2480

Stark Technology Inc. and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Review Report

For the Three Months Ended March 31, 2022 and 2021

Company address: 12F-1, No. 83, Section 2, Dongda Road, Hsinchu City
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Consolidated Financial Statements

Table of Contents

Independent Auditor's Review Report

To stakeholders of Stark Technology Inc.:

Foreword

We have reviewed the consolidated balance sheet of Stark Technology Inc. and subsidiaries as of March 31, 2022 and 2021, the consolidated statement of comprehensive income for the three months ended March 31, 2022 and 2021, consolidated statement of changes in equity for the three months ended March 31, 2022 and 2021, consolidated statement of cash flow for the three months ended March 31, 2022 and 2021, and the accompanying footnotes (including a summary of key accounting policies). It is the responsibility of the management to prepare and ensure fair presentation of consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the version of IAS 34 - "Interim Financial Reporting" approved and published by the Financial Supervisory Commission. Our responsibility as auditor is to form a conclusion based on our review.

Scope

Except for the issues discussed in the "Basis of reservation" paragraph, we, the auditors, have performed the review in accordance with Statement on Auditing Standards No. 65 - "Financial Statement Review." The procedures executed in our review of consolidated financial statements include inquiry (mainly with employees responsible for financial and accounting affairs), analysis and other review-related processes. The scope of financial statement review is significantly smaller than a financial statement audit, therefore we may not be able to detect all material issues through the steps we have taken, and are therefore unable to provide an opinion.

Basis of reservation

As mentioned in Note (IV).3 of the consolidated financial statements, some of the non-material subsidiaries were consolidated using financial statements for the corresponding periods that were not reviewed by CPAs. As at March 31, 2022 and 2021, these subsidiaries aggregately reported total assets of NT$409,842 thousand and NT$346,147 thousand that represented 7.10% and 6.08% of consolidated total assets, and total liabilities of NT$41,932 thousand and NT$21,376 thousand that represented 1.33% and 0.67% of consolidated total liabilities, respectively. These subsidiaries also reported total comprehensive income of NT$17,179 thousand and NT$5,494 thousand that represented 9.33% and 3.75% of consolidated total comprehensive income for the three months ended March 31, 2022 and 2021, respectively. Furthermore, information relating to the abovementioned subsidiaries, as disclosed in Note (XIII) of the consolidated financial statements, were not CPA-reviewed.

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Reservations

Based on the reports we have reviewed, we found that none of the material disclosures of the consolidated financial statements mentioned above exhibited any misstatement that did not conform with Regulations Governing the Preparation of Financial Reports by Securities Issuers or the version of IAS 34 - "Interim Financial Reporting" approved by the Financial Supervisory Commission, or compromised the fair view of the consolidated financial position of Stark Technology Inc. and subsidiaries as at March 31, 2022 and 2021, or the consolidated financial performance for the three months ended March 31, 2022 and 2021 or consolidated cash flow for the three months ended March 31, 2022 and 2021, except for the issues discussed in the "Basis of reservation" paragraph, where financial statements and information of non-material subsidiaries had yet to be reviewed by CPAs, and may cause adjustments to the consolidated financial statements.

Ernst & Young
Approved by competent authority to handle financial statements of public company
Approval reference: (96)-Jin-Guan-Zheng-(VI)-0960002720
(103)-Jin-Guan-Zheng-Shen-1030025503

Hsu, Hsin-Min

CPA:

Cheng, Ching-Piao

April 29, 2022

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

Stark Technology Inc. and Subsidiaries
Consolidated Balance Sheet
As at March 31, 2022, December 31, 2021, and March 31, 2021
(Information as at March 31, 2022 and 2021, were reviewed only, and not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Asset			March 31, 2022		December 31, 2021		March 31, 2021	
Code	Item	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	(IV), (VI).1 and (XII)	$ 1,730,816	30	$ 1,450,910	25	$ 1,331,897	24
1140	Contract assets - current	(IV), (VI).15 and (VI).16	210,344	4	204,391	4	474,221	8
1150	Notes receivable, net	(IV), (VI).4, (VI).16 and (XII)	2,353	-	5,759	-	2,448	-
1172	Accounts receivable	(IV), (VI).5, (VI).16 and (XII)	359,437	6	621,152	11	284,034	5
1173	Installment accounts receivable	(IV), (VI).5, (VI).16 and (XII)	56,811	1	55,912	1	44,769	1
1200	Other receivables	(XII)	5,621	-	5,402	-	4,710	-
130x	Inventories	(IV) and (VI).6	1,799,001	31	1,991,209	34	2,116,373	37
1410	Prepayments	(IV) and (VI).7	652,014	12	493,274	8	500,928	9
1476	Other financial assets - current	(IV), (VIII) and (XII)	10,015	-	9,013	-	9,360	-
1478	Refundable deposits	(XII)	119,179	2	149,443	3	97,152	2
1479	Other current assets		1,234	-	1,394	-	3,214	-
11xx	Total current assets		4,946,825	86	4,987,859	86	4,869,106	86
	Non-current assets							
1510	Financial assets at fair value through profit or loss - non-current	(IV), (VI).2 and (XII)	-	-	-	-	14,790	-
1517	Financial assets at fair value through other comprehensive income -non -current	(IV), (VI).3 and (XII)	158,744	3	144,213	3	94,850	2
1600	Property, plant and equipment	(IV) and (VI).8	442,925	8	446,238	8	450,452	8
1755	Right-of-use assets	(III), (IV) and (VI).17	22,698	-	23,799	1	30,654	1
1780	Intangible asset	(IV) and (VI).9	5,457	-	7,998	-	5,638	-
1840	Deferred income tax assets	(IV) and (VI).21	16,259	-	17,497	-	18,827	-
1920	Refundable deposits	(XII)	109,779	2	81,143	1	117,217	2
1933	Long-term installment accounts receivable	(IV), (VI).5, (VI).16 and (XII)	59,759	1	70,001	1	79,432	1
1980	Other financial assets - non-current	(IV), (VIII) and (XII)	6,674	-	6,842	-	8,207	-
1990	Other non-current assets	(VI).10	1,388	-	1,279	-	5,205	-
15xx	Total non-current assets		823,683	14	799,010	14	825,272	14
1xxx	Total assets		$ 5,770,508	100	$ 5,786,869	100	$ 5,694,378	100

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung   Manager: Liang, Hsiu-Chung   Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries (Continued)
Consolidated Balance Sheet
As at March 31, 2022, December 31, 2021, and March 31, 2021
(Information as at March 31, 2022 and 2021, were reviewed only, and not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Liabilities and equity			March 31, 2022		December 31, 2021		March 31, 2021	
Code	Item	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	(IV), (VI).11 and (XII)	$ -	-	$ 70,000	1	$ -	-
2130	Contract liabilities - current	(IV) and (VI).15	1,203,918	21	1,173,794	20	1,333,897	23
2150	Notes payable	(XII)	6,847	-	963	-	512	-
2170	Accounts payable	(XII)	769,373	13	928,812	16	836,653	15
2200	Other payables	(XII)	822,434	14	261,730	5	687,257	12
2230	Current income tax liabilities	(IV) and (VI).21	153,274	3	126,837	2	127,056	2
2250	Provisions	(VI).12	14,803	-	14,720	-	28,560	1
2280	Lease liabilities - current	(III), (IV) and (VI).17	11,998	-	12,101	-	13,055	-
2399	Other current liabilities		78,993	2	76,524	2	43,442	1
21xx	Total current liabilities		3,061,640	53	2,665,481	46	3,070,432	54
	Non-current liabilities							
2570	Deferred income tax liabilities	(IV) and (VI).21	53,625	1	51,797	1	48,892	1
2580	Lease liabilities - non-current	(III), (IV) and (VI).17	11,310	-	12,343	-	18,860	-
2640	Net defined benefit liabilities - non-current	(IV) and (VI).13	34,116	1	34,237	1	34,914	1
2645	Guarantee deposits	(XII)	3,484	-	3,138	-	3,146	-
25xx	Total non-current liabilities		102,535	2	101,515	2	105,812	2
2xxx	Total liabilities		3,164,175	55	2,766,996	48	3,176,244	56
31xx	Equity attributable to owners of the parent company	(VI).14						
3100	Share capital							
3110	Ordinary share		1,063,603	18	1,063,603	18	1,063,603	19
3200	Capital surplus		166,514	3	166,514	3	166,514	3
3300	Retained earnings							
3310	Legal reserve		879,312	15	879,312	15	833,911	15
3320	Special reserve		144	-	144	-	62,079	1
3350	Unappropriated retained earnings		457,819	8	873,169	15	361,703	6
	Total retained earnings		1,337,275	23	1,752,625	30	1,257,693	22
3400	Other equity interests	(VI).20	38,941	1	37,131	1	30,324	-
3xxx	Total equity		2,606,333	45	3,019,873	52	2,518,134	44
	Total liabilities and equity		$ 5,770,508	100	$ 5,786,869	100	$ 5,694,378	100

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung   Manager: Liang, Hsiu-Chung   Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2022 and 2021
(Reviewed only; not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Code	Item	Notes	For the three months ended March 31, 2022 Amount	%	For the three months ended March 31, 2021 Amount	%
4000	Net operating revenue	(IV) and (VI).15	$ 1,574,243	100	$ 1,444,341	100
5000	Operating cost	(VI).6 and (VI).18	(1,170,326)	(74)	(1,072,195)	(74)
5900	Operating margin		403,917	26	372,146	26
6000	Operating expenses	(VI).17 and (VI).18				
6200	Administrative expenses		(178,824)	(12)	(178,188)	(12)
6300	Research and development expenses		(20,763)	(1)	(20,992)	(2)
6450	Expected credit impairment (loss) reversal gain	(VI).16	1,444	-	1,857	-
	Total operating expenses		(198,143)	(13)	(197,323)	(14)
6900	Operating income		205,774	13	174,823	12
7000	Non-operating income and expenses	(VI).19				
7100	Interest income		1,850	-	1,834	-
7010	Other income		6,008	-	953	-
7020	Other gains and losses		6,770	1	3,242	1
7050	Finance costs		(171)	-	(179)	-
	Total non-operating income and expenses		14,457	1	5,850	1
7900	Income before income tax		220,231	14	180,673	13
7950	Income tax expenses	(IV) and (VI).21	(37,836)	(2)	(36,879)	(3)
8200	Net income		182,395	12	143,794	10
8300	Other comprehensive income					
8310	Items not reclassified into profit or loss	(VI).20				
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income		(11,469)	(1)	506	-
8360	Items likely to be reclassified into profit or loss	(VI).20				
8361	Exchange differences on translation of foreign operations		13,279	1	2,171	-
	Other comprehensive income for the current period (net of income tax)		1,810	-	2,677	-
8500	Total comprehensive income for the period		$ 184,205	12	$ 146,471	10
8600	Net income attributable to:	(VI).22				
8610	Owners of the parent company		$ 182,395		$ 143,794	
8620	Non-controlling interest		-		-	
			$ 182,395		$ 143,794	
8700	Comprehensive income attributable to:					
8710	Owners of the parent company		$ 184,205		$ 146,471	
8720	Non-controlling interest		-		-	
			$ 184,205		$ 146,471	
	Earnings per share (NTD)					
9750	Basic earnings per share					
9710	Net income	(VI).22	$ 1.71		$ 1.35	
9850	Diluted earnings per share					
9810	Net income	(VI).22	$ 1.71		$ 1.35	

