.
- C. As of March 31, 2023, December 31, 2022, March 31, 2022, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group’s financial assets at fair value through other comprehensive income was in the amount of \$32,254, \$32,530 and \$30,324, respectively.
- D. For information on the price risk and the fair value of financial assets at fair value through other comprehensive income, please refer to Notes 12(3) and (4).

(3) Financial assets measured at amortized cost

<u>Item</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current item:			
Time deposits	\$ 605	\$ 605	\$ 605
Performance bond	313	150	-
Total	<u>\$ 918</u>	<u>\$ 755</u>	<u>\$ 605</u>

Non-current items:						
Time deposits	\$	-	\$	-	\$	215
Performance bond		<u>357</u>		<u>357</u>		<u>507</u>
Total	\$	<u>357</u>	\$	<u>357</u>	\$	<u>722</u>

- A. Financial assets measured at amortized cost which are recognized in profit or loss are detailed as follows:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest revenue	<u>\$ 2</u>	<u>\$ 1</u>

- B. As of March 31, 2023, December 31, 2022, March 31, 2022, regardless of the collateral held or other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's financial assets measured at amortized cost was in the amount of \$1,275 and \$1,112 and \$1,327, respectively.
- C. For the financial assets measured at amortized cost which have been pledged by the Group as collateral, see Note 8.
- D. For information on the credit risk of financial assets measured at amortized cost, see Note 12(3). The counterparties for the Group's investment in certificates of deposit are financial institutions with high credit ratings. Therefore, the expected risk of default is rather low.

(4) Notes and Accounts Receivable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable	<u>\$ 6,048</u>	<u>\$ 1,657</u>	<u>\$ 1,831</u>
Accounts receivable	\$ 303,820	\$ 317,926	\$ 320,447
Less: Allowance loss	<u>(24,038)</u>	<u>(24,038)</u>	<u>(1,988)</u>
	<u>\$ 279,782</u>	<u>\$ 272,707</u>	<u>\$ 318,459</u>

- A. The aging analysis of accounts receivable and notes receivable is as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Not past due	\$ 285,712	\$ 293,022	\$ 284,338
Within 30 days	1,844	15,166	34,576
31-90 days	262	11,386	168
91-180 days	22,050	9	2,626
181 and above	-	-	570
	<u>\$ 309,868</u>	<u>\$ 293,888</u>	<u>\$ 322,278</u>

The aging analysis stated above is based on the number of overdue days.

- B. The balances of accounts receivable and notes receivable as of March 31, 2023, December 31, 2022, March 31, 2022 were all generated from customer contracts. In addition, the balance of accounts receivable from customer contracts on January 1, 2022, was \$275,129.

- C. As of March 31, 2023, December 31, 2022, March 31, 2022, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's notes receivable was in the amount of \$6,048 and \$1,657 and \$1,831, respectively; the maximum amount of the exposure to the credit risk arising from the Group's accounts receivable was in the amount of \$279,782 and \$293,888 and \$318,459, respectively
- D. Please refer to Note 12(3) for detailed information on the credit risk of accounts and notes receivable.

(5) Inventories

	March 31, 2023		
	Costs	Allowance for valuation loss	Carrying amount
Merchandise inventory	\$ 620	\$ -	\$ 620
Software and hardware costs and consumables for projects	9,118	(2,765)	6,353
	<u>\$ 9,738</u>	<u>(\$ 2,765)</u>	<u>\$ 6,973</u>
	December 31, 2022		
	Costs	Allowance for valuation loss	Carrying amount
Merchandise inventory	\$ 1,131	\$ -	\$ 1,131
Software and hardware costs and consumables for projects	9,573	(2,765)	6,808
	<u>\$ 10,704</u>	<u>(\$ 2,765)</u>	<u>\$ 7,939</u>
	March 31, 2022		
	Costs	Allowance for valuation loss	Carrying amount
Merchandise inventory	\$ 3,046	\$ -	\$ 3,046
Software and hardware costs and consumables for projects	10,846	(2,765)	8,081
	<u>\$ 13,892</u>	<u>(\$ 2,765)</u>	<u>\$ 11,127</u>

The cost of inventories and consumables sold by the Group in 2023 and 2022 were \$62,482 and \$106,324, respectively.

(6) Investment using equity method

	March 31, 2023	December 31, 2022	March 31, 2022
Tension Envelope Taiwan Corporation	\$ 43,880	\$ 42,625	\$ 33,800
An-Hui Information Technology Co., Ltd.	3,530	3,664	3,751
	<u>\$ 47,410</u>	<u>\$ 46,289</u>	<u>\$ 37,551</u>

- A. The Group holds 50% of the voting rights of Tension Envelope Taiwan Corporation (hereinafter referred to as “Tension Envelope”). However, the Group does not have substantive control over Tension Envelope. Tension Envelope’s operating decisions and personnel appointments by its board of directors are guided by another parent company that holds 50% of its voting rights, so the Group’s investment in Tension Envelope is handled using the equity method.
- B. The Group holds 15% of the voting rights of An-Hui Information Technology Co., Ltd. (hereinafter referred to as “An-Hui Information”), obtaining a seat on the board. With significant influence on An-Hui Information, the Group adopts the equity method for investment in An-Hui Information.
- C. Associates

(a) The basic information of the Group’s associates is as follows:

Company name	Principal place of business	Shareholding percentage			Relationship	Measurement method
		March 31, 2023	December 31, 2022	March 31, 2022		
Tension Envelope Taiwan Corporation	Taiwan	50%	50%	50%	Suppliers of the Group	Equity method
An-Hui Information Technology Co., Ltd.	Taiwan	15%	15%	15%	Strategic collaboration	Equity method

(b) The carrying amounts of the Group’s associates that are individually immaterial and their share of operating results are aggregated below:

As of March 31, 2023, December 31, 2022, March 31, 2022, the carrying amounts of the Group’s associates that are individually immaterial were \$47,410, \$46,289 and \$37,551, respectively.

	For the three-month periods ended March 31,	
	2023	2022
Net profit (loss) from continuing operations in the current period	\$ 1,613	\$ 3,387
Other comprehensive income (net of tax)	-	-
Current total comprehensive income	<u>\$ 1,613</u>	<u>\$ 3,387</u>

