2480

Stark Technology Inc. and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Review Report

For the Nine Months Ended September 30, 2022 and 2021

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Consolidated Financial Statements

Table of Contents

Item	Page
I. COVER PAGE	1
II. TABLE OF CONTENTS	2
III. INDEPENDENT AUDITOR'S REVIEW REPORT	3-4
IV. ICONSOLIDATED BALANCE SHEET	5-6
V. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7
VI. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
VII. CONSOLIDATED STATEMENT OF CASH FLOW	9
VIII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	
(I) ORGANIZATION AND OPERATIONS	10
(II) FINANCIAL STATEMENT APPROVAL DATE AND PROCEDURES	10
(III) APPLICATION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS	10-13
(IV) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	14-16
(V) SOURCES OF UNCERTAINTY TO SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS	17
(VI) NOTES TO MAJOR ACCOUNTS	17-47
(VII) RELATED PARTY TRANSACTIONS	48
(VIII) PLEDGED ASSETS	48
(IX) SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS	48-49
(X) LOSSES FROM MAJOR DISASTERS	50
(XI) SIGNIFICANT SUBSEQUENT EVENTS	50
(XII) OTHERS	50-62
(XIII) OTHER DISCLOSURES	
1. INFORMATION RELATED TO SIGNIFICANT TRANSACTIONS	63-69
2. INFORMATION ON BUSINESS INVESTMENTS	70-71
3. INFORMATION RELATING TO INVESTMENTS IN THE MAINLAND CHINA	72-73
4. INFORMATION ON MAJOR SHAREHOLDERS	74
(XIV) SEGMENT INFORMATION	74

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 September 30, 2022 and 2021, the consolidated statement of comprehensive income for the three months ended September 30, and the nine months ended September 30, 2022 and 2021, consolidated statement of changes in equity for the nine months ended September 30, 2022 and 2021, consolidated statement of cash flow for the nine months ended September 30, 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 September 30, 2022 and 2021, these subsidiaries aggregately reported total assets of NT$419,584 thousand and NT$362,261 thousand that represented 6.84% and 6.51% of consolidated total assets, and total liabilities of NT$28,063 thousand and NT$24,545 thousand that represented 0.87% and 0.89% of consolidated total liabilities, respectively. These subsidiaries also reported total comprehensive income of NT$17,703 thousand, NT$5,847 thousand, NT$39,373 thousand and NT$18,343 thousand that represented 9.83%, 4.24%, 7.92% and 4.37% of consolidated total comprehensive income for the three months ended September 30, 2022 and 2021, and the nine months ended September 30, 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 September 30, 2022 and 2021, or the consolidated financial performance for the three months ended September 30, and the nine months ended September 30, 2022 and 2021 or consolidated cash flow for the nine months ended September 30, 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

October 28, 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 September 30, 2022, December 31, 2021, and September 30, 2021
(Information as at September 30, 2022 and 2021, were reviewed only, and not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Asset			September 30, 2022		December 31, 2021		September 30, 2021	
Code	Item	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	(VI).1 and (XII)	$1,147,370	19	$1,450,910	25	$1,255,135	23
1140	Contract assets - current	(VI).15 and (VI).16	197,570	3	204,391	4	396,854	7
1150	Notes receivable, net	(VI).4, (VI).16 and (XII)	3,675	-	5,759	-	1,660	-
1172	Accounts receivable	(VI).5, (VI).16 and (XII)	590,679	10	621,152	11	423,383	8
1173	Installment accounts receivable	(VI).5, (VI).16 and (XII)	56,370	1	55,912	1	52,594	1
1200	Other receivables	(XII)	10,297	-	5,402	-	1,316	-
130x	Inventories	(VI).6	2,520,840	41	1,991,209	34	1,964,452	35
1410	Prepayments	(VI).7	683,743	11	493,274	8	535,340	10
1476	Other financial assets - current	(VIII) and (XII)	13,959	-	9,013	-	9,633	-
1478	Refundable deposits	(XII)	134,876	2	149,443	3	115,860	2
1479	Other current assets		1,274	-	1,394	-	1,899	-
11xx	Total current assets		5,360,653	87	4,987,859	86	4,758,126	86
	Non-current assets							
1510	Financial assets at fair value through profit or loss - non-current	(VI).2 and (XII)	-	-	-	-	14,130	-
1517	Financial assets at fair value through other comprehensive income -non -current	(VI).3 and (XII)	119,213	2	144,213	3	101,377	2
1600	Property, plant and equipment	(VI).8	438,700	7	446,238	8	448,098	8
1755	Right-of-use assets	(VI).17	30,016	1	23,799	1	25,573	1
1780	Intangible asset	(VI).9	2,438	-	7,998	-	10,808	-
1840	Deferred income tax assets	(IV) and (VI).21	16,454	-	17,497	-	18,590	-
1920	Refundable deposits	(XII)	125,751	2	81,143	1	104,549	2
1933	Long-term installment accounts receivable	(VI).5, (VI).16 and (XII)	38,776	1	70,001	1	72,253	1
1980	Other financial assets - non-current	(VIII) and (XII)	2,274	-	6,842	-	7,105	-
1990	Other non-current assets	(VI).10	1,255	-	1,279	-	1,478	-
15xx	Total non-current assets		774,877	13	799,010	14	803,961	14
1xxx	Total assets		$6,135,530	100	$ 5,786,869	100	$5,562,087	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 September 30, 2022, December 31, 2021, and September 30, 2021