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung   Manager: Liang, Hsiu-Chung   Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries
Consolidated Statement of Changes in Equity
For the three months ended March 31, 2022 and 2021
(Reviewed only; not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

		Equity attributable to owners of the parent company								
				Retained earnings			Other equity items			
Code	Item	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total	Total equity
		3100	3200	3310	3320	3350	3410	3420	31XX	3XXX
A1	Balance as at January 1, 2021	$ 1,063,603	$ 166,514	$ 833,911	$ 62,079	$ 675,258	$ (25,798)	$ 53,445	$ 2,829,012	$ 2,829,012
	Appropriation and distribution of 2020 earnings									
B5	Cash dividends on ordinary shares	-	-	-	-	(457,349)	-	-	(457,349)	(457,349)
D1	Net income for the three months ended March 31, 2021	-	-	-	-	143,794	-	-	143,794	143,794
D3	Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	2,171	506	2,677	2,677
D5	Total comprehensive income for the period	-	-	-	-	143,794	2,171	506	146,471	146,471
Z1	Balance as at March 31, 2021	$ 1,063,603	$ 166,514	$ 833,911	$ 62,079	$ 361,703	$ (23,627)	$ 53,951	$ 2,518,134	$ 2,518,134
A1	Balance as at January 1, 2022	$ 1,063,603	$ 166,514	$ 879,312	$ 144	$ 873,169	$ (24,222)	$ 61,353	$ 3,019,873	$ 3,019,873
	Appropriation and distribution of 2021 earnings									
B5	Cash dividends on ordinary shares	-	-	-	-	(597,745)	-	-	(597,745)	(597,745)
D1	Net income for the three months ended March 31, 2022	-	-	-	-	182,395	-	-	182,395	182,395
D3	Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	13,279	(11,469)	1,810	1,810
D5	Total comprehensive income for the period	-	-	-	-	182,395	13,279	(11,469)	184,205	184,205
Z1	Balance as at March 31, 2022	$ 1,063,603	$ 166,514	$ 879,312	$ 144	$ 457,819	$ (10,943)	$ 49,884	$ 2,606,333	$ 2,606,333

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung Manager: Liang, Hsiu-Chung Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries

Consolidated Statement of Cash Flow

For the three months ended March 31, 2022 and 2021

(Reviewed only; not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Code	Item	For the three months ended March 31, 2022 Amount	For the three months ended March 31, 2021 Amount
AAAA	Cash flow from operating activities:		
A10000	Income before income tax	$ 220,231	$ 180,673
A20000	Adjustments:		
A20010	Income, expenses and losses:		
A20100	Depreciation expenses	7,815	8,864
A20200	Amortization expenses	2,833	1,117
A20300	Expected credit impairment reversal gain	(1,444)	(1,857)
A20400	Net gain on financial assets or liabilities at fair value through profit or loss	-	(2,200)
A20900	Interest expense	171	179
A21200	Interest income	(1,850)	(1,834)
A31000	Changes in assets/liabilities that are related to operating activities:		
A31125	Contract assets	(6,025)	(136,069)
A31130	Notes receivable	3,406	381
A31150	Accounts receivable	274,035	359,615
A31180	Other receivables	(243)	(2,044)
A31200	Inventories	192,003	(158,787)
A31230	Prepayments	(158,740)	(38,314)
A31240	Other current assets	160	336
A32125	Contract liabilities - current	30,124	104,689
A32130	Notes payable	5,884	(2,234)
A32150	Accounts payable	(159,439)	(280,353)
A32180	Other payables	(37,021)	(38,364)
A32200	Provisions	83	(13,611)
A32230	Other current liabilities	2,469	7,293
A32240	Net defined benefit liabilities	(121)	-
A33000	Cash inflow(outflow) from operations	374,331	(12,520)
A33100	Interests received	401	316
A33300	Interests paid	(63)	-
A33500	Income tax paid	(8,333)	(1,771)
AAAA	Net cash inflow(outflow) from operating activities	366,336	(13,975)

Code	Item	For the three months ended March 31, 2022 Amount	For the three months ended March 31, 2021 Amount
BBBB	Cash flow from investing activities:		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(26,000)	(1,774)
B02700	Acquisition of property, plant and equipment	(716)	(787)
B03800	Decrease in refundable deposits	1,628	1,228
B04500	Acquisition of intangible assets	(292)	(44)
B06500	Increase in other financial assets	(834)	(42)
B06700	Decrease (increase) in other non-current assets	(109)	598
BBBB	Net cash outflow from investing activities	(26,323)	(821)
CCCC	Cash flow from financing activities:		
C00200	Decrease in short-term loans	(70,000)	-
C03000	Increase in guarantee deposits	346	325
C04020	Repayment of lease principal	(3,584)	(4,157)
CCCC	Net cash outflow from financing activities	(73,238)	(3,832)
DDDD	Effect of exchange rate variation on cash and cash equivalents	13,131	2,121
EEEE	Net increase(decrease) in cash and cash equivalents for the current period	279,906	(16,507)
E00100	Cash and cash equivalents, beginning of period	1,450,910	1,348,404
E00200	Cash and cash equivalents, end of period	$ 1,730,816	$ 1,331,897

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung　　Manager: Liang, Hsiu-Chung　　Head of Accounting: Tseng, Shu-Chen

Stark Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Three Months ended March 31, 2022 and 2021
(Reviewed only; not audited in accordance with generally accepted audit principles)
(All amounts in NTD thousands unless otherwise specified)

I. Organization and Operations

Stark Technology Inc. (the "Company") was incorporated on March 24, 1993. Its main business activities include distribution and maintenance of computers and peripherals; research, design, development, and sale of computer software/hardware, computer system design, and import/export trade for the Company's own products.

Shares of the Company have been listed for trading on "Taiwan Stock Exchange Corporation" since September 2001. The Company's place of registration and main business location is 12F-1, No. 83, Section 2, Dongda Road, Hsinchu City.

II. Financial Statement Approval Date and Procedures

Consolidated financial statements of the Company and subsidiaries (collectively referred to as the "Group") for the three months ended March 31, 2022 and 2021, were approved by the board of directors on April 29, 2022.

III. Application of new standards, amendments, and interpretations

1. Change of accounting policy resulting from first-time adoption of International Financial Reporting Standards (IFRS)

   The Group has adopted the version of IFRS, IAS, IFRIC and interpretations thereof that approved and effected by Financial Supervisory Commission (FSC) for accounting periods on and after January 1, 2021. First-time adoption of the new standards and amendments has had no material impact on the Group.

2. As of the publication date of financial statements, the Group had not adopted the following IASB-announced new standards, amendments, guidance, and interpretation that were not approved by FSC:

(All amounts in NTD thousands unless otherwise specified)

Item No.	New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
1	Amendments to IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	To be determined by International Accounting Standards Board
2	IFRS 17, “Insurance Contracts”	January 1, 2023
3	Classification of Liabilities as Current or Non-current (IAS 1 amendment)	January 1, 2023
4	Disclosure initiative - Accounting policies (IAS 1 amendment)	January 1, 2023
5	Definition of Accounting Estimates (IAS 8 amendment)	January 1, 2023
6	Deferred income tax related to assets and liabilities arising from a single transaction (Amendment to IAS No. 12)	January 1, 2023

(1) Amendments to IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"

This amendment is intended to address the inconsistent treatments between IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" in cases where a company loses control in a subsidiary when ownership of that subsidiary is offered as consideration for investing into an associated company or joint venture. IAS 28 states that, when a company contributes non-monetary asset in exchange for equity interest in an associated company or joint venture, the transaction shall be treated as a downstream transaction and any share of gains or losses that arises as a result is eliminated. IFRS 10, however, requires the entirety of gains or losses to be recognized when a company loses control in a subsidiary. This amendment limits the IAS 28 treatment mentioned above, and requires all gains or losses to be recognized when the assets sold or contributed constitute a business defined under IFRS 3.

Meanwhile, IFRS 10 was amended so that, when an investor sells or contributes a subsidiary that does not constitute a business defined under IFRS 3 with its associated company or joint venture, gains or losses that arise as a result shall be recognized only for the share that is not attributed to the investor.

(2) IFRS 17, “Insurance Contracts”

This standard provides a comprehensive model for the treatment of insurance contracts, including accounting practices (from recognition, measurement, presentation to disclosure). The standard uses a general model at its core, and under this model, a group of insurance contracts shall be recognized at initiation as the sum of fulfillment cash flows and contractual service margin; thereafter, book value for the group of insurance contracts shall be presented as the sum of liability for remaining coverage and liability for incurred claims as at each balance sheet date.

In addition to the general model, the standard also introduces treatment for insurance contract with direct participation features (the Variable Fee Approach) and simplified approach for short-term contracts (the Premium Allocation Approach).

This standard was first published in May 2017 and later amended in 2020 and 2021, which postponed the effective date stated in the transition clause by 2 years (from January 1, 2021 to January 1, 2023), introduced additional exemptions, and reduced cost of adoption through the simplified approach. The amendment also made some circumstances easier to interpret. This standard will supersede the transitional standard (i.e. IFRS 4 - "Insurance Contracts") once effected

(3) Classification of Liabilities as Current or Non-current (IAS 1 amendment)

This amendment concerns the classification of liabilities between current and non-current, as stated in paragraphs 69-76 of IAS 1 - "Presentation of Financial Statements."

(4) Disclosure initiative - Accounting policies (IAS 1 amendment)

This amendment is intended to improve disclosure of accounting policy, and provide more useful information to investors and other financial statement users.

(5) Definition of Accounting Estimates (IAS 8 amendment)

This amendment directly defines an accounting estimate, and introduces other amendments to IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" to help businesses distinguish between change of accounting policy and change of accounting estimate.