(7) Property, plant, and equipment

	Machinery and equipment	Office equipment	Leasehold improvements	Others	Total
January 1, 2023					
Costs	\$ 55,355	\$ 12,085	\$ 11,867	\$ 917	\$ 80,224
Accumulated depreciation and impairment	(32,762)	(8,459)	(4,948)	(790)	(46,959)
	<u>\$ 22,593</u>	<u>\$ 3,626</u>	<u>\$ 6,919</u>	<u>\$ 127</u>	<u>\$ 33,265</u>
January 1, 2023	\$ 22,593	\$ 3,626	\$ 6,919	\$ 127	\$ 33,265
Additions	-	136	370	-	506
Depreciation expenses	(913)	(464)	(513)	(14)	(1,904)
Net exchange difference	-	2	-	1	3
March 31, 2023	<u>\$ 21,680</u>	<u>\$ 3,300</u>	<u>\$ 6,776</u>	<u>\$ 114</u>	<u>\$ 31,870</u>
March 31, 2023					
Costs	\$ 55,355	\$ 12,231	\$ 12,237	\$ 922	\$ 80,745
Accumulated depreciation and impairment	(33,675)	(8,931)	(5,461)	(808)	(48,875)
	<u>\$ 21,680</u>	<u>\$ 3,300</u>	<u>\$ 6,776</u>	<u>\$ 114</u>	<u>\$ 31,870</u>
	Machinery and equipment	Office equipment	Leasehold improvements	Others	Total
January 1, 2022					
Costs	\$ 44,865	\$ 10,386	\$ 11,535	\$ 1,092	\$ 67,878
Accumulated depreciation and impairment	(24,301)	(7,081)	(4,883)	(929)	(37,194)
	<u>\$ 20,564</u>	<u>\$ 3,305</u>	<u>\$ 6,652</u>	<u>\$ 163</u>	<u>\$ 30,684</u>
January 1, 2022	\$ 20,564	\$ 3,305	\$ 6,652	\$ 163	\$ 30,684
Additions	5,050	513	1,452	33	7,048
Disposal	(175)	-	-	-	(175)
Depreciation expenses	(1,040)	(404)	(462)	(26)	(1,932)
Net exchange difference	-	8	-	6	14
March 31, 2022	<u>\$ 24,399</u>	<u>\$ 3,422</u>	<u>\$ 7,642</u>	<u>\$ 176</u>	<u>\$ 35,639</u>
March 31, 2022					
Costs	\$ 49,179	\$ 10,960	\$ 11,066	\$ 1,168	\$ 72,373
Accumulated depreciation and impairment	(24,780)	(7,538)	(3,424)	(992)	(36,734)
	<u>\$ 24,399</u>	<u>\$ 3,422</u>	<u>\$ 7,642</u>	<u>\$ 176</u>	<u>\$ 35,639</u>

The Group did not pledge property, plant, and equipment as collateral.

(8) Lease transaction – lessee

- A. The assets leased by the Group include buildings as well as machinery and equipment. The lease terms usually range from 2 to 5 years. The lease contracts are negotiated separately and contain various terms and conditions. Except that the leased asset cannot be used as collateral for loans, no other restrictions are imposed.

- B. The carrying amount of the right-of-use assets and the recognized depreciation expenses are described below:

	<u>March 31,2023</u>	<u>December 31, 2022</u>	<u>March 31,2022</u>
Carrying amount			
Buildings	\$ 9,693	\$ 10,779	\$ 13,750
Machinery and equipment	4,326	3,813	1,474
	<u>\$ 14,019</u>	<u>\$ 14,592</u>	<u>\$ 15,224</u>
	<u>For the three-month periods ended March 31,</u>		
	<u>2023</u>	<u>2022</u>	
Depreciation expenses			
Buildings	\$ 1,086	\$ 1,386	
Machinery and equipment	433	356	
	<u>\$ 1,519</u>	<u>\$ 1,742</u>	

- C. The additions of the Group’s right-of-use assets in 1 January to 31 March 2023 and 2022 were \$946 and \$1,582, respectively.

- D. Information on the profit or loss items related to lease contracts is as follows:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting the current profit or loss</u>		
Interest expense on lease liabilities	\$ 57	\$ 93
Expenses of short-term lease contracts and leases of low-value assets	2,773	2,840

- E. The Group’s total cash outflows from leases in 1 January to 31 March 2023 and 2022 were \$4,328 and \$4,367, respectively.

(9) Long-term notes and accounts receivable

	<u>March 31,2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Long-term accounts receivable	\$ 101,719	\$ 133,962	\$ 133,962
Less: Unrealized interest revenue	(4,813)	(3,867)	(4,099)
Total	<u>\$ 96,906</u>	<u>\$ 130,095</u>	<u>\$ 129,863</u>

- A. The expected recovery is as follows:

	<u>March 31,2023</u>	<u>December 31, 2022</u>	<u>March 31,2022</u>
2–5 years	<u>\$ 101,719</u>	<u>\$ 133,962</u>	<u>\$ 133,962</u>

- B. The amounts of notes and payments due within one year as of March 31,2023 December 31, 2022 and March 31,2022, were \$47,643 and \$11,305 and \$11,305, respectively, which have all been reclassified to “1150 Notes receivable” and “1170 Accounts receivable.”

(10) Other payables

	March 31, 2023	December 31, 2022	March 31, 2022
Salary payable	\$ 16,605	\$ 49,254	\$ 28,661
Employee compensation and directors' and supervisors' remuneration payable	11,372	8,036	13,373
Labor and health insurance premium and pension payable	6,526	3,095	6,000
Service fee payable	1,811	1,325	-
Social insurance fund payable	1,120	1,047	1,829
Dividends payable	43,717	-	-
Payables for equipment	388	1,098	188
Expenses payable – others	4,921	8,437	4,945
	<u>\$ 86,460</u>	<u>\$ 72,292</u>	<u>\$ 54,996</u>

(11) Pension

- A. Before the settlement of the Labor Retirement Reserve Fund (the old fund) on February 3, 2017, the Company established the defined benefit pension regulations in accordance with the provisions of the Labor Standards Act, which were applicable to all formal employees who were employed prior to the enforcement of the Labor Pension Act on July 1, 2005, and to the formal employees who still chose the old fund mechanism under the Labor Standards Act after the Labor Pension Act took effect. Under the defined benefit pension plan, two units are granted for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units granted and the average monthly salary of the last six months prior to retirement. The Company contributes 2% of the employee's total wage as the pension fund on a monthly basis and deposits it in the specific account with the Bank of Taiwan in the name of Labor Pension Reserve Committee.
- B. Since July 1, 2005, the Company and its domestic subsidiaries have established the defined contribution retirement regulations in accordance with the Labor Pension Act, which are applicable to employees with Taiwanese nationality. For the pension plan under the Labor Pension Act chosen by employees, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of the monthly salaries. Based on employee's individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum.
- C. Some subsidiaries of the Group make monthly contributions according to a certain percentage of local employees' salaries in accordance with the pension system stipulated by the government of the People's Republic of China, and the contribution percentages ranged by 16% in both 2023 and 2022. The pension for each employee is managed by the government; thus, the Group does not have further obligations except for making monthly contributions.

- D. The cost of pensions recognized based on the methods above for 2023 and 2022 were \$3,528 and \$3,629, respectively.

(12) Share capital

- A. As of March 31, 2023, the Company's registered capital was \$400,000, divided into 40,000 thousand shares, and the paid-in capital was \$273,234, with a par value of \$10 per share. The payment for the issued shares of the Company has been received.

The adjustment to the number of the Company's ordinary shares outstanding at the beginning and end of the period is as follows: (Unit: Thousand shares)

	2023		
	Common stock via private placement	Unrestricted shares	Total
January 1 (or March 31)	-	27,323	27,323
	2022		
	Common stock via private placement	Unrestricted shares	Total
January 1 (or March 31)	5,084	22,239	27,323

- B. On April 23, 2019, the Company's shareholders' meeting approved a proposal to increase capital in cash by private placement. The record date of the private placement was May 15, 2019. The purpose of the capital increase in cash was to repay bank loans and replenish working capital. In this private placement, the total number of shares was 5,084 thousand, and the subscription price per share was \$29. Through this capital increase, \$147,444 has been raised, and the registration of the change has been completed. On August 11, 2022, the board of directors adopted a resolution approving the application by the Company for a public offering of privately placed shares. On October 26, 2022, the application was approved by the Taipei Exchange and came into effect, with public offering of such shares taking place on November 9, 2022.

(13) Capital surplus

According to the Company Act, the Company may distribute the capital surplus gained from the income derived from the issuance of new shares at a premium or from endowments received by the Company by issuing new shares or allocating cash to its original shareholders in proportion to the number of shares being held except for the part of the capital surplus needed for makeup of loss and if the Company incurs no accumulated loss. The Company shall not use the capital surplus to compensate the capital losses, unless the surplus reserve is insufficient to compensate such losses.