(Information as at September 30, 2022 and 2021, were reviewed only, and not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Liabilities and equity			September 30, 2022		December 31, 2021		September 30, 2021	
Code	Item	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	(VI).11 and (XII)	$170,000	3	$ 70,000	1	$230,000	4
2130	Contract liabilities - current	(VI).15	1,277,620	21	1,173,794	20	1,256,078	23
2150	Notes payable	(XII)	548	-	963	-	21,453	-
2170	Accounts payable	(XII)	1,180,685	19	928,812	16	762,324	14
2200	Other payables	(XII)	234,059	4	261,730	5	221,575	4
2230	Current income tax liabilities	(IV) and (VI).21	128,091	2	126,837	2	77,293	1
2250	Provisions	(VI).12	15,385	-	14,720	-	24,177	1
2280	Lease liabilities - current	(VI).17 and (XII)	15,508	-	12,101	-	11,950	-
2399	Other current liabilities		78,994	2	76,524	2	62,350	1
21xx	Total current liabilities		3,100,890	51	2,665,481	46	2,667,200	48
	Non-current liabilities							
2570	Deferred income tax liabilities	(IV) and (VI).21	61,834	1	51,797	1	51,567	1
2580	Lease liabilities - non-current	(VI).17 and (XII)	14,787	-	12,343	-	14,277	-
2640	Net defined benefit liabilities - non-current	(IV)	33,755	-	34,237	1	34,914	1
2645	Guarantee deposits	(XII)	5,150	-	3,138	-	3,113	-
25xx	Total non-current liabilities		115,526	1	101,515	2	103,871	2
2xxx	Total liabilities		3,216,416	52	2,766,996	48	2,771,071	50
31xx	Equity attributable to owners of the parent company	(VI).14						
3100	Share capital							
3110	Ordinary share		1,063,603	17	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		943,184	16	879,312	15	879,312	16
3320	Special reserve		144	-	144	-	144	-
3350	Unappropriated retained earnings		746,778	12	873,169	15	649,714	11
	Total retained earnings		1,690,106	28	1,752,625	30	1,529,170	27
3400	Other equity interests		(1,109)	-	37,131	1	31,729	1
3xxx	Total equity		2,919,114	48	3,019,873	52	2,791,016	50
	Total liabilities and equity		$6,135,530	100	$ 5,786,869	100	$5,562,087	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 September 30, 2022 and 2021
and for the nine months ended September 30, 2022 and 2021
(Reviewed only; not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Code	Item	Notes	July 1 to September 30, 2022		July 1 to September 30, 2021		January 1 to September 30, 2022		January 1 to September 30, 2021	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Net operating revenue	(VI).15	$1,654,075	100	$1,628,067	100	$4,870,642	100	$4,591,024	100
5000	Operating cost	(VI).6 and (VI).18	(1,262,549)	(76)	(1,259,773)	(77)	(3,626,649)	(74)	(3,481,108)	(76)
5900	Operating margin		391,526	24	368,294	23	1,243,993	26	1,109,916	24
6000	Operating expenses	(VI).17 and (VI).18								
6200	Administrative expenses		(203,228)	(12)	(187,678)	(11)	(609,340)	(13)	(549,655)	(12)
6300	Research and development expenses		(20,810)	(1)	(22,414)	(2)	(62,330)	(1)	(68,882)	(1)
6450	Expected credit impairment (loss) reversal gain	(VI).16	231	-	(40)	-	2,246	-	2,094	-
	Total operating expenses		(223,807)	(13)	(210,132)	(13)	(669,424)	(14)	(616,443)	(13)
6900	Operating income		167,719	11	158,162	10	574,569	12	493,473	11
7000	Non-operating income and expenses	(VI).19								
7100	Interest income		1,656	-	3,084	-	5,971	-	7,338	-
7010	Other income		32,765	1	14,859	1	43,838	1	22,152	1
7020	Other gains and losses		20,943	1	(3,430)	-	33,769	1	1,408	-
7050	Finance costs		(439)	-	(562)	-	(730)	-	(921)	-
	Total non-operating income and expenses		54,925	2	13,951	1	82,848	2	29,977	1
7900	Income before income tax		222,644	13	172,113	11	657,417	14	523,450	12
7950	Income tax expense	(IV) and (VI).21	(40,387)	(2)	(34,968)	(2)	(122,191)	(3)	(107,988)	(3)
8200	Net income		182,257	11	137,145	9	535,226	11	415,462	9
8300	Other comprehensive income									
8310	Items not reclassified into profit or loss	(VI).20								
8316	Unrealized gains on investments in equity instruments as at fair value through other comprehensive income		(6,841)	-	1,331	-	(51,000)	(1)	5,178	-
8360	Items likely to be reclassified into profit or loss	(VI).20								
8361	Exchange differences on translation of foreign operations		4,593	-	(573)	-	12,760	-	(1,287)	-
	Other comprehensive income for the current period (net of income tax)		(2,248)	-	758	-	(38,240)	(1)	3,891	-
8500	Total comprehensive income for the period		$180,009	11	$ 137,903	9	$ 496,986	10	$ 419,353	9
8600	Net income attributable to:	(VI).22								
8610	Owners of the parent company		$ 182,257		$ 137,145		$ 535,226		$ 415,462	
8620	Non-controlling interest		-		-		-		-	
			$ 182,257		$ 137,145		$ 535,226		$ 415,462	
8700	Comprehensive income attributable to:									
8710	Owners of the parent company		$ 180,009		$ 137,903		$ 496,986		$ 419,353	
8720	Non-controlling interest		-		-		-		-	
			$ 180,009		$ 137,903		$ 496,986		$ 419,353	
	Earnings per share (NTD)									
9750	Basic earnings per share									
9710	Net income	(VI).22	$ 1.71		$ 1.29		$ 5.03		$ 3.91	
9850	Diluted earnings per share									
9810	Net income	(VI).22	$ 1.70		$ 1.28		$ 5.01		$ 3.89	

(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 nine months ended September 30, 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								Total equity
				Retained earnings			Other equity items			
	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	
Code		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									
B1	Appropriation of legal reserve	-	-	45,401	-	(45,401)	-	-	-	-
B3	Reversal of special reserve	-	-	-	(61,935)	61,935	-	-	-	-
B5	Cash dividends on ordinary shares	-	-	-	-	(457,349)	-	-	(457,349)	(457,349)
D1	Net income for the nine months ended September 30, 2021	-	-	-	-	415,462	-	-	415,462	415,462
D3	Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	(1,287)	5,178	3,891	3,891
D5	Total comprehensive income for the period	-	-	-	-	415,462	(1,287)	5,178	419,353	419,353
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(191)	-	191	-	-
Z1	Balance as at September 30, 2021	$ 1,063,603	$ 166,514	$ 879,312	$ 144	$ 649,714	$ (27,085)	$ 58,814	$ 2,791,016	$ 2,791,016
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									
B1	Appropriation of legal reserve	-	-	63,872	-	(63,872)	-	-	-	-
B5	Cash dividends on ordinary shares	-	-	-	-	(597,745)	-	-	(597,745)	(597,745)
D1	Net income for the nine months ended September 30, 2022	-	-	-	-	535,226	-	-	535,226	535,226
D3	Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	12,760	(51,000)	(38,240)	(38,240)
D5	Total comprehensive income for the period	-	-	-	-	535,226	12,760	(51,000)	496,986	496,986
Z1	Balance as at September 30, 2022	$ 1,063,603	$ 166,514	$ 943,184	$ 144	$ 746,778	$ (11,462)	$ 10,353	$ 2,919,114	$ 2,919,114