(6) Deferred income tax related to assets and liabilities arising from a single transaction

(Amendment to IAS No. 12)

This amendment restricts the scope of the deferred income tax recognition exemption in paragraphs 15 and 24 of IAS No. 12 "Income Tax". The exemption does not apply to transactions that produce the same amount of taxable and deductible temporary differences at the time of original recognition.

All above standards and interpretations announced by IASB but not yet approved by FSC shall become effective on dates announced by FSC. The Group is currently evaluating the potential impacts of newly announced/amended standards and interpretations listed in (1), and is unable to provide reasonable estimate of how the above standards or interpretations may affect the Group. Aside from the above, other newly announced/amended standards and interpretations have no material impact on the Group.

(IV). Summary of Significant Accounting Policies

1. Compliance statement

The consolidated financial statements for the three months ended March 31, 2022 and 2021, have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and FSC-approved IAS 34 - "Interim Financial Reporting."

2. Basis of Preparation

The consolidated financial statements have been prepared based on historical cost, except for financial instruments carried at fair value. Unless otherwise specified, all amounts in the consolidated financial statements are presented in NTD thousands.

3. Consolidation overview

Basis of preparation for consolidated financial statements

The Company is considered to exercise control if it is exposed or entitled to variable returns generated by an investee and has the power to influence such return through control over the investee. Specifically, the Company considers itself to exercise control over an investee when all three conditions below are satisfied:

(1) Power over the investee (e.g. existing rights that give the current ability to direct the

relevant activities of the investee)

(2) Exposure or entitlement to variable returns due to involvement in the investee's operation, and
(3) Ability to influence returns by exercising authority over the investee

If the Company directly or indirectly holds less-than-majority voting rights (or rights of similar nature) in an investee, the Group would evaluate whether it has power over the investee after taking into consideration all relevant facts and circumstances, including:

(1) Agreement with other voting right holders in the investee
(2) Power given rise through other agreement
(3) Voting rights and potential voting rights

When facts or circumstances indicate change in one or several of the three control elements above, the Company would immediately evaluate whether it still exercises control over the investee.

A subsidiary is consolidated into the consolidated financial statements from the day of acquisition (e.g. the day the Company gains control), until the day control is lost on the subsidiary. All subsidiaries adopt accounting periods and accounting policies that align with those of the parent company. All intra-group account balances, transactions, dividends, and unrealized gains or losses on intra-group transactions are eliminated upon consolidation.

Changes in shareholding of subsidiary without losing control are treated as equity transactions.

Total comprehensive income produced by subsidiaries is divided into amounts that are attributable to owners of the Company and amounts that are attributable to non-controlling shareholders, even if the allocation would put non-controlling equity in negative balance.

When the Company loses control in a subsidiary

(1) All assets (including goodwill) and liabilities of the subsidiary are removed;
(2) Book value of any non-controlling equity is removed;
(3) Fair value of consideration received is recognized;
(4) Fair value of any investment retained is recognized;
(5) Any gains or losses are recognized in current profit or loss;
(6) Amounts previously recognized by the parent company as other comprehensive income are reclassified into current profit or loss;

(All amounts in NTD thousands unless otherwise specified)

The entities of consolidated financial statements are as follows:

			Ownership percentage		
Name of the investor	Name of subsidiary	Main business activities	March 31, 2022	December 31, 2021	March 31, 2021
The Company	Stark Technology Inc. (USA)	Trading of computer-related products	100%	100%	100%
The Company	Pacific Ace Holding International Ltd.	General investment	100%	100%	100%
The Company	SRAIN Investment Co., Ltd.	General investment	100%	100%	100%
The Company	Stark Information (Hong Kong) Limited	Trading of computer equipment and software	100%	100%	100%
SRAIN Investment Co., Ltd.	S-Rain Investment Ltd.	General investment	100%	100%	100%
SRAIN Investment Co., Ltd.	Stark Inforcom Inc.	Trading of computer-related products	100%	100%	100%
S-Rain Investment Ltd.	Shanghai Stark Technology Inc.	General electronics trading	100%	100%	100%
Pacific Ace Holding International Ltd.	Profit Reap International Limited	General investment	100%	100%	100%
Profit Reap International Limited	STARK (Ningbo) Technology Inc.	General electronics trading	100%	100%	100%

Subsidiaries listed above which are not considered significant were consolidated into consolidated financial statements while their financial statements were not reviewed by CPAs. As at March 31, 2022 and 2021, such subsidiaries aggregated reported total assets of NT$409,842 thousand and NT$346,147 thousand and total liabilities of NT$41,932 thousand and NT$21,376 thousand, respectively; whereas comprehensive income (loss) for the three months ended March 31, 2022 and 2021 totaled NT$17,179 thousand and NT$5,494 thousand, respectively.

4. Except for the accounting policies stated in Note (IV).5~6, consolidated financial statements for the three months ended March 31, 2022 were prepared using the same accounting policies as those of 2021. Please refer to the Group's 2021 consolidated financial statements for summary of other significant accounting policies.

5. Interim retirement costs are calculated from the beginning until the end of the interim period using the actuarial pension cost rate determined at the end of the previous year, and adjusted for major market changes, plan curtailments, settlements and other one-time

(All amounts in NTD thousands unless otherwise specified)

events that took place in the current period.

6. Income taxes for the interim period are accrued and disclosed using tax rate applicable for the Company's expected total earnings for the given year, or in other words, by applying the estimated average effective tax rate for the whole year to pre-tax profit for the interim period. Estimation of average annual effective tax rate only includes income tax expense for the current period; interim deferred income taxes are recognized and measured in the same manner as annual financial report, which follows IAS 12 - "Income Taxes." If tax rate changes in the interim period, the effect on deferred income tax is recognized in profit or loss, other comprehensive income, or directly through equity in one lump sum.

(V). Sources of Uncertainty to Significant Accounting Judgments, Estimates, and Assumptions

Consolidated financial statements for the three months ended March 31, 2022 and 2021 were prepared using the same significant accounting judgments, estimates, and assumptions as those of 2021. Please refer to the Group's 2021 consolidated financial statements for details.

(VI). Notes to Major Accounts

1. Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash	$196	$196	$197
Demand and check deposit	1,492,294	1,233,979	1,157,803
Time deposit	238,326	216,735	173,897
Total	$1,730,816	$1,450,910	$1,331,897

2. Financial assets at fair value through profit or loss

	March 31, 2022	December 31, 2021	March 31, 2021
Investments in equity instruments at fair value through profit or loss -non-current:			
Fund	$-	$-	$14,790

(1) The Group disposed 1 million units of Yuanta Taiwan High-yield Leading Company Fund in November 2021 at a price of NT$15,167 thousand, and recognized the gain on disposal of NT$2,577 thousand under other gains and losses in 2021.

(2) None of the Group's financial assets at fair value through profit or loss was placed as collateral.

3. Financial assets at fair value through other comprehensive income

	March 31, 2022	December 31, 2021	March 31, 2021
Investments in equity instruments at fair value through other comprehensive income - non-current:			
TWSE/TPEX listed shares	$116,631	$128,100	$80,687
Unlisted shares	42,113	16,113	14,163
Total	$ 158,744	$144,213	$94,850

(1) The Group acquired 47 thousand shares of LOLA Technology Inc., an TWSE listed company, in February 2021 at a cost of NT$1,775 thousand; in addition, the Group participated in a cash capital increase to acquired 1,007 thousand shares of LOLA Technology Inc. in December 2021 at a cost of NT$40,296 thousand.

(2) The Group held shares of Energy Trend Co., Ltd that underwent and completed the liquidation procedures on March 8, 2022. The Group obtained NT$95 thousand of capital reduction and NT$8 thousand of dividend income from the distribution of remaining surplus, and transferred NT$191 thousand of accumulated unrealized valuation loss from other equity to retained earnings at the time of disposal.

(3) The Group acquired 195 thousand shares of Cloud Intelligent Operation Technologies Co., an unlisted company, in the third quarter of 2021, at a cost of NT$1,950 thousand.

(4) The Group acquired 2,000 thousand shares of Ausenior Information Co., Ltd., an unlisted company, in the first quarter of 2022, at a cost of NT$26,000 thousand.

(5) The Group recognized NT$3,839 thousand of dividend income in 2021 from investments in equity instruments at fair value through other comprehensive income

(All amounts in NTD thousands unless otherwise specified)

held by the Group. This income is related to investments still held on the balance sheet.

(6) None of the Group's financial assets at fair value through other comprehensive income was placed as collateral.

4. Notes receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable - arising from business activities	$2,353	$5,759	$2,448
Less: loss provisions	-	-	-
Net amount	$2,353	$5,759	$2,448

None of the Group's notes receivables was placed as collateral.

The Group assesses impairment according to IFRS 9. Please see Note (VI).16 for information on loss provisions and Note (XII) for credit risk-related information.

5. Accounts receivable and installment accounts receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts receivable	$365,887	$629,315	$292,540
Installment accounts receivable	132,485	143,302	142,221
Less: Unrealized interest income - Installment accounts receivable	(7,821)	(9,295)	(10,970)
Subtotal (total book value)	490,551	763,322	423,791
Less: loss provisions	(14,544)	(16,257)	(15,556)
Total	$476,007	$747,065	$408,235

(All amounts in NTD thousands unless otherwise specified)

Expected recovery of installment accounts receivable is as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
No more than 1 year	$69,703	$69,336	$57,311
1 to 2 years	44,204	45,218	37,240
2 years and above	18,578	28,748	47,670
Total	$132,485	$143,302	$142,221

None of the Group's accounts receivable was placed as collateral. Credit terms granted to customers are generally 30 days to 120 days after the end of the month of acceptance inspection.

The Group had accounts receivable and installment accounts receivable balance outstanding at NT$490,551 thousand on March 31, 2022, NT$763,322 thousand on December 31, 2021, and NT$423,791 thousand on March 31, 2021. See Note (VI).16 for information on loss provisions and Note (XII) for credit risk-related information.

6. Inventories

	March 31, 2022	December 31, 2021	March 31, 2021
Net inventory - merchandise	$1,799,001	$1,991,209	$2,116,373

Cost of inventory, consultation, and maintenance recognized as expenses for the three months ended March 31, 2022 and 2021 were NT$1,170,326 thousand and NT$1,072,195 thousand respectively. These amounts included NT$2,081 thousand of loss on inventory devaluation and obsolescence and NT$418 thousand of gain on reversal of inventory devaluation and obsolescence, respectively. The reversal gains were due to sale of inventories that were previously considered as devalued or obsolete, and were treated as reduction to the cost of sale. As of March 31, 2022 and 2021, the Group had provisions on inventory devaluation of NT$5,971 thousand and NT$4,655 thousand, respectively.

None of the above inventory was pledged as collateral.