(14) Retained earnings

- A. The dividend distribution method specified in the Company's Articles of Incorporation is as follows:
- (a) In accordance with the amended Articles of Incorporation adopted at the shareholder meeting on June 27, 111th year of the Republic of China, if the Company has accumulated earnings in its annual financial statements, it shall first allocate funds for tax payment and offset accumulated losses. Then, 10% of the remaining amount is allocated as legal reserve, except when the legal reserve has reached the total capital amount. In addition, the Company shall make provisions or reversals according to the regulations of the competent authority, and if there is still a balance remaining, it shall be added to the undistributed earnings of the previous year. The Board of Directors shall draft a proposal for dividend distribution, and the distribution of stock dividends shall be resolved by the shareholders' meeting. The distribution of cash dividends shall be authorized by a resolution passed by a majority of over two-thirds of the directors in attendance at the Board of Directors meeting, with the presence of a majority of the directors, and shall be reported to the shareholders' meeting.
 - (b) In accordance with the Articles of Incorporation in effect before the amendment adopted at the shareholder meeting on June 27, 111th year of the Republic of China, if the Company has accumulated earnings in its annual financial statements, it shall first allocate funds for tax payment and offset accumulated losses. Then, 10% of the remaining amount is allocated as legal reserve, except when the legal reserve has reached the total capital amount. In addition, the Company shall make provisions or reversals according to the regulations of the competent authority, and if there is still a balance remaining, it shall be added to the undistributed earnings of the previous year. The Board of Directors shall formulate a proposal for dividend distribution and submit it to the shareholders' meeting for resolution.
- B. The legal reserve shall not be used except for compensation for the Company's losses and the issue of new shares or cash in proportion to the shareholders' original shares. However, in the case of the issue of new shares or cash, it shall be limited to the portion of the legal reserve in excess of 25% of the paid-in capital.
- C. (1) In accordance with the regulations, the Company shall set aside a special reserve from the debit balance on other equity items on the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.

(2) Upon the first-time adoption of IFRSs, the special reserve was set aside per Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 dated April 6, 2012. When the Company subsequently uses, disposes of, or reclassifies relevant assets, the original proportion of the special reserve shall be reversed. If the aforementioned assets are investment property, it shall be reversed at the time of disposal or reclassification in the case of land, while for property other than the land, it shall be reversed phase by phase during the period of use.

D. On June 27, 2022, and July 30, 2021, the Company's shareholders' meetings passed the earnings distribution proposal for the year 2021 and 2020 as follows:

	2021		2020	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	\$ 7,253		\$ 6,560	
Special reserve	1,205		1,414	
Cash dividend	54,647	\$ 2.0	54,647	\$ 2.0
Total	\$ 63,105		\$ 62,621	

E. On March 9, 2023, the board of directors proposed to distribute a dividend of \$1.6 per ordinary share from the earnings for 2022, and the total dividend was \$43,717.

(15) Other equity items

	2023		2022	
January 1	(\$	1,042)	(\$	5,484)
Foreign currency exchange difference		137	(	2,425)
December 31	(\$	1,179)	(\$	3,059)

(16) Operating revenue

	For the three-month periods ended March 31,	
	2023	2022
Income from customer contracts		
Service revenue	\$ 396,839	\$ 386,140
Sales revenue	3,826	51,582
Total	\$ 400,665	\$ 437,722

A. Details of revenue from customer contracts

The Group's revenue comes from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The revenue can be broken down into the following main product lines:

For the three-month periods ended March 31, 2023	Information technology outsourcing	Business process outsourcing	Total
Revenue from contracts with external customers	\$ 299,830	\$ 100,835	\$ 400,665
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 205,102	\$ 3,263	\$ 208,365
Revenue recognized gradually over time	94,728	97,572	192,300
	\$ 299,830	\$ 100,835	\$ 400,665
For the three-month periods ended March 31, 2022	Information technology outsourcing	Business process outsourcing	Total
Revenue from contracts with external customers	\$ 282,459	\$ 155,263	\$ 437,722
Time point of revenue recognition			
Revenue recognized at a point in time	\$ 175,799	\$ 44,319	\$ 220,118
Revenue recognized gradually over time	106,660	110,944	217,604
	\$ 282,459	\$ 155,263	\$ 437,722

B. Contract assets and contract liabilities

Contract assets and contract liabilities related to revenue from customer contracts recognized by the Group are as follows:

(a) Contract assets and liabilities:

	March 31, 2023	December 31, 2022	March 31, 2022	January 1, 2022
Contract assets:				
Information systems				
Consulting agreements	\$ 35,969	\$ 35,235	\$ 59,330	\$ 52,006
Contract liabilities:				
Advance receipts	\$ 47,851	\$ 14,633	\$ 13,712	\$ 17,276

(b) Contract liabilities at beginning of period recognized in revenue in current period:

	For the three-month periods ended March 31,	
	2023	2022
Advance receipts	\$ 7,351	\$ 11,064

(c) Unfulfilled long-term consultancy contract

As of March 31, 2023, December 31, 2022, and March 31, 2022, the contract prices allocated to the unfulfilled (or not yet fully fulfilled) portions of the long-term consultancy contracts signed by the Group and its customers were \$65,387, \$43,062 and \$78,450, respectively. The management expects that the transaction prices allocated to the unfulfilled contractual obligations as of March 31, 2023 and 2022, that will be recognized in revenue for the years 2023 and 2022 are \$38,302 and \$78,450, respectively. The aforementioned amounts do not include the amount of consideration for restricted changes.

In addition to the above-mentioned contracts, all other information system consultancy contracts of the Group are contracts that are shorter than one year or are billed based on actual service hours. According to IFRS 15, there is no need to disclose the transaction prices allocated to the unfulfilled contractual obligations of these contracts.

- C. The notes and accounts receivable with payment periods exceeding one year are recognized in “1930 Long-term notes and accounts receivable.”

(17) Interest revenue

	For the three-month periods ended March 31,	
	2023	2022
Bank deposit interest	\$ 156	\$ 64
Interest income measured at amortized cost	2	1
Other interest revenue	4	2
	<u>\$ 162</u>	<u>\$ 67</u>

(18) Other revenue

	For the three-month periods ended March 31,	
	2023	2022
Rental revenue	-	78
Non-operating income	79	121
	<u>\$ 79</u>	<u>\$ 199</u>

(19) Other gains and losses

	For the three-month periods ended March 31,	
	2023	2022
Gain on foreign exchange	\$ 59	\$ 91
Gains on disposal of property, plant, and equipment	-	25
Miscellaneous expenditures	(3)	(2)
	<u>\$ 56</u>	<u>(\$ 114)</u>

(20) Financial costs

	For the three-month periods ended March 31,	
	2023	2022
Interest on leases	\$ 57	\$ 93
Bank borrowings	44	82
	<u>\$ 101</u>	<u>\$ 175</u>

(21) Additional information on the nature of expenses

	For the three-month periods ended March 31,	
	2023	2022
Outsourcing and hardware and software costs	\$ 225,241	\$ 233,476
Employee benefit expenses	74,160	85,306
Materials consumed	51,391	54,933
	<u>\$ 350,792</u>	<u>\$ 373,715</u>

(22) Employee benefit expenses

	For the three-month periods ended March 31,	
	2023	2022
Salary expenses	\$ 60,694	\$ 71,179
Expenses for labor and health insurance	6,512	6,599
Pension expenses	3,528	3,629
Other employment expenses	3,426	3,899
	<u>\$ 74,160</u>	<u>\$ 85,306</u>

- A. According to the Company's Articles of Incorporation, after deducting accumulated losses from the Company's profit for the year, if there are earnings, the Company shall appropriate 1–10% of the balance for employee compensation and no more than 5% for the remuneration of directors.
- B. The Company's estimated amounts of employee compensation for 1 January to 31 March 2023 and 2022 were \$1,928 and \$2,627, respectively; the estimated amounts for directors' remuneration were \$1,377 and \$1,314, respectively, and the foregoing amounts were accounted for under salary expenses.