(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 nine months ended September 30, 2022 and 2021
(Reviewed only; not audited in accordance with generally accepted audit principles)

Unit: NTD thousands

Code	Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		Amount	Amount
AAAA	Cash flow from operating activities:		
A10000	Income before income tax	$ 657,417	$ 523,450
A20000	Adjustments:		
A20010	Income, expenses and losses:		
A20100	Depreciation expenses	23,003	26,103
A20200	Amortization expenses	6,215	5,521
A20300	Expected credit impairment reversal gain	(2,246)	(2,094)
A20400	Net gain on financial assets and liabilities at fair value through profit or loss	-	(1,540)
A20900	Interest expense	730	921
A21200	Interest income	(5,971)	(7,338)
A21300	Dividend income	(10,437)	(2,986)
A22500	Loss on disposal of property, plant and equipment	-	2
A31000	Changes in assets/liabilities that are related to operating activities:		
A31125	Contract assets	6,179	(59,080)
A31130	Notes receivable	2,084	1,169
A31150	Accounts receivable	68,217	221,788
A31180	Other receivables	(4,850)	1,414
A31200	Inventories	(530,469)	(7,824)
A31230	Prepayments	(190,469)	(72,726)
A31240	Other current assets	120	1,651
A32125	Contract liabilities - current	103,826	26,870
A32130	Notes payable	(415)	18,707
A32150	Accounts payable	251,873	(354,682)
A32180	Other payables	(27,700)	(46,742)
A32200	Provisions	665	(17,994)
A32230	Other current liabilities	2,470	26,201
A32240	Net defined benefit liabilities	(482)	-
A33000	Cash inflow(outflow) from operations	349,760	280,791
A33100	Interests received	1,826	4,205
A33200	Dividend received	10,437	2,986
A33300	Interests paid	(333)	(389)
A33500	Income tax paid	(109,857)	(119,731)
AAAA	Net cash inflow(outflow) from operating activities	251,833	167,862

Code	Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		Amount	Amount
BBBB	Cash flow from investing activities:		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(26,000)	(3,724)
B00030	Capital reduction of financial assets at fair value through other comprehensive income	-	95
B02700	Acquisition of property, plant and equipment	(4,084)	(6,369)
B02800	Disposal of property, plant and equipment	-	4
B03700	Increase in refundable deposits	(30,041)	(4,812)
B04500	Acquisition of intangible assets	(655)	(9,618)
B06500	Decrease (increase) in other financial assets	(378)	787
B06800	Decrease in other non-current assets	24	4,325
BBBB	Net cash outflow from investing activities	(61,134)	(19,312)
CCCC	Cash flow from financing activities:		
C00100	Increase in short-term loans	100,000	230,000
C03000	Increase in guarantee deposits	2,012	292
C04020	Repayment of lease principal	(11,142)	(13,458)
C04500	Distribution of cash dividend	(597,745)	(457,349)
CCCC	Net cash outflow from financing activities	(506,875)	(240,515)
DDDD	Effect of exchange rate changes on cash and cash equivalents	12,636	(1,304)
EEEE	Net increase (decrease) in cash and cash equivalents for the current period	(303,540)	(93,269)
E00100	Cash and cash equivalents, beginning of period	1,450,910	1,348,404
E00200	Cash and cash equivalents, end of period	$ 1,147,370	$ 1,255,135

(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 nine months ended September 30, 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 nine months ended September 30, 2022 and 2021, were approved by the board of directors on October 28, 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, 2022. 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 approved by FSC:

Item No.	New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
1	Disclosure initiative - Accounting policies (IAS 1 amendment)	January 1, 2023
2	Definition of Accounting Estimates (IAS 8 amendment)	January 1, 2023
3	Deferred income tax related to assets and liabilities arising from a single transaction (Amendment to IAS No. 12)	January 1, 2023

(1) 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.

(2) 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.

(3) 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.

The aforementioned new, revised or amended standards and interpretations are issued by IASB and endorsed by FSC to take effect for annual periods beginning on January 1, 2023. Upon assessment, the adoption of newly issued or revised standards and interpretations does not have any material impact on the Group.

(All amounts in NTD thousands unless otherwise specified)

3. 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:

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	Lease Liability in a Sale and Leaseback (IFRS 16 amendment)	January 1, 2024

(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) Lease Liability in a Sale and Leaseback (IFRS 16 amendment)

This amendment for IFRS 16 Leases is intended to ensure the consistency of application of the standard by adding subsequent measurement requirements for a seller-lessee in a sale and leaseback transactions.

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 nine months ended September 30, 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

(All amounts in NTD thousands unless otherwise specified)

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;

The entities of consolidated financial statements are as follows:

			Ownership percentage		
Name of the investor	Name of subsidiary	Main business activities	September 30, 2022	December 31, 2021	September 30, 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%

(All amounts in NTD thousands unless otherwise specified)

			Ownership percentage		
Name of the investor	Name of subsidiary	Main business activities	September 30, 2022	December 31, 2021	September 30, 2021
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 September 30, 2022 and 2021, such subsidiaries aggregated reported total assets of NT$419,584 thousand and NT$362,261 thousand and total liabilities of NT$28,063 thousand and NT$24,545 thousand, respectively; whereas comprehensive income (loss) for the three months ended September 30, 2022 and 2021 totaled NT$17,703 thousand and NT$5,847 thousand, respectively, and the nine months ended September 30, 2022 and 2021 totaled NT$39,373 thousand and NT$18,343 thousand, respectively.

4. Except for the accounting policies stated in Note (IV).5~6, consolidated financial statements for the nine months ended September 30, 2022 are 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 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.