(All amounts in NTD thousands unless otherwise specified)

7. Prepayments

	March 31, 2022	December 31, 2021	March 31, 2021
Prepaid purchases	$582,995	$450,172	$428,334
Other prepaid expenses	69,019	43,102	72,594
Total	$652,014	$493,274	$500,928

8. Property, plant and equipment

	March 31, 2022	December 31, 2021	March 31, 2021
Owner-occupied property, plant and equipment	$442,925	$446,238	$450,452

(All amounts in NTD thousands unless otherwise specified)

	Land	Buildings	Transportation equipment	Office equipment	Lease improvements	Other equipment	Total
Cost:							
January 1, 2022	$291,892	$202,009	$6,813	$43,891	$5,830	$578	$551,013
Additions	-	36	-	613	67	-	716
Disposals	-	(52)	-	(4,668)	-	-	(4,720)
Reclassification	-	-	-	363	-	-	363
Effects of exchange rate variation	-	-	80	9	-	-	89
March 31, 2022	$291,892	$201,993	$6,893	$40,208	$5,897	$578	$547,461
January 1, 2021	$291,892	$202,098	$4,004	$45,759	$5,796	$323	$549,872
Additions	-	50	-	737	-	-	787
Disposals	-	-	-	(3,149)	-	-	(3,149)
Reclassification	-	-	-	70	-	255	325
Effects of exchange rate variation	-	-	21	2	-	-	23
March 31, 2021	$291,892	$202,148	$4,025	$43,419	$5,796	$578	$547,858
Depreciation and impairment:							
January 1, 2022	$-	$73,762	$3,208	$24,360	$3,135	$310	$104,775
Depreciation	-	1,345	194	2,576	244	35	4,394
Disposals	-	(52)	-	(4,668)	-	-	(4,720)
Effects of exchange rate variation	-	-	79	8	-	-	87
March 31, 2022	$-	$75,055	$3,481	$22,276	$3,379	$345	$104,536
January 1, 2021	$-	$69,264	$3,031	$21,582	$2,166	$178	$96,221
Depreciation	-	1,350	64	2,629	241	28	4,312
Disposals	-	-	-	(3,149)	-	-	(3,149)
Effects of exchange rate variation	-	-	21	1	-	-	22
March 31, 2021	$-	$70,614	$3,116	$21,063	$2,407	$206	$97,406
Net book value:							
March 31, 2022	$291,892	$126,938	$3,412	$17,932	$2,518	$233	$442,925
December 31, 2021	$291,892	$128,247	$3,605	$19,531	$2,695	$268	$446,238
March 31, 2021	$291,892	$131,534	$909	$22,356	$3,389	$372	$450,452

(All amounts in NTD thousands unless otherwise specified)

The Group did not capitalize any interest for the three months ended March 31, 2022 and 2021.

Major components of buildings include: main structure, air conditioning, and renovation, which are depreciated over useful lives of 51-56 years, 6 years, and 6 years, respectively.

None of the above property, plant and equipment was pledged as collateral.

9. Intangible asset

	Computer software
Cost:	
January 1, 2022	$16,887
Addition - acquisition by separate purchase	292
Reduction - removal in the current period	(534)
March 31, 2022	$16,645
January 1, 2021	$12,470
Addition - acquisition by separate purchase	44
Reduction - removal in the current period	-
March 31, 2021	$12,514
Amortization and impairment:	
January 1, 2022	$8,889
Reduction - removal in the current period	(534)
Amortization	2,833
March 31, 2022	$11,188
January 1, 2021	$5,759
Reduction - removal in the current period	-
Amortization	1,117
March 31, 2021	$6,876
Net book value:	
March 31, 2022	$5,457
December 31, 2021	$7,998
March 31, 2021	$5,638

(All amounts in NTD thousands unless otherwise specified)

Amortization amount of intangible assets:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Operating cost	$-	$-
Administrative expenses	$2,833	$1,117
Research and development expenses	$-	$-

10. Other non-current assets

	March 31, 2022	December 31, 2021	March 31, 2021
Other non-current assets - others	$1,388	$1,279	$5,205

11. Short-term loans

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured bank loans	$-	$70,000	$-
Interest rate range	-%	0.85%	-%

The Group had undrawn short-term credit facilities of NT$2,196,425 thousand, NT$2,144,508 thousand, and NT$1,983,055 thousand as at March 31, 2022, December 31, 2021, and March 31, 2021, respectively.

12. Provisions

	Warranty	
	Three months ended March 31, 2022	Three months ended March 31, 2021
Beginning of period	$14,720	$42,171
Additions in the current period	4,307	9,784
Utilization in the current period	(2,332)	(1,356)
Reversals in the current period	(1,892)	(22,039)
End of the period	$14,803	$28,560

Warranty

This provision was made by estimating future product warranty claims, which involved use of historical experience, the management's judgment and other known factors.

13. Retirement benefit plans

Defined Contribution Plans

The Group recognized pension expenses related defined contribution plan for the three months ended March 31, 2022 and 2021 were NT$6,872 thousand and NT$6,854 thousand respectively.

Defined Benefit Plans

The Group recognized pension expenses related defined benefit plan for the three months ended March 31, 2022 and 2021 were NT$1,792 thousand and NT$2,543 thousand respectively.

14. Equity

(1) Ordinary share

The Company had authorized capital of NT$3,400,000 thousand (20,000 thousand shares of which were reserved for issuance of employee stock options) as at March 31, 2022, December 31, 2021, and March 31, 2021. Each share carries a face value of NT$10 and can be issued in multiple offerings. Paid-up capital amounted to NT$1,063,603 thousand and outstanding shares totaled 106,360 thousand on all three dates. Each share is entitled to one voting right and the right to receive dividends.

(All amounts in NTD thousands unless otherwise specified)

(2) Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
Premium from consolidation	$148,259	$148,259	$148,259
Premium from conversion of convertible bonds	18,255	18,255	18,255
Total	$166,514	$166,514	$166,514

According to regulations, capital surplus can not be used for any purpose other than reimbursing previous losses. If the Company has no cumulative losses, capital surpluses that arise from shares issued at premium and gifts received may be capitalized into share capital, up to a certain percentage of paid-in capital per year; these capital surpluses may also be distributed in cash among shareholders at the current ownership percentage.

(3) Earnings appropriation and dividend policy

According to the Articles of Incorporation, annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve (unless legal reserves have accumulated to an amount equal to share capital). Any surpluses remaining shall then be subject to provision or reversal of special reserve, as the laws may require. The residual balance can then be added to unappropriated earnings carried from previous years and retained or distributed to shareholders as a form of profit sharing, subject to resolution in a shareholder meeting.

Shareholders' profit sharing can be paid in cash or shares; however, the cash portion shall be no less than 10% of total dividends.

The Company operates in the high-tech industry and is susceptible to the industry's enterprise life cycle. Dividends shall be allocated after taking into consideration several factors including: current and future investment environment, capital requirement, domestic/foreign competition, capital budget, shareholders' expectations, balanced dividends, and the Company's long-term financial plan. Dividend distribution plans are to be proposed by the board of directors and presented for final resolution in shareholder meeting on a yearly basis.

(All amounts in NTD thousands unless otherwise specified)

The Company will be required to appropriate additional special reserves to make up for the shortfall between the balance of special reserves provided during the first-time adoption of IFRS and the net balance of other contra equity items in years it decides to distribute available earnings. If there is any subsequent reversal of the net decrease in other equity, the reversed part of the net decrease in other equity may be reversed to the special reserve, and be distributed to investors.

In accordance with the order via a letter issued by the FSC on March 31, 2021 referenced Jin-Guan-Zheng-Fa No. 1090150022, if the International Financial Reporting Standards is adopted for the first time, for the unrealized revaluation value addition and cumulative translation adjustment (benefit) in the account which are transferred to retained earnings due to the adoption of the exemption item of IFRS 1 "First Adoption of IFRS" on the conversion date, a special reserve shall be allocated. Subsequently, when the company uses, disposes of, or reclassifies the relevant assets, it may reverse the proportion of the original special reserve for distribution of earnings.

As at March 31, 2022, the Company had NT$144 thousand of special reserve that were appropriated due to first-time adoption of IFRS.

The Company's 2021 and 2020 earnings appropriation proposal and dividends per share were proposed and resolved by the board of directors meeting held on February 25, 2022 and the annual general meeting held on July 9, 2021 respectively. Details are as presented below:

	Earnings appropriation plan		Dividends per share (NTD)	
	2021	2020	2021	2020
Legal reserve	$63,872	$45,401		
Special reserve	-	(61,935)		
Cash dividends on ordinary shares (Note)	597,745	457,349	$5.62	$4.30

Note: On February 25, 2022, the Company’s board of directors resolved to ditribute 2021 cash dividends on ordinary shares.

Please refer to Note (VI).18 for the amount of employee remuneration and director remuneration recognized and the basis of estimation.

(All amounts in NTD thousands unless otherwise specified)

(4) Non-controlling interests: None.

15. Operating revenue

	Three months ended March 31, 2022	Three months ended March 31, 2021
Revenues from sale of merchandise	$1,092,518	$966,369
Revenues from rendering of service	480,990	476,213
Other operating revenues	735	1,759
Total	$1,574,243	$1,444,341

Information relating to revenue from contracts with customers for the three months ended March 31, 2022 and 2021 were as below:

(1) Breakdown of revenue

	Operating segment	
	Three months ended March 31, 2022	Three months ended March 31, 2021
Sales of merchandise	$1,092,518	$966,369
Rendering of service	480,990	476,213
Others	735	1,759
Total	$1,574,243	$1,444,341
Timing of revenue recognition:		
At a point in time	$1,093,253	$968,128
Over time	480,990	476,213
Total	$1,574,243	$1,444,341

(All amounts in NTD thousands unless otherwise specified)

(2) Contract balance

A. Contract assets - current

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Sales of merchandise and rendering of service	$221,664	$215,639	$487,291	$351,222
Less: loss provisions	(11,320)	(11,248)	(13,070)	(12,524)
Total	$210,344	$204,391	$474,221	$338,698

Major changes in the balance of contract assets for the three months ended March 31, 2022 and 2021 are explained below:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Amount of beginning balance reclassified into accounts receivable in the current period	$(94,192)	$(238,231)
Changes were measured based on level of completion	$100,217	$374,300

The Group assesses impairment according to IFRS 9. Please see Note (VI).16 for information on loss provisions and Note (XII) for credit risk-related information.