According to the profit situation as of the end of 1 January to 31 March 2023, said estimates were made at 1%–10% and no greater than 5%, respectively.

The amounts of employee compensation and directors' remuneration for the year 2022 as resolved by the board of directors were \$4,950 and \$3,530, respectively, which were consistent with the amounts recognized in the financial statements for 2022. The employee compensation for 2022 was paid in cash.

Information on employee compensation and directors' remuneration approved by the board of directors of the Company is available on the Market Observation Post System.

(23) Income tax

A. income tax expense

(a) Component of income tax expense:

	For the three-month periods ended March 31,	
	2023	2022
Current income tax:		
Income tax current income	\$ 5,517	\$ 4,010
Additional tax levied on undistributed earnings	-	153
Income tax overestimates for prior years	(700)	(259)
Total current income tax	4,817	3,904
Deferred tax:		
Initial generation and reversal of temporary differences	(466)	363
Total deferred income tax	(466)	363
Income tax expense	\$ 4,351	\$ 4,267

(b) The amount of income tax related to other comprehensive income:

	For the three-month periods ended March 31,	
	2023	2022
Translation differences on foreign operations	\$ 34	\$ -

B. The Company's income tax for the business income has been assessed and approved by the tax authorities until the fiscal year 109 of the Republic of China.

(24) Earnings per share

	For the three-month periods ended March 31, 2023		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Current net income attributable to ordinary shareholders of the parent company	\$ 20,436	27,323	\$ 0.75
<u>Diluted earnings per share</u>			
Employee compensation	-	131	
Current net income attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	\$ 20,436	27,454	\$ 0.74

	For the three-month periods ended March 31, 2022		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Current net income attributable to ordinary shareholders of the parent company	\$ 19,582	27,323	\$ 0.72
<u>Diluted earnings per share</u>			
Employee compensation	-	221	
Current net profit attributable to ordinary shareholders of the parent company plus the effect of potential ordinary shares	\$ 19,582	27,544	\$ 0.71

(25) Additional information on cash flows

Investing activities with only partial cash payment:

	For the three-month periods ended March 31,	
	2023	2022
Purchase of property, plant, and equipment	\$ 506	\$ 7,048
Add: Payables for equipment, beginning of period	1,098	381
Less: Payables for equipment, end of period	(388)	(188)
Cash paid in the current period	\$ 1,216	\$ 7,241

(26) Changes in liabilities from financing activities

	January 1, 2023	Changes in cash flows	No effect on changes in cash flows	March 31, 2023
	Lease liabilities	\$ 14,816	(\$ 1,498)	\$ 945	$ 14,263
Deposit received	743	137	-	880
Dividend payable	-	-	43,717	43,717
Total liabilities from financing activities	\$ 15,559	(\$ 1,361)	\$ 44,662	\$ 58,860

	January 1, 2022	Changes in cash flows	No effect on changes in cash flows	December 31, 2022
	Lease liabilities	\$ 14,785	(\$ 1,434)	\$ 1,547	$ 14,898
Deposit received	650	-	-	650
Total liabilities from financing activities	\$ 15,435	(\$ 1,434)	\$ 1,547	\$ 15,548

7. Related Party Transactions

(1) Names of related parties and relationships

Name of the related party	Relationship with the Group
TECO Electric and Machinery Co., Ltd.	Ultimate parent company
An-Hui Information Technology Co., Ltd. (An-Hui Information)	Associates
Tension Envelope	Associates
Teco Industrial (Malaysia) Sdn., Bhd.	Other related parties
Teco (Vietnam) Electronic & Machinery Co., Ltd.	Other related parties
Teco Australia Pty., Ltd.	Other related parties
TECO Electric & Machinery Sdn. Bhd.	Other related parties
Teco Electric & Machinery (Pte) Ltd.	Other related parties
Teco Middle East Electrical & Machinery Co., Ltd.	Other related parties
TECO Technology (Vietnam) Co., Ltd.	Other related parties
Shanghai TECO Electric and Machinery Co., Ltd. (Shanghai TECO)	Other related parties
Century Development Corporation	Other related parties
Taian Technology (Wuxi) Co., Ltd.	Other related parties
Taiwan Pelican Express Co., Ltd. (Taiwan Pelican Express)	Other related parties
An-Shin Food Services Co., Ltd. (An-Shin Food)	Other related parties
A-Ok Technical Service Co., Ltd.	Other related parties
E-Joy Electronics International Co., Ltd.	Other related parties
Taian-Ecobar Technology Co., Ltd.	Other related parties
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	Other related parties
Jiangxi TECO Electric and Machinery Co., Ltd.	Other related parties
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	Other related parties
TECO Sun Energy Company Limited	Other related parties
TECO International Investment Co., Ltd.	Other related parties
TECO Electro Devices Co., Ltd.	Other related parties
Tong-An Assets Management & Development Co., Ltd.	Other related parties
Zimtech Co., Ltd.	Other related parties
Yatec Engineering Corporation	Other related parties
Tung Pei Industrial Co., Ltd. (Tung Pei Industrial)	Other related parties
Tecnos International Consultant Co., Ltd. (Tecnos International)	Other related parties
Qingdao TECO Precision Mechatronics Co., Ltd.	Other related parties
Fujian TECO Precision Co., Ltd.	Other related parties
Advantech Co., Ltd. (Advantech)	Other related parties
TEMICO Motor India Private	Other related parties
Nidec Corporation	Other related parties
TECO Tour Travel Service Co., Ltd.	Other related parties
Fujio Food System Taiwan Co., Ltd.	Other related parties
Jie Zheng Property Service & Management Co., Ltd.	Other related parties
Wuxi TECO Electric & Machinery Co. Ltd. (Wuxi TECO)	Other related parties
Wuxi TECO Precision Industry Co., Ltd.	Other related parties
Wuxi TECO Electro Devices Co., Ltd. (Wuxi TECO Electro Devices)	Other related parties
Wuxi TECO Electro Devices Co., Ltd. (Wuxi TECO Electro	Other related parties

Name of the related party	Relationship with the Group
Devices)	
Technical Information International Corporation	Other related parties
Royal Co., Ltd. (Royal)	Other related parties
Royal Host Taiwan Co., Ltd.	Other related parties

(2) Significant transactions with related parties

A. Operating revenue

	For the three-month periods ended March 31,	
	2023	2022
Sale of goods:		
Parent company	\$ -	\$ 3,056
Other related parties		
-Wuxi TECO	148	-
Precision		
-Wuxi TECO	114	1,027
-Wuxi TECO	-	705
Electro Devices		
-An-Hui		
Information	-	1,166
Technology		
- Others	14	936
Sale of services:		
Parent company	43,913	48,392
Other related parties		
- Taiwan Pelican	8,882	9,164
Express		
- WUXI TECO	5,207	3,609
-TECO	4,142	4,720
Westinghouse		
- Others	22,280	24,047
Total	\$ 84,700	\$ 96,822

- (a) There are no significant differences in the transaction prices and payment terms of sales revenue in the transactions with non-associates, and the payment period is 60 to 90 days.
- (b) Service transactions include software business contracts, including enterprise resource planning and logistics outsourcing systems. Most of them are individual projects. Therefore, the contract price is determined by negotiation between both parties. The payment period is usually 30 to 120 days, and there are no significant differences in transactions with non-associates.