(All amounts in NTD thousands unless otherwise specified)

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

Consolidated financial statements for the nine months ended September 30, 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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash	$196	$196	$196
Demand and check deposit	909,078	1,233,979	1,061,431
Time deposit	238,096	216,735	193,508
Total	$1,147,370	$1,450,910	$1,255,135

2. Financial assets at fair value through profit or loss

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in equity instruments at fair value through profit or loss -non-current:			
Fund	$-	$-	$14,130

(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

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in equity instruments at fair value through other comprehensive income - non-current:			
TWSE/TPEX listed shares	$77,100	$128,100	$85,264
Unlisted shares	42,113	16,113	16,113
Total	$119,213	$144,213	$101,377

(1) The Group acquired 47 thousand shares of LOLA Technology Inc., a 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, 2021. 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 acquired 4 thousand shares dividend of Genesis Technology Inc., a TPEX listed company, in the third quarter of 2022.

(6) The Group recognized NT$10,437 thousand of dividend income for the nine months ended September 30, 2022 from investments in equity instruments at fair value through other comprehensive income held in possession. This income was related to investments that remained in possession as of the balance sheet date.

(7) The Group recognized NT$3,839 thousand of dividend income in 2021 from investments in equity instruments at fair value through other comprehensive income held by the Group. This income is related to investments still held on the balance sheet.

(All amounts in NTD thousands unless otherwise specified)

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

4. Notes receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable - arising from business activities	$3,675	$5,759	$1,660
Less: loss provisions	-	-	-
Net amount	$3,675	$5,759	$1,660

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

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	$595,875	$629,315	$431,280
Installment accounts receivable	100,341	143,302	141,315
Less: Unrealized interest income - Installment accounts receivable	(5,195)	(9,295)	(9,419)
Subtotal (total book value)	691,021	763,322	563,176
Less: loss provisions	(5,196)	(16,257)	(14,946)
Total	$685,825	$747,065	$548,230

Expected recovery of installment accounts receivable is as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
No more than 1 year	$59,971	$69,336	$64,952
1 to 2 years	35,542	45,218	43,598
2 years and above	4,828	28,748	32,765
Total	$100,341	$143,302	$141,315

(All amounts in NTD thousands unless otherwise specified)

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$691,021 thousand on September 30, 2022, NT$763,322 thousand on December 31, 2021, and NT$563,176 thousand on September 30, 2021. See Note (VI).16 for information on loss provisions and Note (XII) for credit risk-related information.

6. Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Net inventory - merchandise	$2,520,840	$1,991,209	$1,964,452

(1) Cost of inventory, consultation, and maintenance recognized as expenses for the three months ended September 30, 2022 and 2021 were NT$1,262,549 thousand and NT$1,259,773 thousand respectively. These amounts included NT$69 and NT$1,808 thousand of gain on reversal of inventory devaluation and obsolescence for the three months ended September 30, 2022 and 2021 respectively.

(2) Cost of inventory, consultation, and maintenance recognized as expenses for the nine months ended September 30, 2022 and 2021 were NT$3,626,649 thousand and NT$3,481,108 thousand respectively. These amounts included NT$2,630 thousand of loss on inventory devaluation and obsolescence and NT$2,976 thousand of gain on reversal of inventory devaluation and obsolescence for the nine months ended September 30, 2022 and 2021 respectively.

(3) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had provisions on inventory devaluation outstanding at NT$6,520 thousand, NT$3,890 thousand and NT$2,097 thousand, respectively.

(4) None of the above inventory was pledged as collateral.

(All amounts in NTD thousands unless otherwise specified)

7. Prepayments

	September 30, 2022	December 31, 2021	September 30, 2021
Prepaid purchases	$594,494	$450,172	$471,823
Other prepaid expenses	89,249	43,102	63,517
Total	$683,743	$493,274	$535,340

8. Property, plant and equipment

	September 30, 2022	December 31, 2021	September 30, 2021
Owner-occupied property, plant and equipment	$438,700	$446,238	$448,098

(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	-	144	81	1,899	1,960	-	4,084
Disposals	-	(52)	-	(12,976)	-	-	(13,028)
Reclassification	-	-	-	971	-	-	971
Effects of exchange rate changes	-	-	133	8	-	-	141
September 30, 2022	$291,892	$202,101	$7,027	$33,793	$7,790	$578	$543,181
January 1, 2021	$291,892	$202,098	$4,004	$45,759	$5,796	$323	$549,872
Additions	-	567	1,119	4,649	34	-	6,369
Disposals	-	(684)	(298)	(4,197)	-	-	(5,179)
Reclassification	-	-	-	994	-	255	1,249
Effects of exchange rate changes	-	-	(5)	(1)	-	-	(6)
September 30, 2021	$291,892	$201,981	$4,820	$47,204	$5,830	$578	$552,305
Depreciation and impairment:							
January 1, 2022	$-	$73,762	$3,208	$24,360	$3,135	$310	$104,775
Depreciation	-	4,039	582	7,022	848	104	12,595
Disposals	-	(52)	-	(12,976)	-	-	(13,028)
Effects of exchange rate changes	-	-	132	7	-	-	139
September 30, 2022	$-	$77,749	$3,922	$18,413	$3,983	$414	$104,481
January 1, 2021	$-	$69,264	$3,031	$21,582	$2,166	$178	$96,221
Depreciation	-	4,029	269	8,044	726	97	13,165
Disposals	-	(684)	(292)	(4,197)	-	-	(5,173)
Effects of exchange rate changes	-	-	(5)	(1)	-	-	(6)
September 30, 2021	$-	$72,609	$3,003	$25,428	$2,892	$275	$104,207
Net book value:							
September 30, 2022	$291,892	$124,352	$3,105	$15,380	$3,807	$164	$438,700
December 31, 2021	$291,892	$128,247	$3,605	$19,531	$2,695	$268	$446,238
September 30, 2021	$291,892	$129,372	$1,817	$21,776	$2,938	$303	$448,098

(All amounts in NTD thousands unless otherwise specified)

The Group did not capitalize any interest for the nine months ended September 30, 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	655
Reduction - removal in the current period	(9,979)
September 30, 2022	$7,563
January 1, 2021	$12,470
Addition - acquisition by separate purchase	9,618
Reduction - removal in the current period	(1,762)
September 30, 2021	$20,326
Amortization and impairment:	
January 1, 2022	$8,889
Reduction - removal in the current period	(9,979)
Amortization	6,215
September 30, 2022	$5,125
January 1, 2021	$5,759
Reduction - removal in the current period	(1,762)
Amortization	5,521
September 30, 2021	$9,518
Net book value:	
September 30, 2022	$2,438
December 31, 2021	$7,998
September 30, 2021	$10,808