B. Contract liabilities - current

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Sales of merchandise and rendering of service	$1,203,918	$1,173,794	$1,333,897	$1,229,208

(All amounts in NTD thousands unless otherwise specified)

Major changes in the balance of contract liabilities for the three months ended March 31, 2022 and 2021 are explained below:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Amount of beginning balance reclassified into revenue in the current period	$(567,307)	$(500,286)
Increase in advanced receipt in the current period (less amounts incurred and reclassified into revenue in the current period)	$597,431	$604,975

(3) Allocation of transaction price into unfulfilled contractual obligations

As at March 31, 2022, the Group had allocated NT$6,070,815 thousand of transaction price into unfulfilled (including partially fulfilled) contractual obligations; 64.16% of which are expected to be recognized as revenue in 2022, whereas the remainder will be recognized as revenue on and after 2023.

(4) Assets recognized from costs of acquiring and fulfilling customer contracts

None.

16. Expected credit impairment reversal gain

	Three months ended March 31, 2022	Three months ended March 31, 2021
Operating expenses - expected credit impairment (loss) reversal gain		
Contract assets	$126	$(347)
Accounts receivable	1,318	2,204
Total	$1,444	$1,857

(All amounts in NTD thousands unless otherwise specified)

Please see Note (XII) for credit risk-related information.

All of the Group's contract assets and receivables (including notes receivable, accounts receivable, and installment accounts receivable) have loss provisions measured based on Lifetime expected credit losses. Credit loss is recognized as the difference between the book value of contract assets/accounts receivable and the present value of expected cash flow (prospective information). For short-term receivables, however, credit loss is not measured using present value difference as the effect of discounting is insignificant. Loss provisions as at March 31, 2022, December 31, 2021, and March 31, 2021 are explained below:

Contract assets and accounts receivables are divided into groups based on counterparties' credit rating, location, and industry, and a provision matrix is used to measure loss provisions. Relevant details are presented below:

March 31, 2022

Group 1	Not past due	Past due					
	(Note 1)	Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	Total
Total book value	$603,383	$40,028	$23,596	$10,125	$5,082	$14,084	$696,298
Loss ratio	1.2%	0.6%	0.7%	0.5%	1.4%	0.6%	
Lifetime expected credit losses	(6,973)	(258)	(160)	(51)	(73)	(79)	(7,594)
Net amount	$596,410	$39,770	$23,436	$10,074	$5,009	$14,005	$688,704

Group 2 (Note 2)	Not past due	Past due					
	(Note 1)	Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	Total
Total book value	$12,909	$-	$-	$-	$-	$5,361	$18,270
Loss ratio	100%	-	-	-	-	100%	
Lifetime expected credit losses	(12,909)	-	-	-	-	(5,361)	(18,270)
Net amount	$-	$-	$-	$-	$-	$-	$-

December 31, 2021

(All amounts in NTD thousands unless otherwise specified)

Group 1	Not past due (Note 1)	Past due: Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	Total
Total book value	$860,466	$43,434	$27,733	$7,208	$1,944	$25,228	$966,013
Loss ratio	0.9%	0.7%	0.5%	0.8%	0.8%	1.2%	
Lifetime expected credit losses	(7,969)	(297)	(143)	(61)	(16)	(312)	(8,798)
Net amount	$852,497	$43,137	$27,590	$7,147	$1,928	$24,916	$957,215

Group 2 (Note 2)	Not past due (Note 1)	Past due: Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	Total
Total book value	$12,909	$-	$-	$-	$-	$5,798	$18,707
Loss ratio	100%	-	-	-	-	100%	
Lifetime expected credit losses	(12,909)	-	-	-	-	(5,798)	(18,707)
Net amount	$-	$-	$-	$-	$-	$-	$-

(All amounts in NTD thousands unless otherwise specified)

March 31, 2021

Group 1	Not past due (Note 1)	Past due: Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	Total
Total book value	$803,174	$44,242	$16,710	$14,687	$2,699	$11,484	$892,996
Loss ratio	0.9%	0.6%	0.5%	0.5%	0.7%	2.2%	
Lifetime expected credit losses	(7,405)	(257)	(83)	(75)	(19)	(253)	(8,092)
Net amount	$795,769	$43,985	$16,627	$14,612	$2,680	$11,231	$884,904

Group 2 (Note 2)	Not past due (Note 1)	Past due: Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	Total
Total book value	$12,909	$-	$-	$-	$-	$7,625	$20,534
Loss ratio	100%	-	-	-	-	100%	
Lifetime expected credit losses	(12,909)	-	-	-	-	(7,625)	(20,534)
Net amount	$-	$-	$-	$-	$-	$-	$-

Note 1: All notes receivable and contract assets are not past due; loss provisions are measured based on Lifetime Expected Credit Losses.

Note 2: The Group measures loss provision for individual counterparties based on Lifetime Expected Credit Losses. Credit loss is recognized as the difference between the book value of contract assets/accounts receivable and the present value of expected cash flow.

(All amounts in NTD thousands unless otherwise specified)

Changes in loss provisions on contract assets, accounts receivable, and installment accounts receivable for the three months ended March 31, 2022 and 2021 are explained below:

	Contract assets	Accounts receivable	Installment accounts receivable
January 1, 2022	$11,248	$8,163	$8,094
Net reversals for the current period	(126)	(1,318)	-
Reclassification	198	(198)	-
Actual write-offs	-	(209)	-
Effect of exchange rate variations	-	12	-
March 31, 2022	$11,320	$6,450	$8,094
January 1, 2021	$12,524	$11,657	$7,049
Net recognitions (reversals) for the current period	347	(2,204)	-
Reclassification	199	(199)	-
Actual write-offs	-	(750)	-
Effect of exchange rate variations	-	3	-
March 31, 2021	$13,070	$8,507	$7,049

17. Lease

(1) The Group as lessee

The Group leases several types of assets, including buildings, transportation equipment, and office equipment. Lease tenor of each contract is from 1 to 6 years.

Effects of leases on the Group's financial position, financial performance, and cash flow are explained below:

(All amounts in NTD thousands unless otherwise specified)

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Book value of right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
Buildings	$19,046	$19,471	$25,126
Transportation equipment	2,105	2,904	2,812
Office equipment	1,547	1,424	2,716
Total	$22,698	$23,799	$30,654

Right-of-use assets increased by NT$2,267 thousand and NT$0 thousand for the three months ended March 31, 2022 and 2021, respectively.

(b) Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Lease liabilities	$23,308	$24,444	$31,915
Current	$11,998	$12,101	$13,055
Non - current	11,310	12,343	18,860
Total	$23,308	$24,444	$31,915

Please see Note (VI).19(4) - Financial cost for interest on lease liabilities for the three months ended March 31 2022 and 2021; and note (XII).5 - Liquidity risk management for maturity analysis of lease liability as at March 31, 2022, December 31, 2021 and March 31, 2021.

(All amounts in NTD thousands unless otherwise specified)

B. Amount recognized in statement of comprehensive income

Depreciation of right-of-use assets

	Three months ended March 31, 2022	Three months ended March 31, 2021
Buildings	$2,438	$2,435
Transportation equipment	798	1,380
Office equipment	185	737
Total	$3,421	$4,552

C. Income, expenses, and losses relating to lease activities as a lessee

	Three months ended March 31, 2022	Three months ended March 31, 2021
Short-term lease expense	$863	$1,004

D. Cash outflow relating to lease activities as a lessee

The Group incurred NT$4,447 thousand and NT$5,161 thousand of lease-related cash outflow for the three months ended March 31, 2022 and 2021.

(All amounts in NTD thousands unless otherwise specified)

18. Summary of employee benefit, depreciation, and amortization expenses by function:

By function / By nature	Three months ended March 31, 2022			Three months ended March 31, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	$19,346	$163,129	$182,475	$18,443	$164,155	$182,598
Wages and salaries	16,649	138,914	155,563	15,826	137,887	153,713
Labor insurance expenses and national health insurance expenses	1,416	12,148	13,564	1,373	12,153	13,526
Pension expenses	843	7,821	8,664	814	8,583	9,397
Other employee benefit expenses	438	4,246	4,684	430	5,532	5,962
Depreciation expenses	-	7,816	7,816	-	8,864	8,864
Amortization expenses	-	2,833	2,833	-	1,117	1,117

Pursuant to the Articles of Incorporation, profits concluded from a financial year are subject to employee remuneration of no less than 3% and director remuneration of no more than 5%. However, profits must first be taken to offset against cumulative losses if any. Distribution of employee remuneration mentioned above can be made in cash or in shares. This decision must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of all attending directors, and subsequently reported in shareholder meeting. Please visit the "Market Observation Post System" for more information regarding employee/director remuneration resolved in board of director meetings.

Employee remuneration and director remuneration for the three months ended March 31, 2022 were estimated and recognized at NT$10,500 thousand and NT$0 thousand, respectively, based on the Company's profitability and the percentages stated in the Articles of Incorporation, and employee remuneration and director remuneration for the three months ended March 31, 2021 were estimated and recognized at NT$10,136 thousand and NT$0 thousand, respectively, based on the Company's profitability and the percentages stated in the Articles of Incorporation. The basis of estimation is the profitability of the particular year. The above-mentioned amounts were included under salary expense; if the actual amount resolved by the board of directors differs from the estimate, the difference will be recognized as gain or loss for the next year.

The board of directors passed a resolution on February 25, 2022 to pay the 2021 employee remuneration and director remuneration at NT$37,100 thousand and NT$0 thousand, respectively, in cash; these amounts were indifferent from the expenses previously recognized in the 2021 financial statements.

The board of directors passed a resolution on February 26, 2021 to pay the 2020 employee remuneration and director remuneration at NT$38,900 thousand and NT$0 thousand, respectively, in cash; these amounts were indifferent from the expenses previously recognized in the 2020 financial statements.