B. Purchase

	For the three-month periods ended March 31,	
	2023	2022
Purchase of materials:		
Tension Envelope	\$ 829	\$ 1,175
Advantech	-	1,715
Purchase of services:		
Parent company	1,759	736
Other related parties		
- Technical Information	989	1,516
International		
- Taiwan Pelican Express	851	773
- Tecnos International	342	515
- Others	1,184	537
Total	\$ 5,954	\$ 6,967

- (a) No other transactions of the same types are available for comparison in terms of the purchase price and payment terms with associates, so such price and terms are decided in accordance with the contracts between both parties.
- (b) The purchase of services from the parent company is mainly personnel support for operational needs, and there are no similar types of transactions for comparison. The payment period is an open account with net 30 to 60 days.
- (c) The purchase of services from other related parties is personnel support, consulting fees, and freight for operational needs. The price conditions are roughly the same as those with general suppliers. The payment period is open account with net 30 to 60 days.

C. Receivables from related parties

	March 31,2023	December 31, 2022	March 31,2022
Notes receivable:			
Other related parties			
– WUXI TECO	\$ 444	\$ 441	\$ 677
– Tung Pei Industrial	-	-	7,875
Subtotal	444	441	8,552
Accounts receivable:			
Parent company	31,010	40,038	34,977
Other related parties			
–WUXI TECO	5,348	5,645	5,097
–Tung Pei Industrial	4,352	-	-
–Taiwan Pelican Express	4,132	7,010	4,018
–An-Hui Information	3,259	4,866	-
Technology Co., Ltd.			
–TECO Westinghouse	-	-	4,718
– Others	13,253	13,658	20,298
Subtotal	61,354	71,217	69,108
Other receivables – others:			
Other related parties			
Others	-	61	-
Subtotal	-	61	-
Total	\$ 61,798	\$ 71,719	\$ 77,660

- (a) Receivables from related parties mainly come from the provision of relevant services, including information software, data processing, and electronic information supply.
- (b) The amounts of notes and payments due within one year as of March 31,2023, December 31,2022 and March 31,2022 were \$0, \$0 and \$6,875, respectively, which have all been reclassified to “1160 Notes receivable – related parties” and “1180 Accounts receivable – related parties”.
- (c) Other receivables mainly include prepaid postage and other payments receivable.

D. Payables to related parties

	March 31,2023	December 31, 2022	March 31,2022
Accounts payable:			
Parent company	\$ 1,147	\$ 1,024	\$ 2,862
Other related parties			
– Advantech	-	2,000	12
– Technical Information International	700	2,794	1,087
– Taiwan Pelican Express	686	556	443
– Tecnos International	103	641	796
– Others	-	138	321
Associates			
– Tension Envelope	1,375	1,188	2,010
Subtotal	<u>4,011</u>	<u>8,341</u>	<u>7,531</u>
Other payables – others:			
Parent company	1,937	2,799	-
Other related parties			
– Taian Technology	109	140	-
– Others	-	39	-
Subtotal	<u>2,046</u>	<u>2,978</u>	<u>-</u>
Total	<u>\$ 6,057</u>	<u>\$ 11,319</u>	<u>\$ 7,531</u>

E. Lease transaction – lessee

- (a) The Group has leased buildings from the parent company. The lease terms are 2023 and 2022, with monthly payments.
- (b) Rental expenses

	For the three-month periods ended March 31,	
	2023	2022
Parent company	\$ 1,576	\$ 1,545

(3) Information on remuneration to key management personnel

	For the three-month periods ended March 31,	
	2023	2022
Short-term employee benefits	\$ 7,905	\$ 9,761
Benefits after severance/retirement	210	224
Total	<u>\$ 8,115</u>	<u>\$ 9,985</u>

8. Pledged assets

The details of the assets pledged by the Group as collateral are as follows:

Assets	Carrying amount			Purpose of collateral
	March 31,2023	December 31, 2022	March 31,2022	
Financial assets measured at amortized cost - current	\$ 918	\$ 755	\$ 605	Business performance bond
Financial assets measured at amortized cost - non-current	357	357	722	Commercial paper payable
Right-of-use assets	-	-	494	Collateral for lease payable
Total	<u>\$ 1,275</u>	<u>\$ 1,112</u>	<u>\$ 1,821</u>	

9. Material contingent liabilities and unrecognized contractual commitments

(1) Contingency

None.

(2) Commitments

For the operating lease agreements, please refer to Note 7(2)5.

10. Major disaster loss

None.

11. Material events after the balance sheet date

None.

12. Others

(1) Presentation of financial reporting

Some accounts under the 2022 financial statements of the Group have been reclassified to ensure consistency with the presentation of the 2023 financial statements for the purpose of comparison.

(2) Capital management

The Group's capital management objectives are to ensure that the Group can continue as a going concern, maintain the best capital structure to meet the needs for equipment, and provide dividends to shareholders. Therefore, the Group's capital management aims to ensure that it has the necessary financial resources and operating plans to maintain or adjust the capital structure to respond to the operating capital, capital expenditures, research and development expenses, debt repayment, and dividend payments required in the following year.

(3) Financial instruments

A. Type of financial instruments

	March 31,2023	December 31, 2022	March 31,2022
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Investment in designated equity instruments selected	\$ 32,254	\$ 32,530	\$ 30,324
Financial assets measured at amortized cost			
Cash and cash equivalent	281,958	171,492	237,042
Financial assets measured at amortized cost	1,275	1,112	1,327
Notes receivable	6,492	2,098	10,383
Accounts receivable	341,136	365,105	387,567
Other receivables	8,774	6,091	7,943
Refundable deposits	7,922	7,907	7,965
Long-term accounts receivable	96,906	130,095	129,863
	<u>\$ 776,717</u>	<u>\$ 716,430</u>	<u>\$ 812,414</u>

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost			
Notes payable	\$ 891	\$ 891	\$ 990
Accounts payable	248,046	195,951	339,909
Other accounts payable	88,506	75,270	54,996
Deposit received	880	743	650
	<u>\$ 338,323</u>	<u>\$ 272,855</u>	<u>\$ 396,545</u>
Lease liabilities	<u>\$ 14,263</u>	<u>\$ 14,816</u>	<u>\$ 14,898</u>

B. Risk management policy

- (a) The daily operations of the Group are affected by a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The overall risk management policy of the Group focuses on unpredictable events in the financial market and seeks to reduce the potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by the Group's finance department in accordance with the policy approved by the board of directors. The Group's finance department is responsible for identifying, evaluating, and avoiding financial risks through close collaboration with the Group's operating units. The board of directors has formulated principles for overall risk management, and also provided written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and investment using remaining liquidity.