(All amounts in NTD thousands unless otherwise specified)

Amortization amount of intangible assets:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Operating costs	$-	$-	$-	$-
Administrative expenses	$561	$3,284	$6,214	$5,518
Research and development expenses	$-	$1	$1	$3

10. Other non-current assets

	September 30, 2022	December 31, 2021	September 30, 2021
Other non-current assets - others	$1,255	$1,279	$1,478

11. Short-term loans

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	$170,000	$70,000	$230,000
Interest rate range	1.225%~1.37%	0.85%	0.85%~1%

The Group had undrawn short-term credit facilities of NT$1,907,095 thousand, NT$ 2,144,508 thousand, and NT$1,997,823 thousand as at September 30, 2022, December 31, 2021, and September 30, 2021, respectively.

12. Provisions

	Warranty	
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Beginning of period	$14,720	$42,171
Additions in the current period	11,831	25,370
Utilization in the current period	(6,439)	(5,399)
Reversals in the current period	(4,727)	(37,965)
End of the period	$15,385	$24,177

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 September 30, 2022 and 2021 were NT$7,150 thousand and NT$6,867 thousand respectively; the amounts of recognized pension expenses related defined contribution plan for the nine months ended September 30, 2022 and 2021 were NT$21,120 thousand and NT$20,641 thousand respectively.

Defined Benefit Plans

The Group recognized pension expenses related defined benefit plan for the three months ended September 30, 2022 and 2021 were NT$1,269 thousand and NT$2,823 thousand respectively; the amounts of recognized pension expenses related defined benefit plan for the nine months ended September 30, 2022 and 2021 were NT$4,348 thousand and NT$8,173 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 September 30, 2022, December 31, 2021, and September 30, 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

	September 30, 2022	December 31, 2021	September 30, 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 cannot 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.

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.

(All amounts in NTD thousands unless otherwise specified)

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 September 30, 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 May 27, 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	597,745	457,349	$5.62	$4.30

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

(4) <u>Non-controlling interests</u>: None.

(All amounts in NTD thousands unless otherwise specified)

15. Operating revenue

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenues from sale of merchandise	$1,148,731	$1,144,264	$3,372,276	$3,186,368
Revenues from rendering of service	503,475	482,062	1,493,210	1,399,489
Other operating revenues	1,869	1,741	5,156	5,167
Total	$1,654,075	$1,628,067	$4,870,642	$4,591,024

Information relating to revenue from contracts with customers for the nine months ended September 30, 2022 and 2021 were as below:

(1) Breakdown of revenue

	Operating segment			
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Sales of merchandise	$1,148,731	$1,144,264	$3,372,276	$3,186,368
Rendering of service	503,475	482,062	1,493,210	1,399,489
Others	1,869	1,741	5,156	5,167
Total	$1,654,075	$1,628,067	$4,870,642	$4,591,024
Timing of revenue recognition:				
At a point in time	$1,150,600	$1,146,005	$3,377,432	$3,191,535
Over time	503,475	482,062	1,493,210	1,399,489
Total	$1,654,075	$1,628,067	$4,870,642	$4,591,024

(All amounts in NTD thousands unless otherwise specified)

(2) Contract balance

A. Contract assets - current

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Sales of merchandise and rendering of service	$202,308	$215,639	$410,302	$351,222
Less: loss provisions	(4,738)	(11,248)	(13,448)	(12,524)
Total	$197,570	$204,391	$396,854	$338,698

Major changes in the balance of contract assets for the nine months ended September 30, 2022 and 2021 are explained below:

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Amount of beginning balance reclassified into accounts receivable in the current period	$(178,908)	$(321,970)
Changes were measured based on level of completion	$165,577	$381,050

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

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Sales of merchandise and rendering of service	$1,277,620	$1,173,794	$1,256,078	$1,229,208

(All amounts in NTD thousands unless otherwise specified)

Major changes in the balance of contract liabilities for the nine months ended September 30, 2022 and 2021 are explained below:

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Amount of beginning balance reclassified into revenue in the current period	$(874,293)	$(887,761)
Increase in advanced receipt in the current period (less amounts incurred and reclassified into revenue in the current period)	$978,119	$914,631

(3) Allocation of transaction price into unfulfilled contractual obligations

As at September 30, 2022, the Group had allocated NT$5,841,897 thousand of transaction price into unfulfilled (including partially fulfilled) contractual obligations; 24.68% 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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Operating expenses - expected credit impairment (loss) reversal gain				
Contract assets	$(143)	$715	$(867)	$(7)
Accounts receivable	374	(755)	2,068	2,101
Installment accounts receivable	-	-	1,045	-

(All amounts in NTD thousands unless otherwise specified)

Total	$231	$(40)	$2,246	$2,094

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 September 30, 2022, December 31, 2021, and September 30, 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:

September 30, 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	$767,224	$86,109	$26,471	$6,800	$3,454	$5,353	$895,411
Loss ratio	1.0%	0.7%	0.5%	1.3%	0.6%	1.0%	
Lifetime expected credit losses	(7,457)	(577)	(144)	(91)	(21)	(51)	(8,341)
Net amount	$759,767	$85,532	$26,327	$6,709	$3,433	$5,302	$887,070

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	$-	$-	$-	$-	$-	$1,593	$1,593
Loss ratio	-	-	-	-	-	100%	
Lifetime expected credit losses	-	-	-	-	-	(1,593)	(1,593)
Net amount	$-	$-	$-	$-	$-	$-	$-

(All amounts in NTD thousands unless otherwise specified)

December 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	$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)

September 30, 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	$789,906	$107,771	$20,377	$15,966	$12,850	$9,389	$956,259
Loss ratio	1.1%	0.7%	0.5%	0.5%	0.9%	1.2%	
Lifetime expected credit losses	(8,333)	(766)	(103)	(82)	(117)	(114)	(9,515)
Net amount	$781,573	$107,005	$20,274	$15,884	$12,733	$9,275	$946,744