(All amounts in NTD thousands unless otherwise specified)

19. Non-operating income and expenses

(1) Interest income

	Three months ended March 31, 2022	Three months ended March 31, 2021
Financial assets at amortized costs	$1,850	$1,834

(2) Other income

	Three months ended March 31, 2022	Three months ended March 31, 2021
Rental income	$3	$3
Other income - others	6,005	950
Total	$ 6,008	$953

(3) Other gains and losses

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net gains on currency exchange	$6,470	$1,042
Gains on financial assets at fair value through profit or loss	-	2,200
Others	300	-
Total	$6,770	$3,242

(All amounts in NTD thousands unless otherwise specified)

(4) Finance costs

	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest expenses on bank loans	$ 43	$-
Interest expenses on lease liabilities	128	179
Total	$171	$179

20. Composition of other comprehensive income

Composition of other comprehensive income for the three months ended March 31, 2022 is explained below:

	Arising in the current period	Reclassification in the current period	Other comprehensive income	Income tax benefits (expenses)	Amount after tax
Items not reclassified into profit or loss:					
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	$(7,982)	$-	$(7,982)	$-	$(7,982)
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	(3,487)	-	(3,487)	-	(3,487)
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	13,279	-	13,279	-	13,279
Total other comprehensive income for the current period	$1,810	$-	$1,810	$-	$1,810

(All amounts in NTD thousands unless otherwise specified)

Composition of other comprehensive income for the three months ended March 31, 2021 is explained below:

	Arising in the current period	Reclassification in the current period	Other comprehensive income	Income tax benefits (expenses)	Amount after tax
Items not reclassified into profit or loss:					
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	$(544)	$-	$(544)	$-	$(544)
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	1,050	-	1,050	-	1,050
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	2,171	-	2,171	-	2,171
Total other comprehensive income for the current period	$2,677	$-	$2,677	$-	$2,677

(All amounts in NTD thousands unless otherwise specified)

21. Income tax

Compositions of income tax expenses (benefits) for the three months ended March 31, 2022 and 2021 are explained below:

Income tax recognized in profit or loss

	Three months ended March 31, 2022	Three months ended March 31, 2021
Income tax expenses (benefits) for the current period:		
Current income tax payable	$42,635	$30,934
Adjustment of current income tax of previous years	(7,865)	-
Deferred income tax expenses (benefits):		
Deferred income tax expenses (benefits) relating to the origination and reversal of temporary differences	2,423	5,639
Deferred income tax relating to the origination and reversal of tax losses and income tax credits	(331)	(5)
Offset (reversal of previous offset) of deferred income tax asset	974	311
Income tax expenses	$37,836	$36,879

Assessment of income tax return

Assessment of income tax filings submitted by the Company and domestic subsidiaries as at March 31, 2022 is explained below:

	Assessment of income tax return
The Company	Certified up to 2020
Subsidiary - SRAIN Investment Co., Ltd.	Certified up to 2020
Subsidiary - Stark Inforcom Inc.	Certified up to 2020

22. Earnings per share (EPS)

Amount of basic earnings per share is calculated by dividing current net income attributable to parent company's ordinary shareholders by weighted average outstanding ordinary shares for the current period.

Amount of diluted earnings per share is calculated by dividing current net income attributable to parent company's ordinary shareholders by weighted average outstanding ordinary shares for the current period, including all potential dilutive ordinary shares assuming total conversion.

	Three months ended March 31, 2022	Three months ended March 31, 2021
(1) Basic earnings per share		
Net income attributable to parent company's ordinary shareholders (NTD thousands)	$182,395	$143,794
Weighted average outstanding ordinary shares for basic earnings per share (shares)	106,360,291	106,360,291
Basic earnings per share (NTD)	$1.71	$1.35
(2) Diluted earnings per share		
Net income attributable to parent company's ordinary shareholders (NTD thousands)	$182,395	$143,794
Weighted average outstanding ordinary shares for basic earnings per share (shares)	106,360,291	106,360,291
Dilutive effect:		
Employee remuneration (shares)	402,283	510,105
Weighted average outstanding ordinary shares after adjustment for dilutive effect (shares)	106,762,574	106,870,396
Diluted earnings per share (NTD)	$1.71	$1.35

There had been no other transaction that significantly changed the number of closing outstanding ordinary shares or potential ordinary shares after the reporting date up until the publication date of financial statements.

(All amounts in NTD thousands unless otherwise specified)

(VII). Related party transactions

Compensation for key management of the Group

	Three months ended March 31, 2022	Three months ended March 31, 2021
Short-term employee benefits	$28,080	$24,542
Post-employment benefits - pension	678	670
Total	$28,758	$25,212

(VIII). Pledged assets

The Group had placed the following assets as collaterals:

Item	Book value			Details of debts secured
	March 31, 2022	December 31, 2021	March 31, 2021	
Other financial assets – current	$10,015	$9,013	$9,360	Performance guarantee
Other financial assets – non-current	6,674	6,842	8,207	Performance guarantee
Total	$16,689	$15,855	$17,567	

(IX). Significant contingent liabilities and unrecognized contract commitments

2. The Company had engaged financial institutions to provide NT$133,575 thousand of performance and customs guarantee for various projects.

3. The Company had issued NT$35,639 thousand of guaranteed notes to customers and banks to secure sales and borrowing limits.

(All amounts in NTD thousands unless otherwise specified)

(X). Losses from Major Disasters

None.

(XI). Significant Subsequent Events

None.

(XII). Others

1. Types of financial instrument

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets			
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	$-	$-	$14,790
Financial assets at fair value through other comprehensive income	158,744	144,213	94,850
Financial assets at amortized costs:			
Cash and cash equivalents (excluding cash on hand)	1,730,620	1,450,714	1,331,700
Receivables	424,222	688,225	335,961
Long-term receivables	59,759	70,001	79,432
Other financial assets	16,689	15,855	17,567
Refundable deposits	228,958	230,586	214,369
Subtotal	2,460,248	2,455,381	1,979,029
Total	$2,618,992	$2,599,594	$2,088,669
Financial liabilities			
Financial liabilities at amortized costs:			
Short-term loans	$-	$70,000	$-
Payables	1,598,654	1,191,505	1,524,422
Lease liabilities	23,308	24,444	31,915
Guarantee deposits	3,484	3,138	3,146
Total	$1,625,446	$1,289,087	$1,559,483

2. Purpose and policy of financial risk management

The Group has set its financial risk management goals to primarily manage market risks, credit risks, and liquidity risks relating to operating activities. The abovementioned risks are identified, measured, and managed according to the Group's policies and risk preference.

The Group has implemented appropriate policies, procedures, and internal controls for the management of financial risks mentioned above. All important financial activities are subject to review by the board of directors and audit committee in accordance with rules and the internal control system. The Group is required to duly comply with its financial risk management rules when carrying out financial management activities.

3. Market risk

Changes in the market price of financial instruments is the type of market risk that the Group is most concerned with. Market risk may cause fluctuation in the fair value or cash flow of financial instruments, and mainly includes exchange rate risk, interest rate risk, and other price risk.

In practice, however, it is extremely rare to see only one risk variable changing at one time. Although risk variables tend to be correlated to some degree, the sensitivity analysis below has not taken into consideration the inter-correlation of risk variables.

Exchange rate risk

The Group’s exchange rate risk exposure is mainly associated with operating activities (when the currency of income or expense is different from the Group’s functional currency) and net investments in foreign operations.

Some of the Group's foreign currency receivables and foreign currency payables are denominated in the same currencies, which create natural hedge to some extent. However, the Group did not adopt hedge accounting as natural hedge does not conform with the requirements for hedge accounting. Meanwhile, net investments in foreign operations represent strategic investments, therefore the Group did not hedge this exposure.

Sensitivity analysis for exchange rate risk is conducted on monetary items denominated in key foreign currencies as at the balance sheet date, and the analysis evaluates how a strengthening/weakening of foreign currency affects the Group's profits and equity. Exchange rate risks of the Group are mainly attributed to the volatility of USD and RMB currencies. Sensitivity analysis for the two currencies is provided below:

If NTD strengthened/weakened against USD by 1%, profits for the three months ended March 31, 2022 and 2021 would have increased/decreased by NT$374 thousand and NT$177 thousand, whereas equity would have decreased/increased NT$118 thousand and NT$129 thousand, respectively.

If NTD strengthened/weakened against RMB by 1%, profits for the three months ended March 31, 2022 and 2021 would have increased/decreased by NT$255 thousand and NT$435 thousand, respectively, whereas there would be no effect whatsoever on equity.

Interest rate risk

Interest rate risk refers to fluctuations in the fair value or future cash flow of a financial instrument due to changes in market interest rate. The Group's exposure to interest rate risk arises mainly from loans borrowed at floating rate. However, given that the Group currently has no such loan outstanding, it is not exposed to any material interest rate risk.

Equity price risk

The Group holds TWSE/TPEX listed as well as unlisted equity securities; the fair value of investments may be affected by uncertainties associated with the future value. All TWSE/TPEX listed and unlisted equity securities held by the Group are classified as equity instruments at fair value through other comprehensive income. The Group manages equity price risk of equity securities through diversified investment and by setting investment limits on single and a portfolio of instruments. Information on portfolio of equity securities has to be provided to the Group's management on a regular basis; the board of directors is required to verify and approve all decisions concerning investment of equity securities.

A 10% rise/fall in the price of TWSE/TPEX listed shares held as equity instruments at fair value through other comprehensive income would have affected the Group's equity by NT$11,663 thousand and NT$8,069 thousand for the three months ended March 31, 2022 and 2021, respectively.

(All amounts in NTD thousands unless otherwise specified)

4. Credit risk management

Credit risk refers to the possibility of financial losses suffered due to counterparties becoming unable to fulfill contractual obligations. The Group's credit risk exposure mainly arises from operating activities (primarily accounts receivable and notes receivable) and financing activities (primarily bank deposits and financial instruments).

All departments of the Group manage credit risks according to prevailing policies, procedures, and controls. Counterparty credit risk is evaluated after taking into consideration each counterparty's financial position, external credit rating, historical transactions, the current economic environment, and the Group's internal rating standards, etc. The Group uses credit enhancement tools (such as advanced receipt and insurance) at appropriate times to minimize credit risk of specific counterparties.

The Group's top 10 customers accounted for 18%, 33%, and 32% of total contract assets and accounts receivable balance as at March 31, 2022, December 31, 2021, and March 31, 2021, respectively. Judging by the above, there was no concentration of credit risk in the Group's contract assets and accounts receivable.

The Finance Department manages credit risk of bank deposits and other financial instruments according to group policies. All counterparties of the Group are approved according to internal control procedures, and consist entirely of reputable banks, investment-grade financial institutions, companies, and government agencies, hence no major credit risk exists.

The Group assesses expected credit losses according to IFRS 9. Information relating to credit risk assessment is presented below:

			Total book value		
Credit risk grade	Indicator	Method of measuring expected credit loss	March 31, 2022	December 31, 2021	March 31, 2021
Simplified Approach (Note)	(Note)	Lifetime Expected Credit Losses	$714,568	$984,720	$913,530

Note: The Group adopts the Simplified Approach (loss provision is measured based on Lifetime Expected Credit Losses); the assessment covers contract assets, notes receivable, accounts receivable, and installment accounts receivable.

(All amounts in NTD thousands unless otherwise specified)

5. Liquidity risk management

The Group uses cash and cash equivalents, marketable securities, bank loans, leases, and contracts to maintain financial flexibility.

The following table shows maturity of financial liabilities as stated in contract terms and conditions. The dates represent the earliest times at which the Group may be required to make repayments, whereas the amounts are undiscounted and include agreed interests. Undiscounted amounts of floating interest cash flow are estimated using yield curve as at the balance sheet date.