C. Nature and level of material financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates its business transnationally, so it is subject to the exchange rate risk arising from transactions in currencies different from the functional currencies (mainly USD and CNY) used by the Company and its subsidiaries. Exchange rate risk arises from future business transactions and assets and liabilities recognized.
- ii. The Group's business involves a number of non-functional currencies. Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

March 31, 2023			
	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 27	30.45	\$ 822
<u>Non-monetary items</u>			
USD:NTD	1,058	30.45	32,207
December 31, 2022			
	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5,448	30.71	\$ 167,308
<u>Non-monetary items</u>			
USD:NTD	1,058	30.71	32,483
March 31, 2022			
	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 355	28.63	\$ 10,164
AUD:NTD	44	21.42	942
SGD:NTD	14	21.16	296
<u>Non-monetary items</u>			
USD:NTD	1,058	28.63	30,277

- iii. Exchange rate fluctuations have a significant influence on the Group's monetary items. The aggregate amounts of all exchange gains (losses) (including realized and unrealized) recognized for January 1 to March 31, 2023 and 2022 were \$59 and \$91.
- iv. The Group's foreign currency market risk analysis due to significant influence of exchange rate fluctuations is as follows:

1 January to 31 March 2023			
Sensitivity analysis			
	Exchange rate band	Effect on pre-tax profit and loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 8	\$ -
1 January to 31 March 2022			
Sensitivity analysis			
	Exchange rate band	Effect on pre-tax profit and loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 10	\$ -
AUD:NTD	1%	9	-
SGD:NTD	1%	3	-

Price risk

- i. The Group's equity instruments exposed to price risk are financial assets held at fair value through other comprehensive income. In order to manage the price risk of equity instrument investment, the Group has diversified its investment portfolio, and the method of the diversification is based on the limits set by the Group.
 - ii. The Group mainly invests in equity instruments issued by domestic and foreign companies, and the prices of these equity instruments are affected by the uncertainty of the future values of said instruments. If the price of said equity instruments rose or fell by 1%, with all other factors remaining unchanged, the other comprehensive income would have increased or decreased by \$323 and \$303 for January 1 to March 31, 2023 and 2022, respectively, because of the gains or losses on the equity instrument investment at fair value through other comprehensive income.
- (b) Credit risk
- i. The credit risk of the Group is the risk of financial loss suffered by the Group arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations. It mainly comes from counterparties' inability to settle accounts receivable in accordance with the payment terms, and the contractual cash flow of debt instrument investment classified as measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit and loss.
 - ii. The Group has established credit risk management from the Group's perspective. For banks and financial institutions with whom it deals, only those with an independent credit rating of at least good can be accepted as transaction counterparties. In accordance with the internal credit policy, each operating entity within the Group must conduct management and credit risk analysis of each new customer before deciding payment and delivery terms and conditions. The internal risk control system evaluates the credit quality of customers by considering their financial positions, past experience, and other factors. The credit facilities with respect to individual risks are determined by the Board of Directors pursuant to internal and external rating. Use of the credit facilities is monitored on a regular basis.
 - iii. The Group in accordance with the credit risk management procedures, deems contract payments that are overdue for more than 181 days according to the agreed payment terms or show signs that the debt cannot be repaid to be in default.
 - iv. The Company adopts IFRS 9 to set the following assumptions as the basis for judging whether the credit risk of financial instruments has increased significantly since initial recognition:
 - When a contract payment is overdue for more than 30 days in accordance with the agreed payment terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.

v. The indicators used by the Group to determine investment in debt instruments as credit impairment are as follows:

- (A) The issuer has encountered major financial difficulties, or has an increased possibility of going into bankruptcy or other financial restructuring;
- (B) The active market of financial assets disappears due to financial difficulties of the issuer;
- (C) The issuer's delay or non-payment of interest or principal;
- (D) Any adverse changes in national or regional economic situations that lead to breach of contract on the side of the issuer.

vi. The Group groups customers' accounts receivable according to the characteristics of trade credit risk, and adopts a simplified approach to estimate expected credit losses based on the loss rate method.

vii. After the recourse procedures, the Group provides loss allowance and recognizes overdue receivables for the amount of the financial asset that cannot be reasonably expected to be recovered. However, the Group will continue to carry out the legal recourse procedures to preserve the creditor's rights. The Group's claims for which loss allowance has been provided with recourse activities still underway was \$0 on both March 31,2023, December 31,2022 and March 31,2022.

viii. The Group has included forward-looking considerations for the future and adjusted the loss rate established based on historical and current information for a specific period to estimate the loss allowance for notes receivable (including related parties), accounts receivable (including related parties), and long-term notes and accounts receivable (including related parties). The loss rate method as of March 31,2023, December 31,2022 and March 31,2022, is as follows:

	Not past due	Within 30 days	31-90 days	Over 91 days	Individual assessment	Total
<u>March 31, 2023</u>						
Expected loss rate	0% ~ 1%	0% ~ 10%	0% ~ 30%	0% ~ 30%	100%	
Total carrying amount	\$ 440,619	\$ 2,501	\$ 3,402	\$ -	\$ 22,050	\$ 468,572
Loss allowance	\$ 794	\$ 166	\$ 1,028	\$ -	\$ 22,050	\$ 24,038
	Not past due	Within 30 days	31-90 days	Over 91 days	Individual assessment	Total
<u>December 31, 2022</u>						
Expected loss rate	0% ~ 1%	0% ~ 1%	0% ~ 4%	0% ~ 30%	100%	
Total carrying amount	\$ 493,148	\$ 5,501	\$ 628	\$ 9	\$ 22,050	\$ 521,336
Loss allowance	\$ 1,964	\$ 18	\$ 4	\$ 2	\$ 22,050	\$ 24,038
	Not past due	Within 30 days	31-90 days	Over 91 days	Individual assessment	Total
<u>March 31, 2022</u>						
Expected loss rate	0% ~ 1%	0% ~ 1%	0% ~ 4%	0% ~ 30%	100%	
Total carrying amount	\$ 486,319	\$ 37,860	\$ 2,426	\$ 2,626	\$ 570	\$ 529,801
Loss allowance	\$ 641	\$ 149	\$ 34	\$ 594	\$ 570	\$ 1,988

ix. The table of the changes in the Group's simplified loss allowance for accounts receivable is as follows:

	2023	2022
	Accounts receivable	Accounts receivable
January 1	\$ 24,038	\$ 1,988
Impairment loss recognized	-	-
December 31	<u>\$ 24,038</u>	<u>\$ 1,988</u>

(c) Liquidity risk

- i. The cash flow forecast is executed by each operating entity in the Group and is compiled by the Group's finance department. The Group's finance department monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet operational needs, and maintains sufficient available credit limits at all times so that the Group does not violate the relevant borrowing limits or terms. The forecast considers the Group's debt financing plan, compliance with debt terms, compliance with the financial ratio targets of the internal balance sheet, and the requirements of external regulatory laws.
- ii. As of March 31,2023, December 31,2022 and March 31,2022, the Group's available credit limit was \$558,291, \$643,232 and \$825,457, respectively.
- iii. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities that are settled on a net or total basis, grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

March 31,2023	Within 1 year	Within 1–5 years	Over 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Notes payable	\$ 891	\$ -	\$ -	\$ 891
Accounts payable	248,046	-	-	248,046
Other payables	88,506	-	-	88,506
Lease liabilities	5,808	8,455	-	14,263
Deposit received	880	-	-	880

December 31, 2022	Within 1 year	Within 1–5 years	Over 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Notes payable	\$ 891	\$ -	\$ -	\$ 891
Accounts payable	195,951	-	-	195,951
Other payables	75,270	-	-	75,270
Lease liabilities	6,035	9,853	-	15,888
Deposit received	743	-	-	743
March 31, 2022	Within 1 year	Within 1–5 years	Over 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Notes payable	\$ 990	\$ -	\$ -	\$ 990
Accounts payable	339,909	-	-	339,909
Other payables	54,996	-	-	54,996
Lease liabilities	5,708	10,307	-	16,015
Deposit received	650	-	-	650

(4) Fair value information

A. The fair value levels of the financial instruments and non-financial instruments measured using the valuation technique are defined as follows:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the stocks listed on an exchange or over-the-counter market, invested in by the Group, belongs to this level.
- Level 2: Inputs, other than quoted market prices within Level 1 that are observable, either directly or indirectly, for assets or liabilities.
- Level 3: Unobservable inputs for assets or liabilities. The Group's equity instrument investments without active markets belong to this level.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, and other payables are reasonable approximations of the fair values.