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	$-	$-	$-	$-	$5,970	$18,879
Loss ratio	100%	-	-	-	-	100%	
Lifetime expected credit losses	(12,909)	-	-	-	-	(5,970)	(18,879)
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 nine months ended September 30, 2022 and 2021 are explained below:

	Contract assets	Accounts receivable	Installment accounts receivable
January 1, 2022	$11,248	$8,163	$8,094
Net recognitions (reversals) for the current period	867	(2,068)	(1,045)
Reclassification	(225)	225	-
Actual write-offs	(7,152)	(1,135)	(7,049)
Effect of exchange rate changes	-	11	-
September 30, 2022	$4,738	$5,196	$-
January 1, 2021	$12,524	$11,657	$7,049
Net recognitions (reversals) for the current period	7	(2,101)	-
Reclassification	917	(917)	-
Actual write-offs	-	(743)	-
Effect of exchange rate changes	-	1	-
September 30, 2021	$13,448	$7,897	$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 10 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

	September 30, 2022	December 31, 2021	September 30, 2021
Buildings	$14,945	$19,471	$20,261
Transportation equipment	13,901	2,904	3,702
Office equipment	1,170	1,424	1,610
Total	$30,016	$23,799	$25,573

Right-of-use assets increased by NT$16,579 thousand and NT$3,304 thousand for the nine months ended September 30, 2022 and 2021, respectively.

(b) Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Lease liabilities	$30,295	$24,444	$26,227
Current	$15,508	$12,101	$11,950
Non-current	14,787	12,343	14,277
Total	$30,295	$24,444	$26,227

Please see Note (VI).19(4) - Financial cost for interest on lease liabilities for the nine months ended September 30 2022 and 2021; and note (XII).5 - Liquidity risk management for maturity analysis of lease liability as at September 30, 2022, December 31, 2021 and September 30, 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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Buildings	$2,424	$2,432	$7,271	$7,300
Transportation equipment	1,018	798	2,574	3,425
Office equipment	189	738	563	2,213
Total	$3,631	$3,968	$10,408	$12,938

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

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Short-term lease expense	$1,016	$947	$3,001	$2,913

D. Cash outflow relating to lease activities as a lessee

The Group incurred NT$14,143 thousand and NT$16,371 thousand of lease-related cash outflow for the nine months ended September 30, 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 September 30, 2022			Three months ended September 30, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	$22,957	$181,577	$204,534	$21,329	$168,898	$190,227
Wages and salaries	19,773	157,776	177,549	18,332	143,759	162,091
Labor insurance expenses and national health insurance expenses	1,670	13,080	14,750	1,572	11,409	12,981
Pension expenses	1,007	7,411	8,418	940	8,750	9,690
Other employee benefit expenses	507	3,310	3,817	485	4,980	5,465
Depreciation expenses	-	7,628	7,628	-	8,469	8,469
Amortization expenses	-	561	561	-	3,285	3,285

(All amounts in NTD thousands unless otherwise specified)

By function / By nature	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	$64,050	$555,935	$619,985	$59,070	$509,791	$568,861
Wages and salaries	55,165	483,877	539,042	50,741	432,448	483,189
Labor insurance expenses and national health insurance expenses	4,663	37,404	42,067	4,372	35,266	39,638
Pension expenses	2,797	22,670	25,467	2,599	26,215	28,814
Other employee benefit expenses	1,425	11,984	13,409	1,358	15,862	17,220
Depreciation expenses	-	23,003	23,003	-	26,103	26,103
Amortization expenses	-	6,215	6,215	-	5,521	5,521

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 September 30, 2022 were estimated and recognized at NT$19,500 thousand and NT$900 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 September 30, 2021 were estimated and recognized at NT$9,955 thousand and NT$0 thousand, respectively. 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.

Employee remuneration and director remuneration for the nine months ended September 30, 2022 were estimated and recognized at NT$40,500 thousand and NT$1,500 thousand, respectively, and employee remuneration and director remuneration for the nine months ended September 30, 2021 were estimated and recognized at NT$30,045 thousand and NT$0 thousand, respectively. 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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September30, 2022	Nine months ended September 30, 2021
Financial assets at amortized costs	$1,656	$3,084	$5,971	$7,338

(2) Other income

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September30, 2022	Nine months ended September 30, 2021
Rental income	$3	$3	$9	$9
Dividend income	6,279	2,978	10,437	2,986
Other income - others	26,483	11,878	33,392	19,157
Total	$32,765	$14,859	$43,838	$22,152

(3) Other gains and losses

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September30, 2022	Nine months ended September 30, 2021
Net gains on currency exchange	$20,643	$1,069	$32,869	$3,369
Gains on financial assets at fair value through profit or loss	-	(1,000)	-	1,540
Losses on disposals of property, plants and equipment	-	-	-	(2)
Others	300	(3,499)	900	(3,499)
Total	$20,943	$(3,430)	$33,769	$1,408

(All amounts in NTD thousands unless otherwise specified)

(4) Finance costs

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September30, 2022	Nine months ended September 30, 2021
Interest expenses on bank loans	$319	$415	$362	$434
Interest expenses on lease liabilities	120	147	368	487
Total	$439	$562	$730	$921

20. Composition of other comprehensive income

Composition of other comprehensive income for the three months ended September 30, 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	$(4,826)	$-	$(4,826)	$-	$(4,826)
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	(2,015)	-	(2,015)	-	(2,015)
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	4,593	-	4,593	-	4,593
Total other comprehensive income for the current period	$(2,248)	$-	$(2,248)	$-	$(2,248)

(All amounts in NTD thousands unless otherwise specified)

Composition of other comprehensive income for the three months ended September 30, 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	$907	$-	$907	$-	$907
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	424	-	424	-	424
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	(573)	-	(573)	-	(573)
Total other comprehensive income for the current period	$758	$-	$758	$-	$758

(All amounts in NTD thousands unless otherwise specified)

Composition of other comprehensive income for the nine months ended September 30, 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	$(30,296)	$-	$(30,296)	$-	$(30,296)
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	(20,704)	-	(20,704)	-	(20,704)
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	12,760	-	12,760	-	12,760
Total other comprehensive income for the current period	$(38,240)	$-	$(38,240)	$-	$(38,240)

(All amounts in NTD thousands unless otherwise specified)