Non-derivative instruments

	Less than 1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
March 31, 2022					
Payables	$1,598,654	$-	$-	$-	$1,598,654
Lease liabilities	12,371	10,636	852	-	23,859
December 31, 2021					
Short-term loans	$70,066	$-	$-	$-	$70,066
Payables	1,191,505	-	-	-	1,191,505
Lease liabilities	12,501	12,453	64	-	25,018
March 31, 2021					
Payables	$1,524,422	$-	$-	$-	$1,524,422
Lease liabilities	13,562	18,543	703	-	32,808

(All amounts in NTD thousands unless otherwise specified)

6. Reconciliation of liabilities relating to financing activities

Reconciliation of liabilities for the three months ended March 31, 2022:

	Short-term loans	Guarantee deposits	Lease liabilities	Total
January 1, 2022	$70,000	$3,138	$24,444	$97,582
Non - cash movement	-	-	2,395	2,395
Cash flow	(70,000)	346	(3,584)	(73,238)
Effect of exchange rate variations	-	-	53	53
March 31, 2022	$-	$3,484	$23,308	$26,792

Reconciliation of liabilities for the three months ended March 31, 2021:

	Guarantee deposits	Lease liabilities	Total
January 1, 2021	$2,821	$35,884	$38,705
Non - cash movement	-	179	179
Cash flow	325	(4,157)	(3,832)
Effect of exchange rate variations	-	9	9
March 31, 2021	$3,146	$31,915	$35,061

7. Fair value of financial instruments

(1) Fair value assessment techniques and assumptions

Fair value refers to the price that market participants are able to receive for selling an asset, or the price that has to be paid to transfer a liability, in an orderly transaction on the measurement date. The Group has adopted the following techniques and assumptions when measuring and disclosing fair values of financial assets and liabilities:

A. Book value of cash and cash equivalents, receivables, payables, and other current liabilities closely resemble their fair value due to their short maturity.

B. Financial assets and liabilities that are traded on active markets at standard terms and conditions shall have fair value determined by market quotation (e.g. TWSE/TPEX listed shares, beneficiary certificates, and bonds).

C. Equity instruments without active market (e.g. privately placed shares of TWSE/TPEX listed companies, shares of unlisted public and private companies without active market) shall have fair value estimated using the market approach, which infers fair values from transaction price or other relevant information (such as discount for lack of liquidity, P/E and P/B ratios of similar companies etc.) of same or comparable equity instruments.

D. For debt instruments without quotation in active market, bank loans, and other non-current liabilities, fair value is determined by counterparty's quotation or through the use of valuation technique. The valuation technique takes a discounted cash flow approach, and assumptions such as interest rate and discount rate are established in reference to instruments of similar nature.

(2) Fair value of financial instruments carried at cost after amortization

Book value of financial assets and liabilities carried at amortized costs closely resemble their fair value.

(3) Fair value hierarchy for financial instruments

See Note (XII).8 for information relating to fair value hierarchy for financial instruments.

8. Fair value hierarchy

(1) Definition of fair value hierarchy

For all assets and liabilities measured or disclosed at fair value, fair value measurement is categorized in their entirety in the level of the lowest level input that is significant to the entire measurement. The different levels of inputs used are explained below:

Level 1 input: Quotations that can be obtained from an active market (unadjusted) on the measurement date for asset or liability of equivalent nature.

Level 2 input: Inputs that can be observed directly or indirectly on an asset or liability, except for quotations covered in level 1 input.

Level 3 input: Inputs that can not be observed for an asset or liability.

Assets and liabilities that are recognized on financial statements on a recurring basis shall have classification reassessed on each balance sheet date to determine if transfer of fair value hierarchy has taken place.

(2) Information on fair value hierarchy

The Company did not have any asset that is measured at fair value on a non-recurring basis. Hierarchy of assets and liabilities with recurring fair value measurement is explained below:

March 31, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through other comprehensive income				
Stock	$116,631	$-	$42,113	$158,744

(All amounts in NTD thousands unless otherwise specified)

December 31, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through other comprehensive income				
Stock	$128,100	$-	$16,113	$144,213

March 31, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Fund	$14,790	$-	$-	$14,790
Financial assets at fair value through other comprehensive income				
Stock	$80,687	$-	$14,163	$94,850

Transfer of fair value input between level 1 and level 2

There had been no transfer of fair value input between level 1 and level 2 for the three months ended March 31, 2022 and 2021 that involved assets or liabilities with recurring fair value measurement.

Transfer of level 3 input for recurring fair value measurements

There had been no transfer of level 3 input that involved assets or liabilities with recurring fair value measurement.

Information on the use of significant unobservable inputs in level 3 fair value measurement

The following significant unobservable inputs were used for level 3 measurement of assets with recurring fair value measurement:

March 31, 2022:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Sensitivity analysis on relationship between input and fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stock	Asset Approach	Discount for lack of liquidity	20%	The higher the lack of liquidity, the lower the fair value estimate	If P/E ratio of a similar share rises/falls by 10%, the Group's profits would increase/decrease by NT$16 thousand.

(All amounts in NTD thousands unless otherwise specified)

December 31, 2021:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Sensitivity analysis on relationship between input and fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stock	Asset Approach	Discount for lack of liquidity	20%	The higher the lack of liquidity, the lower the fair value estimate	If P/E ratio of a similar share rises/falls by 10%, the Group's profits would increase/decrease by NT$16 thousand.

March 31, 2021:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Sensitivity analysis on relationship between input and fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stock	Asset Approach	Discount for lack of liquidity	20%	The higher the lack of liquidity, the lower the fair value estimate	If P/E ratio of a similar share rises/falls by 10%, the Group's profits would increase/decrease by NT$16 thousand.

(3) Mandatory disclosure of fair value hierarchy for items not measured at fair value: None.

9. Significant foreign currency-denominated financial assets and liabilities

The Group had the following significant foreign currency-denominated financial assets and liabilities:

Unit: thousand

	March 31, 2022		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$5,983	28.57	$170,925
CNY (RMB)	79,523	4.477	356,022
JPY	703	0.2337	164
SGD	51	21.05	1,068
Financial liabilities			
Monetary items:			
USD	1,792	28.57	51,199
CNY (RMB)	3,235	4.477	14,483

	December 31, 2021		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$3,924	27.61	$108,331
CNY (RMB)	83,527	4.314	360,337
JPY	26,603	0.2383	6,339
SGD	90	20.34	1,821
Financial liabilities			
Monetary items:			
USD	158	27.61	4,368
CNY (RMB)	3,269	4.314	14,104

(All amounts in NTD thousands unless otherwise specified)

	March 31, 2021		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$1,862	28.47	$53,018
CNY (RMB)	70,997	4.314	306,281
JPY	8,813	0.2558	2,254
SGD	53	21.08	1,118
Financial liabilities			
Monetary items:			
USD	637	28.47	18,124
CNY (RMB)	1,469	4.314	6,336

Due to the broad diversity of functional currencies used for transactions by members of the Group, the Group was unable to disclose exchange gains/losses on monetary financial assets and liabilities separately for each significant foreign currency. The Group's foreign currency exchange gains for the three months ended March 31, 2022 and 2021 were NT$6,470 thousand and NT$1,042 thousand, respectively.

10. Capital management

The primary goals of the Group’s capital management are to maintain robust credit rating and sound capital ratios in ways that support business operation and maximization of shareholders' equity. The Group manages and adjusts capital structure based on changes in economic circumstances. The Group maintains and adjusts capital structure through: adjustment of dividend payment, refund of share capital, or issuance of new shares.

(XIII). Other Disclosures

1. Information related to significant transactions:

(1) Loans to external parties: None.

(2) Endorsements/guarantees provided for others:

Serial No. (Note 1)	Name of the company providing an endorsement/ guarantee	The endorsed/guaranteed		Limits on endorsement/ guarantee amount provided to a single entity (Note 3)	Maximum balance for the period (Note 4)	Outstanding endorsement/ guarantee amount at the end of the period (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsement/ guarantee secured with collateral	Cumulative amount of endorsement / guarantee as a percentage of net equity stated in the latest financial statements	Maximum endorsement/ guarantee amount allowed (Note 3)	Provision of endorsement/ guarantee by parent company to subsidiary (Note 7)	Subsidiary's guarantee/ endorsement to parent company (Note 7)	Provision of endorsement /guarantee to the party in Mainland China (Note 7)
		Name of the company	Relationship (Note 2)										
1	Stark Inforcom Inc.	The Company	4	$214,131	$19,500	$19,500	$19,500	$-	0.75%	$428,262	-	Y	-

Note 1: Explanation to the serial number column:

1. 0 for the Company.
2. Investees are numbered in sequential order starting from 1; serial number should be consistent for the same company.

Note 2: The relationship between endorsement/guarantee providers and guaranteed parties are classified as follows:

1. Business that the Company has business dealing with.
2. Business in which the Company holds more than 50% direct or indirect voting interest.
3. Business that holds more than 50% direct or indirect voting interest in the Company.
4. Business in which the Company holds more than 90% direct or indirect voting rights.
5. Peer or partner of a construction contract that the Company is in need to provide cross guarantees for.
6. Investee of a joint investment arrangement for which the Company and other shareholders have issued endorsements/guarantees proportionate to ownership interest.
7. Peer of a property pre-sale contract for which the Company has issued performance guarantee in accordance with the Consumer Protection Act.

Note 3: According to subsidiaries' endorsement and guarantee procedures, endorsements/guarantees to a single business shall not exceed 50% of current net equity; total endorsements/guarantees to external parties shall not exceed 100% of current net equity. According to parent company's endorsement and guarantee procedures, endorsements/guarantees to any single subsidiary in which the Company holds more than 90% ownership interest shall not exceed 50% of net equity shown in the Company's latest financial statements, whereas endorsements/guarantees to other external parties shall not exceed 10% of the Company's net equity per entity or 50% of the Company's net equity on an aggregate basis, as shown in the latest financial statements.

Note 4: Represents the maximum balance of endorsement/guarantee during the year.

Note 5: Represents board of directors approved amount. If the Chairman has been authorized by the board of directors to make decisions according to Subparagraph 8, Article 12 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the column shall represent Chairman-approved amount.

Note 6: Represents the actual amount utilized by the guaranteed/endorsed within the endorsement/guarantee limit.

Note 7: Specify "Y" only for: endorsement/guarantee from a TWSE/TPEX listed parent to a subsidiary, endorsement/guarantee from a subsidiary to a TWSE/TPEX listed parent, or endorsement/guarantee to the Mainland China area.