C. Financial and non-financial instruments measured at fair value are classified by the Group based on the nature, characteristics, risk, and the level of fair value of assets and liabilities. The relevant information is as follows:

- (a) The Group's classification is based on the nature of assets and liabilities. The relevant information is as follows:

March 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets (equity securities) at fair value through other comprehensive income	\$ -	\$ -	\$ 32,254	\$ 32,254
December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets (equity securities) at fair value through other comprehensive income	\$ -	\$ -	\$ 32,530	\$ 32,530
March 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets (equity securities) at fair value through other comprehensive income	\$ -	\$ -	\$ 30,324	\$ 30,324

- (b) The methods and assumptions used by the Group to measure fair value are as follows:
- i. The Group has used quoted market prices as fair value inputs (i.e., Level 1), listed below by the characteristics of instruments:

<u>Quoted market price</u>	<u>TWSE/TPEX listed stocks</u> Closing price
----------------------------	---
 - ii. Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Group refers to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using models based on the market information available at the consolidated balance sheet date (e.g. the yield curve published by Taipei Exchange and the average quoted price of Reuters commercial paper benchmark).
 - iii. When evaluating non-standard and less complex financial instruments, such as debt instruments, interest rate swap contracts, foreign exchange swap contracts, and options, all without active markets, the Group adopts the valuation techniques widely used by market participants. The parameters used in the valuation models for such financial instruments are usually information observable in the market.

- iv. The output of the valuation models is an estimated value, and the valuation techniques may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Group. Therefore, the estimated value of the valuation models will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value valuation model management policies and relevant control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the evaluation process are carefully evaluated and appropriately adjusted according to current market conditions.
 - v. The Group incorporates credit risk valuation adjustments into the calculation of the fair value of financial instruments and non-financial instruments to reflect a counterparty's credit risk and the credit quality of the Group.
- D. There were no transfers between Level 1 and Level 2 fair value in January 1 to March 31, 2023 and 2022.
- E. The table below shows the changes in Level 3 fair value in January 1 to March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	Equity instruments	Equity instruments
January 1	\$ 32,530	\$ 29,324
Exchange rate effect	(276)	1000
December 31	<u>\$ 32,254</u>	<u>\$ 30,324</u>

- F. In the Group's valuation process for fair value classified as Level 3, the investment department is responsible for independent fair value verification for financial instruments, uses data from independent sources to make the valuation results close to the market level, and confirms that the source of the data is independent, reliable, consistent with other resources, and representative of the executable price, while regularly calibrating the valuation model, conducting back-testing, updating the inputs and data required by the valuation model, and making any other necessary fair value adjustments to ensure that the valuation results are reasonable.
- G. The quantitative information on the significant unobservable inputs of the valuation model used in the Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input change are explained as follows:

	March 31, 2023 Fair value	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relation between input and fair value
Non-derivative equity instruments: Unlisted stock	\$ 32,254	Comparable public company approach	Market multiples	18.37%	The higher the multiple, the higher the fair value.
			Liquidity discount	35.00%	The higher the discount, the lower the fair value.
	December 31, 2022 Fair value	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relation between input and fair value
Non-derivative equity instruments: Unlisted stock	\$ 32,530	Comparable public company approach	Market multiples	18.37%	The higher the multiple, the higher the fair value.
			Liquidity discount	35.00%	The higher the discount, the lower the fair value.
	March 31, 2022 Fair value	Valuation technique	Significant unobservable inputs	Interval (weighted average)	Relation between input and fair value
Non-derivative equity instruments: Unlisted stock	\$ 30,324	Comparable public company approach	Market multiples	23.45%	The higher the multiple, the higher the fair value.
			Liquidity discount	35.00%	The higher the discount, the lower the fair value.

H. The Group has selected the valuation model and valuation parameters after careful evaluation, but different valuation results may occur due to the use of different valuation models or valuation parameters. For financial assets and financial liabilities classified as Level 3, if the valuation parameters change, the effect on the current profit and loss or other comprehensive income is as follows:

	Input	Change	March 31, 2023					
			Recognized in profit or loss		Recognition in other comprehensive income			
			Favorable change	Adverse change	Favorable change	Adverse change		
Financial assets								
Equity instruments	Discounts and market multiples for lack of market liquidity	±1%	\$ -	\$ -	\$ -	\$ 323	(\$ 323)	

		December 31, 2022					
				Recognized in profit or loss		Recognition in other comprehensive income	
		Input	Change	Favorable change	Adverse change	Favorable change	Adverse change
Financial assets							
Equity instruments	Discounts and market multiples for lack of market liquidity		±1%	\$ -	\$ -	\$ 325	(\$ 325)
		March 31, 2022					
				Recognized in profit or loss		Recognition in other comprehensive income	
		Input	Change	Favorable change	Adverse change	Favorable change	Adverse change
Financial assets							
Equity instruments	Discounts and market multiples for lack of market liquidity		±1%	\$ -	\$ -	\$ 303	(\$ 303)

13. Additional Disclosures

(1) Information on material transactions

- A. Funds lent to others: None.
- B. Endorsements/guarantees provided to others: None .
- C. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Table 1.
- D. Marketable securities acquired or sold amounting to at least NT\$300 million or 20% of the paid-in capital: None .
- E. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None .
- F. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None .
- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 2.
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None .
- I. Trading in derivative instruments: None .
- J. Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts: Please refer to Table 3.

(2) Information related to reinvested enterprises

Information on names and locations of investees (excluding investees in China): Please refer to Table 4.

(3) Information on Investment in China

A. Basic information: Please refer to Table 5.

B. Significant transactions with investees in China, either directly or indirectly, through a business in a third region: None .

(4) Information on major shareholders

Information on major shareholders: Please refer to Table 6.

14. Segment Information

(1) General information

The management of the Group has identified the segments to be reported based on the information to be reported used by the board of directors in making decisions. The Group's board of directors adopts the overall financial information and financial ratios of the Group as indicators for performance evaluation. Therefore, the Group has been identified as a single segment to be reported.

(2) Measurement of segment information

The accounting policies for the business segment of the Group are the same as the summary of significant accounting policies described in Note 4. The chief operating decision-maker of the Group evaluates the performance of the business segment based on the business segment's revenue achievement rate and net operating income achievement rate.

(3) Information on profit or loss, assets and liabilities of the segment and reconciliation information

As the Group's information on profit or loss, assets, and liabilities of the segment is consistent with that in the main financial report, and it is a single segment to be reported, no reconciliation is required.

Information Technology Total Services Co., Ltd.
 Marketable Securities Held at the End of the Period (Excluding Investments in Subsidiaries, Associates, and Joint Ventures)
 March 31, 2023

Table 1

Unit: NTD thousand
 (Unless otherwise specified)

Holder	Type and Name of Marketable Securities (Note 1)	Relationship with Issuer of Marketable Securities (Note 2)	Financial Statement	End of Period				Remarks (Note 4)
				Number of shares	Carrying amount (Note 3)	Shareholding	Fair value	
Information Technology Total Services Co., Ltd.	Dynacomware Corporation	N/A	Financial asset at fair value through other comprehensive income – non-current	31	\$ 47	1.43%	\$ 47	Note 4
Information Technology Total Service (BVI) Co., Ltd.	Live ABC Interactive Corporation	N/A	Financial asset at fair value through other comprehensive income – non-current	3,238	32,207	14.58%	32,207	Note 4

Note 1: The marketable securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the items above that fall within the scope of IFRS 9 “Financial Instruments.”