Composition of other comprehensive income for the nine months ended September 30, 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	$2,590	$-	$2,590	$-	$2,590
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	2,588	-	2,588	-	2,588
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	(1,287)	-	(1,287)	-	(1,287)
Total other comprehensive income for the current period	$3,891	$-	$3,891	$-	$3,891

(All amounts in NTD thousands unless otherwise specified)

21. Income tax

Compositions of income tax expenses (benefits) for the nine months ended September 30, 2022 and 2021 are explained below:

Income tax recognized in profit or loss

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Income tax expenses (benefits) for the current period:				
Current income tax payable	$37,553	$35,422	$122,769	$99,804
Adjustment of current income tax of previous years	(2,548)	-	(11,658)	(155)
Deferred income tax expenses (benefits):				
Deferred income tax expenses (benefits) relating to the origination and reversal of temporary differences	5,684	283	10,346	9,296
Deferred income tax relating to the origination and reversal of tax losses and income tax credits	283	43	(624)	-
Offset (reversal of previous offset) of deferred income tax asset	(585)	(780)	1,358	(957)
Income tax expenses	$40,387	$34,968	$122,191	$107,988

Assessment of income tax return

Assessment of income tax filings submitted by the Company and domestic subsidiaries as at September 30, 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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
(1) Basic earnings per share				
Net income attributable to parent company's ordinary shareholders (NTD thousands)	$182,257	$137,145	$535,226	$415,462
Weighted average outstanding ordinary shares for basic earnings per share (shares)	106,360,291	106,360,291	106,360,291	106,360,291
Basic earnings per share (NTD)	$1.71	$1.29	$5.03	$3.91
(2) Diluted earnings per share				
Net income attributable to parent company's ordinary shareholders (NTD thousands)	$182,257	$137,145	$535,226	$415,462
Weighted average outstanding ordinary shares for basic earnings per share (shares)	106,360,291	106,360,291	106,360,291	106,360,291
Dilutive effect:				
Employee remuneration (shares)	495,110	431,068	590,349	551,969
Weighted average outstanding ordinary shares after adjustment for dilutive effect (shares)	106,855,401	106,791,359	106,950,640	106,912,260
Diluted earnings per share (NTD)	$1.70	$1.28	$5.01	$3.89

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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September30, 2022	Nine months ended September 30, 2021
Short-term employee benefits	$16,374	$16,751	$61,762	$55,590
Post-employment benefits - pension	666	677	2,027	1,995
Total	$17,040	$17,428	$63,789	$57,585

(VIII). Pledged assets

The Group had placed the following assets as collaterals:

Item	Book value			Details of debts secured
	September 30, 2022	December 31, 2021	September 30, 2021	
Other financial assets – current	$13,959	$9,013	$9,633	Performance guarantee
Other financial assets – non-current	2,274	6,842	7,105	Performance guarantee
Total	$16,233	$15,855	$16,738	

(IX). Significant contingent liabilities and unrecognized contract commitments

Unrecognized contract commitments

1. The Company had engaged financial institutions to provide NT$152,905 thousand of performance and customs guarantee for various projects.

2. The Company had issued NT$16,002 thousand of guaranteed notes to customers and banks to secure sales and borrowing limits.

Contingency

1. FUJIFILM Business Innovation Taiwan Co., Ltd. (hereinafter referred to as Fujifilm) filed a complaint against the Company's vice president surnamed Gao and other individuals for violating the Securities and Exchange Act, which is currently in the judiciary proceedings as a criminal case by the Taiwan Taipei District Court.

2. The Company received a complaint of criminal incidental civil lawsuit to the above-mentioned criminal case filed by the Taiwan Taipei District Court. Fujifilm filed a criminal incidental civil lawsuit against other companies, individuals, the Company and the Company's vice president surnamed Gao, a total of 15 defendants, requesting if one of the 15 defendants pays all or part of the damages, the other defendants are exempted from the obligation to pay within the scope of the payment. For the above-mentioned criminal incidental civil lawsuit filed by Fujifilm against the Company, the Company will appoint a lawyer to handle it. This is a civil lawsuit incidental to a criminal case, which will usually be transferred to the civil court after the first-instance criminal judgment, and there will be no civil procedure for the time being.

3. The Company received a complaint of civil lawsuit filed by the Taiwan Taipei District Court. Fujifilm filed a civil lawsuit against other companies, individuals, the Company and the Company's vice president surnamed Gao, a total of 18 defendants, requesting if one of the 18 defendants pays all or part of the damages, the other defendants are exempted from the obligation to pay within the scope of the payment. For the above-mentioned civil lawsuit filed by Fujifilm against the Company, the Company will appoint a lawyer to handle it.

   As at September 30, 2022, the Company has assessed that the aforementioned events will not have a significant impact on the Company's current operations.

(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

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets			
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	$-	$-	$14,130
Financial assets at fair value through other comprehensive income	119,213	144,213	101,377
Financial assets at amortized costs:			
Cash and cash equivalents (excluding cash on hand)	1,147,174	1,450,714	1,254,939
Receivables	661,021	688,225	478,953
Long-term receivables	38,776	70,001	72,253
Other financial assets	16,233	15,855	16,738
Refundable deposits	260,627	230,586	220,409
Subtotal	2,123,831	2,455,381	2,043,292
Total	$2,243,044	$2,599,594	$2,158,799
Financial liabilities			
Financial liabilities at amortized costs:			
Short-term loans	$170,000	$70,000	$230,000
Payables	1,415,292	1,191,505	1,005,352
Lease liabilities	30,295	24,444	26,227
Guarantee deposits	5,150	3,138	3,113
Total	$1,620,737	$1,289,087	$1,264,692

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 nine months ended September 30, 2022 and 2021 would have decreased/increased by NT$1,427 thousand and increased/decreased by NT$124 thousand, whereas equity would have decreased/increased NT$126 thousand and NT$121 thousand, respectively.