(All amounts in NTD thousands unless otherwise specified)

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

Name of the investor	Type of marketable security	Name of marketable security	Relationship between the securities issuer and the Company	Financial statement account	End of the period			
					Shares / units	Book value	Percentage of shareholding	Fair value
Stark Technology Inc.	TWSE listed stock	ITEQ Corporation	-	Financial assets at fair value through other comprehensive income - non-current	362,829	$43,539	0.09%	$43,539
	Stock	DWINS Digital Service Corp.	-	Financial assets at fair value through other comprehensive income - non-current	1,151	-	0.04%	-
	Stock	Cloud Intelligent Operation Technology CO., Inc	Stark Technology Inc. is the director of Cloud Intelligent Operation Technology CO., Inc	Financial assets at fair value through other comprehensive income - non-current	195,000	1,950	19.50%	1,950
	Stock	Ausenior Information Co., Ltd.	Stark Technology Inc. is the director of Ausenior Information Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	2,000,000	26,000	13.33%	26,000
SRAIN Investment Co., Ltd.	TWSE listed stock	ITEQ Corporation	-	Financial assets at fair value through other comprehensive income - non-current	187,614	22,514	0.05%	22,514
	TWSE listed stock	Zero One Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,054,422	46,975	0.69%	46,975

(All amounts in NTD thousands unless otherwise specified)

Name of the investor	Type of marketable security	Name of marketable security	Relationship between the securities issuer and the Company	Financial statement account	End of the period			
					Shares / units	Book value	Percentage of shareholding	Fair value
SRAIN Investment Co., Ltd.	TPEX listed stock	Genesis Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	28,000	$1,373	0.04%	$1,373
	TPEX listed stock	Dimerco Data System Corporation	-	Financial assets at fair value through other comprehensive income - non-current	30,799	2,230	0.04%	2,230
	Stock	Hua Chih Venture Capital Corp.	SRAIN Investment Co., Ltd. is the director of Hua Chih Venture Capital Corp.	Financial assets at fair value through other comprehensive income - non-current	16,304	163	3.26%	163
	Stock	Incomm Technologies Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	30	-	0.01%	-
	Stock	LOLA Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,450,000	14,000	15.78%	14,000

(4) Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of paid-in capital: None.

(5) Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

(6) Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

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

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

(9) Trading of derivatives: None.

(All amounts in NTD thousands unless otherwise specified)

(10) Others: Major business dealings between the parent company and subsidiaries, and transactions between subsidiaries:

For the three months ended March 31, 2022:

Serial No. (Note 1)	Name of transacting party	Counterparty	Relationship with the transacting party (Note 2)	Transaction summary			
				Account	Amount	Transaction terms	As a percentage of consolidated net revenues or total assets (Note 3)
0	Stark Technology Inc.	Stark Technology Inc. (USA)	1	Purchase	$264	Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery.	0.02%
0	Stark Technology Inc.	Stark Inforcom Inc.	1	Sales revenue	3,237	Selling price is determined at 90%-99% of general selling price or through negotiation. Collection term is 30-120 days after acceptance inspection.	0.21%
				Accounts receivable	420		0.01%
				Purchase	401	Purchase price is determined by applying a 3%-20% markup on cost or through negotiation. Payment term is 30-120 days after acceptance inspection.	0.03%
				Rental income	395	-	0.03%
				Other expense	24	-	-%
0	Stark Technology Inc.	SRAIN Investment Co., Ltd.	1	Rental income	29	-	-%
1	Stark Inforcom Inc.	Stark Technology Inc. (USA)	3	Purchase	64	Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery.	-%

Note 1: Business dealings between the parent company and subsidiaries are indicated in the serial number column. The numbering rule is explained below:

1. 0 for parent company.
2. Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related party transactions are distinguished into one of three categories, as shown below:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: Calculation for business dealings as a percentage of total consolidated revenues or total assets is explained as follows: for balance sheet items, percentage of period-end balance is calculated relative to consolidated total assets; for profit or loss items, percentage of end-of-period cumulative amount is calculated relative to consolidated total revenues.

Note 4: Key transactions presented in this chart are determined by the Company based on principles of materiality.

2. Information on business investments:

Supplementary disclosure of investees in which the Company has significant influence or control for the three months ended March 31, 2022 (excluding Mainland China investees)

Unit: NTD thousands/USD

Name of the investor	Name of investee	Location of the investee	Main business activities	Initial investment (Note 9)		Shares held as at end of the period			Current profit (loss) of the investee (Note 1)	Investment gains (losses) recognized in the current period (Note 1)	Remarks
				End of the current period	End of the previous year	Number of shares	Percentage	Book value			
Stark Technology Inc.	Stark Technology Inc. (USA)	Note 2	Trading of computer-related products	$1,429 (USD50,000)	$1,429 (USD50,000)	500,000	100.00%	$11,758	$(321)	$(288)	-
Stark Technology Inc.	SRAIN Investment Co., Ltd.	Note 3	General investment	410,967	410,967	-	100.00%	530,623	22,506	22,506	-
Stark Technology Inc.	Pacific Ace Holding International Ltd.	Note 4	General investment	85,710 (USD3,000,000)	85,710 (USD3,000,000)	3,000,000	100.00%	339,185	5,688	5,688	-
Stark Technology Inc.	Stark Information (Hong Kong) Limited	Note 5	Trading of computer equipment and software	2,000 (USD70,000)	2,000 (USD70,000)	70,000	100.00%	1,966	-	-	-
SRAIN Investment Co., Ltd.	S-Rain Investment Ltd.	Note 6	General investment	22,856 (USD800,000)	22,856 (USD800,000)	800,000	100.00%	14,992	(1,000)	-	-
SRAIN Investment Co., Ltd.	Stark Inforcom Inc.	Note 7	Trading of computer-related products	370,000	370,000	37,000,000	100.00%	428,262	23,536	-	-
Pacific Ace Holding International Ltd.	Profit Reap International Limited	Note 4	General investment	85,710 (USD3,000,000) (Note 8)	85,710 (USD3,000,000) (Note 8)	3,000,000	100.00%	339,508	5,688	-	-

Note 1: Investment gains/losses of each company is recognized as part of investment gains/losses of subsidiaries or 2nd-tier subsidiaries, and have been eliminated in the consolidated financial statements.

Note 2: 1209 Mayberry Lane San Jose, CA 95131, U.S.A.

Note 3: 13F, No. 83, Section 2, Dongda Road, Hsinchu City.

Note 4: Beaufor House, P. O. Box 438, Road Town, Tortola, British Virgin Islands

Note 5: Unit 2104, No. 16, Argyle Street (Mongkok Commercial Centre), Kowloon, Hong Kong.

Note 6: Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands

Note 7: 11F-2, No. 83, Section 2, Dongda Road, Hsinchu City.

Note 8: Includes technology in lieu of capital USD 906,243.

Note 9: Amount of initial investment at the ends of the current and previous periods were converted using exchange rate as at March 31, 2022.

(All amounts in NTD thousands unless otherwise specified)

3. Information relating to investments in the Mainland China

(1) Breakdown of investments:

Name of the investee in Mainland China	Main business activities	Paid-in-capital amount	Investment method	Accumulated outflow of investment from Taiwan as beginning of current period	Investment flows of the period		Accumulated outflow of investment from Taiwan as end of current period	Net profit (loss) of the investee of current period	Percentage of shareholding (direct or indirect)	Investment gains (losses) recognized in the current period (Note 3)	Book value of investments in Mainland China at the end of the period (Note 3)	Investment gains recovered back to Taiwan to date
					Outflow	Inflow						
STARK (Ningbo) Technology Inc.	International trade, technical service and consultation, system integration, software development, and sale of computer-related equipment.	USD 3,000,000	Invested indirectly through an investee in a third location (Pacific Ace Holding International Ltd)	$85,710 (USD3,000,000)	-	-	$85,710 (USD3,000,000) (Note 1)	$5,688 (Note 4.(II).3)	100.00%	$5,688 (Note 4.(II).3)	$339,779	-
Shanghai Stark Technology Inc.	Wholesale and import/export trade of computers and peripherals, software, office equipment, and electrical/electronic equipment, computer system design, data processing service, and supply of network information.	USD 1,160,000	Invested indirectly through an investee in a third location (S-Rain Investment Ltd)	33,141 (USD1,160,000)	-	-	33,141 (USD1,160,000)	(1,000) (Note 4.(II).3)	100.00%	(1,000) (Note 4.(II).3)	14,982	-
Jiangxi Solar PV Corporation	Research, development, production, and sale of solar cells and components	- (Note 2)	Invested indirectly through an investee in a third location (Solar PV Corporation)	85,710 (USD3,000,000)	-	-	85,710 (USD3,000,000)	- (Note 2)	- (Note 2)	- (Note 2)	- (Note 2)	-

Accumulated outflows of investment from Taiwan to Mainland China as end of current period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
$204,561 (USD7,160,000) (Note 3)	$204,561 (USD7,160,000) (Note 3)	$1,563,800(Note 5)

Note 1: As at March 31, 2022, the Company had invested USD 906,243 into STARK (Ningbo) Technology Inc. including technology in lieu of capital.

Note 2: The entity was declared bankrupt by the local court, and had completed liquidation on May 22, 2020.

Note 3: Converting the original foreign currency amount using exchange rate as at March 31, 2022.

Note 4: With regards to investment gains/losses recognized in the current period:

(I). It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit or loss during this period.

(II). Indicate the basis for investment income (loss) recognition in the number of one of the following three categories.

1. The financial statements were audited and attested by an international accounting firm which has a cooperative relationship with an accounting firm in R.O.C.
2. The financial statements were audited and attested by R.O.C. parent company's CPA
3. Others

Note 5: Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA.

(2) Significant transactions with Mainland China investees:

A. Amount and percentage of purchases and balance and percentage of corresponding payables at the end of period: Please see Note (XIII).1(10) of the financial statements.

B. Amount and percentage of sales and balance and percentage of corresponding receivables at the end of period: Please see Note (XIII).1(10) of the financial statements.

C. Property transactions and the resulting gains or losses: None.

D. Ending balances and purposes of endorsed notes, guarantees, or pledged collaterals: Please see Note (XIII).1(2) of the financial statements.

E. Maximum balance, ending balance, interest rate range, and total interests amount of loans in the current period: None.

F. Other transactions with material impact to the current profit or loss or financial position: None.

4. Information on major shareholders: Disclosure requirements not met.

XIV. Segment Information

The Group generates revenues mainly from distribution and maintenance of computers and peripherals; research, design, development, and sale of computer software/hardware, and computer system design. The Group's decision makers evaluate performance of the Company and allocate resources accordingly. The Group has consolidated all of its operations into one single reporting segment due to the fact that they share similar economic characteristics and exhibit comparable long-term financial performance. Segment information is prepared using the same basis and significant accounting policies stated in Note (IV).