Note 2: If the issuer of marketable securities is not a related party, this column may be skipped.

Note 3: For those measured at fair value, please fill in the carrying amount after fair value valuation adjustment and deduction of accumulated impairment losses in the box of carrying amount; for those not measured at fair value, please fill in the original acquisition cost or amortized cost less accumulated impairment losses in the box of carrying amount.

Note 4: None of the above-mentioned marketable securities are pledged.

Information Technology Total Services Co., Ltd.

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts

January 1 to March 31, 2023

Table 2

Unit: NTD thousand
(Unless otherwise specified)

No. (Note 1)	Name of Transaction Party	Counterparty	Relationship with the	Account	Transaction Status			consolidated revenue or assets (Note 3)
					Amount	Transaction Conditions		
0	Information Technology Total Services Co., Ltd.	Unison Service Corporation	Parent to subsidiary	Service costs	\$ 24,654	Note 4	6.15%	
0	Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Parent to subsidiary	Service costs	7,614	Note 4	1.90%	

Note 1: The information on transactions between the parent company and its subsidiaries shall be indicated in the No. column as follows:

- (1) The parent company is coded "0."
- (2) The subsidiaries are coded sequentially beginning from "1" for each individual company.

Note 2: There are three types of relationships with the company, simply enter the code (if it is the same transaction between parent and subsidiary or between subsidiaries, there is no need for repeated disclosure. For example, if the parent company has disclosed the transaction with a subsidiary, the subsidiary does not need to disclose said transaction again;

if the subsidiary has disclosed the transaction with one of the parent company's subsidiaries, the other subsidiary need not disclose said transaction again):

- (1) Parent to subsidiary.
- (2) Subsidiary to parent.
- (3) Between subsidiaries.

Note 3: Regarding the transaction amount as a percentage of the total consolidated revenue or assets, if it is recognized in the balance sheet account, it is shown with the ending balance as a percentage of the total consolidated assets; if it is in the profit or loss account, it is shown with the cumulative amount throughout the period as a percentage of the total consolidated revenue.

Note 4: There are no comparable transactions of the same type, and the price is handled according to the method agreed upon between both parties, and the payment term is open account with net 90 days. Service costs refer to the labor support, packaging and printing, telecommunications costs, and freight costs required for operations. There are no comparable transactions of the same type. The transaction price and payment terms are determined by the negotiation between both parties.

Information Technology Total Services Co., Ltd.
Information on Names and Locations of Investees (Excluding Investees in China)
January 1 to March 31, 2023

Table 3

Unit: NTD thousand
(Unless otherwise specified)

Name of investor	Name of Investee (Notes 1 and 2)	Address	Principal business	Original investment cost		Holdings at End of Period			Investment Gains or Losses		Remarks
				End of the Current Period	End of Last Year	Number of shares	Percentage	Carrying amount	Current Profit or Loss on Investee	Recognized for Current Period	
Information Technology Total Services Co., Ltd.	Tension Envelope Taiwan Corporation	Taiwan	Envelope production and	\$ 25,000	\$ 25,000	2,500	50.00%	\$ 43,880	\$ 2,510	\$ 1,255	Note 1
Information Technology Total Services Co., Ltd.	Universal Mail Service Ltd.	Taiwan	Postal information integration and bill printing	13,000	13,000	1,300	100.00%	19,462	(1,586)	(1,586)	Note 1 and 4
Information Technology Total Services Co., Ltd.	Unison Service Corporation	Taiwan	Customer relationship management services and consulting services for customer service center establishment	17,000	17,000	1,700	100.00%	26,715	2,335	2,335	Note 1
Information Technology Total Services Co., Ltd.	Information Technology Total Service (BVI) Co., Ltd.	British Virgin Islands	Investment holding company	48,424	48,424	1,541	100.00%	78,507	(1,386)	(1,386)	Notes 1, 2, and 3
Information Technology Total Services Co., Ltd.	An-Hui Information Technology Co., Ltd.	Taiwan	Manufacture of computers and peripherals, retail, and other consulting services	3,000	3,000	300	15.00%	3,530	(897)	(134)	Note 1
								<u>\$ 172,094</u>	<u>\$ 484</u>		

Note 1: Investee recognized under the equity method.

Note 2: The original currency of the original investment amount of Information Technology Total Service (BVI) Co., Ltd. was US\$1,541 thousand.

Note 3: As of the current period, Information Technology Total Service (BVI) Co., Ltd. has repatriated investment income of US\$800 thousand.

Note 4: The unrealized sales profit of \$153 arising from counter-flow transactions has been excluded from the recognized investment gains/losses for the period.

Information Technology Total Services Co., Ltd.
Information on Investments in China – Basic Information
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Table 4

Unit: NTD thousand
(Unless otherwise specified)

Name of Investee in China	Principal business	Paid-in Capital	Investment Method (Note 1)	Accumulated Investment	Amount of Investment Remitted or Recovered in Current Period		Accumulated Investment	Current Profit or Loss on Investee	Percentage of Ownership in Direct or Indirect Investment	Investment Gains (Losses)	Carrying Amount of Investment, End of Period	Accumulated Repatriation of Investment Income as of	Remarks
				Remitted from Taiwan, Beginning of Period	Outward Remitted	Repatriated	Remitted from Taiwan, End of Period			Recognized for Current Period		End of Period	
Information Technology (WUXI) Co., Ltd.	ERP establishment, system maintenance, and information equipment procurement	\$ 10,167	(2)	\$10,167 (USD \$300)	\$ -	\$ -	\$10,167 (USD \$300)	\$ (1,360)	100.00%	(\$ 1,360)	\$ 34,006	\$ -	

Note 1: Investment methods are divided into the following three types, simply enter the code:

(1) Direct investment in China

(2) Indirect investment in China through a business in a third region (Information Technology Total Service (BVI) Co., Ltd.)

Note 2: Profit or loss is recognized in the financial statements audited by the accountants appointed by the parent company in Taiwan.

Note 3: The relevant figures in this table shall be presented in New Taiwan dollars.

Company name	Outward Remittance for Investment in	Investment Amount	Investment Amount Stipulated by
Information Technology Total Services Co., Ltd.	\$10,167 (USD \$300)	\$10,167 (USD \$300)	\$ 318,096

Note 4: Relevant figures in this table shall be presented in New Taiwan dollars. For accounts of assets and liabilities: RMB is calculated at an exchange rate of RMB 1 to NT\$4.431; USD is calculated at an exchange rate of USD\$1 to NT\$30.45. For the profit or loss account: RMB is calculated at an exchange rate of RMB 1 to NT\$4.441 USD is calculated at an exchange rate of USD 1 to NT\$30.3948.

Note 5: According to the amendment to regulations made by the Investment Commission per the Order Jing-Sheng-Ji-Zi No. 09704604680 dated August 29, 2008, the limit on the cumulative amount of investment in mainland China is the net value or 60% of the combined net value, whichever is higher.

Information Technology Total Services Co., Ltd.

Information on major shareholders

March 31, 2023

Table 5

Name of major shareholder	Shares	
	Number of Shares Held (Unit: Shares)	Shareholding percentage
TECO Electric and Machinery Co., Ltd.	11,467,248	41.97%
Advantech Co., Ltd.	5,084,273	18.61%
Tong-An Investment Co., Ltd.	1,841,250	6.74%