If NTD strengthened/weakened against RMB by 1%, profits for the nine months ended September 30, 2022 and 2021 would have decreased/increased by NT$628 thousand and NT$307 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$ 7,710 thousand and NT$8,526 thousand for the nine months ended September 30, 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 29%, 33%, and 30% of total contract assets and accounts receivable balance as at September 30, 2022, December 31, 2021, and September 30, 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	September 30, 2022	December 31, 2021	September 30, 2021
Simplified Approach (Note)	(Note)	Lifetime Expected Credit Losses	$897,004	$984,720	$975,138

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
September 30, 2022					
Short-term loans	$170,279	$-	$-	$-	$170,279
Payables	1,415,292	-	-	-	1,415,292
Lease liabilities	15,982	14,431	606	-	31,019
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
September 30, 2021					
Short-term loans	$230,356	$-	$-	$-	$230,356
Payables	1,005,352	-	-	-	1,005,352
Lease liabilities	12,353	14,453	48	-	26,854

(All amounts in NTD thousands unless otherwise specified)

6. Reconciliation of liabilities relating to financing activities

Reconciliation of liabilities for the nine months ended September 30, 2022:

	Short-term loans	Guarantee deposits	Lease liabilities	Total
January 1, 2022	$70,000	$3,138	$24,444	$97,582
Non-cash movement	-	-	16,948	16,948
Cash flow	100,000	2,012	(11,142)	90,870
Effect of exchange rate changes	-	-	45	45
September 30, 2022	$170,000	$5,150	$30,295	$205,445

Reconciliation of liabilities for the nine months ended September 30, 2021:

	Short-term loans	Guarantee deposits	Lease liabilities	Total
January 1, 2021	$-	$2,821	$35,884	$38,705
Non-cash movement	-	-	3,791	3,791
Cash flow	230,000	292	(13,458)	216,834
Effect of exchange rate changes	-	-	10	10
September 30, 2021	$230,000	$3,113	$26,227	$259,340

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.

(All amounts in NTD thousands unless otherwise specified)

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 cannot 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:

September 30, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through other comprehensive income				
Stock	$77,100	$-	$42,113	$119,213

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

(All amounts in NTD thousands unless otherwise specified)

September 30, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Fund	$14,130	$-	$-	$14,130
Financial assets at fair value through other comprehensive income				
Stock	$85,264	$-	$16,113	$101,377

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 nine months ended September 30, 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:

(All amounts in NTD thousands unless otherwise specified)

September 30, 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.

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.

September 30, 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

	September 30, 2022		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$11,322	31.70	$358,919
CNY (RMB)	86,380	4.451	384,479
JPY	42,647	0.2179	9,293
SGD	46	22.08	1,023
Financial liabilities			
Monetary items:			
USD	1,271	31.70	40,288
CNY (RMB)	637	4.451	2,836

	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)

	September 30, 2021		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$4,649	27.79	$129,208
CNY (RMB)	76,197	4.274	325,665
JPY	15,413	0.2468	3,804
Financial liabilities			
Monetary items:			
USD	1,172	27.79	32,562
CNY (RMB)	2,368	4.274	10,120

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 September 30, 2022 and 2021 were NT$20,643 thousand and NT$1,069 thousand, respectively. The Group's foreign currency exchange gains for the nine months ended September 30, 2022 and 2021 were NT$32,869 thousand and NT$3,369 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	$228,816	$19,500	$19,500	$19,500	$-	0.67%	$457,633	-	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	$21,225	0.09%	$21,225
	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	10,975	0.05%	10,975
	TWSE listed stock	Zero One Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,054,422	41,070	0.69%	41,070

(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	32,197	1,723	0.04%	1,723
	TPEX listed stock	Dimerco Data System Corporation	-	Financial assets at fair value through other comprehensive income - non-current	30,799	2,107	0.04%	2,107
	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 nine months ended September 30, 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	$2,706	Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery.	0.06%
				Accounts payable	48		-%
0	Stark Technology Inc.	Stark Inforcom Inc.	1	Sales revenue	17,796	Selling price is determined at 90%-99% of general selling price or through negotiation. Collection term is 30-120 days after acceptance inspection.	0.37%
				Accounts receivable	371		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.	0.01%
				Rental income	980	-	0.02%
				Other expense	73	-	-%
0	Stark Technology Inc.	SRAIN Investment Co., Ltd.	1	Rental income	86	-	-%
1	Stark Inforcom Inc.	Stark Technology Inc. (USA)	3	Purchase	159	Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery.	-%
				Accounts payable	9		-%

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. <u>Information on business investments:</u>

Supplementary disclosure of investees in which the Company has significant influence or control for the nine months ended September 30, 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	$1,585 (USD50,000)	$1,585 (USD50,000)	500,000	100.00%	$12,414	$(801)	$(897)	-
Stark Technology Inc.	SRAIN Investment Co., Ltd.	Note 3	General investment	410,967	410,967	-	100.00%	548,184	57,372	57,372	-
Stark Technology Inc.	Pacific Ace Holding International Ltd.	Note 4	General investment	95,100 (USD3,000,000)	95,100 (USD3,000,000)	3,000,000	100.00%	363,663	32,073	32,073	-
Stark Technology Inc.	Stark Information (Hong Kong) Limited	Note 5	Trading of computer equipment and software	2,219 (USD70,000)	2,219 (USD70,000)	70,000	100.00%	2,111	(65)	(65)	-
SRAIN Investment Co., Ltd.	S-Rain Investment Ltd.	Note 6	General investment	25,360 (USD800,000)	25,360 (USD800,000)	800,000	100.00%	13,253	(2,651)	-	-
SRAIN Investment Co., Ltd.	Stark Inforcom Inc.	Note 7	Trading of computer-related products	370,000	370,000	37,000,000	100.00%	457,633	52,907	-	-
Pacific Ace Holding International Ltd.	Profit Reap International Limited	Note 4	General investment	95,100 (USD3,000,000) (Note 8)	95,100 (USD3,000,000) (Note 8)	3,000,000	100.00%	363,986	32,073	-	-

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 September 30, 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)	$95,100 (USD3,000,000)	-	-	$95,100 (USD3,000,000) (Note 1)	$32,073 (Note 4. (II).3)	100.00%	$32,073 (Note 4. (II).3)	$364,257	-
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)	36,772 (USD1,160,000)	-	-	36,772 (USD1,160,000)	(2,651) (Note 4. (II).3)	100.00%	(2,651) (Note 4. (II).3)	13,243	-
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)	95,100 (USD3,000,000)	-	-	95,100 (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
$226,972 (USD7,160,000) (Note 3)	$226,972 (USD7,160,000) (Note 3)	$1,751,468 (Note 5)

Note 1: As at September 30, 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 September 30, 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).