

Stark Technology Inc. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Consolidated Financial Statements

Table of Contents

Item	Page
I Cover Page	1
II Table of Contents	2
III Declaration	3
IV Independent Auditor's Audit Report	4-7
V Consolidated Balance Sheet	8-9
VI Consolidated Statement of Comprehensive Income	10
VII Consolidated Statement of Changes in Equity	11
VIII Consolidated Statement of Cash Flow	12
IX Notes to Consolidated Financial Statements	
(I) Organization and Operations	13
(II) Financial Statement Approval Date and Procedures	13
(III) Application of new standards, amendments, and interpretations	13-17
(IV) Summary of Significant Accounting Policies	17-40
(V) Sources of Uncertainty to Significant Accounting Judgments, Estimates, and Assumptions	40-42
(VI) Notes to Major Accounts	42-73
(VII) Related party transactions	73
(VIII) Pledged assets	73
(IX) Significant contingent liabilities and unrecognized contract commitments	73-74
(X) Losses from Major Disasters	74
(XI) Significant Subsequent Events	74
(XII) Others	75-85
(XIII) Other Disclosures	
1. Information related to significant transactions	86-91
2. Information on business investments	92-93
3. Information relating to investments in the Mainland China	94-95
4. Information on major shareholders	96
(XIV) Segment Information	96-97

Declaration

Affiliated enterprises subject to the preparation of combined financial statements under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were identical to the affiliated companies subject to the preparation of consolidated financial statements under the International Financial Reporting Standards (IFRS) 10 for the year 2022 (from January 1 to December 31, 2022). All mandatory disclosures of the combined financial statements have been disclosed in the consolidated financial statements; therefore, no separate set of combined financial statements were prepared.

Hereby declare

Stark Technology Inc.

Chairman: Liang, Hsiu-Chung

February 23, 2023

Independent Auditors' Report

To stakeholders of Stark Technology Inc.:

Opinion

We have audited the consolidated balance sheet of Stark Technology Inc. and subsidiaries as at December 31, 2022 and 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flow, and the accompanying footnotes (including summary of key accounting policies) for the periods January 1 to December 31, 2022 and 2021.

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 and the version of IFRS, IAS, IFRIC and interpretations thereof approved and effected by the Financial Supervisory Commission, or compromised the fair view of the consolidated financial position of Stark Technology Inc. and subsidiaries as at December 31, 2022 and 2021, or the consolidated financial performance or consolidated cash flow for the periods January 1 to December 31, 2022 and 2021.

Basis for Opinion

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing principles. Our responsibilities as an auditor under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Stark Technology Inc. and subsidiaries when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

Key Audit Matters

Key audit matters are matters that we considered to be the most important, based on professional judgment, when auditing the 2022 consolidated financial statements of Stark Technology Inc. and subsidiaries. These issues have already been addressed when we audited and formed our opinions on the consolidated financial statements. Therefore, we do not provide opinions separately for individual matters.

Recognition of service income

Stark Technology Inc. and subsidiaries reported NT\$2,155,573 thousand of service income in 2022, representing 32% of total operating revenues and is considered material to the consolidated financial statements. This income is mostly the result of consultation and maintenance services rendered, and given the complexity of contract terms, income is recognized based on the extent of service rendered over the contract tenor. It is therefore necessary to exercise judgment over the scope of performance obligations and the timing of fulfillment, and we consider the amount of income recognized and the recognition approach taken to be key audit issues. Audit procedures that we have taken for the key audit issue mentioned above included (but were not limited to): evaluating the appropriateness of accounting policy on service income recognition, testing the effectiveness of the internal control system that the management has created for recognizing service income, analyzing gross profit margin by service category, executing transaction detail tests including sample examination of service contracts and invoices, and identifying performance obligations, cost-sharing arrangements, and timing of fulfillment for the contracts involved. These actions enabled us to determine whether transactions were recognized at the correct timing. We also reviewed the appropriateness of revenue disclosure mentioned in Notes (IV) and (VI) of the consolidated financial statements.

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

Responsibilities of the management were 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 IFRS, IAS, IFRIC and interpretations thereof approved and effected by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of consolidated financial statements so that the consolidated financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing consolidated financial statements also involved: assessing the ability of Stark Technology Inc. and subsidiaries to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governance body of Stark Technology Inc. and subsidiaries (including the Audit Committee) is responsible for supervising the financial reporting process.

Auditors' Responsibilities for the Audit of Consolidated Financial Statements

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether caused by fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with auditing principles do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the financial statement user.

When conducting audits in accordance with auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement within the consolidated financial statements that are attributed to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Obtaining necessary understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of Stark Technology Inc. and subsidiaries.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of Stark Technology Inc. and subsidiaries to operate as a going concern, based on the audit evidence obtained. We are bound to remind consolidated financial statement users and make related disclosures if material uncertainties exist in regards to the aforementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or change of circumstances may still render Stark Technology Inc. and subsidiaries no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of entities within the group, and expressing opinions on consolidated financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on the group.

We have communicated with the governance body about the scope, timing, and significant findings (including significant defects identified in internal control) of our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with CPA code of ethics, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit matters after communicating with the governance body regarding the 2022 consolidated financial statements of Stark Technology Inc. and subsidiaries. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decide not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

Others

Stark Technology Inc. has prepared parent company only financial statements for the years ended December 31, 2022 and 2021, to which we issued an independent auditors' report with unqualified opinion.

Ernst & Young

Release of public company financial statements has
been approved by the authority

Approval reference: (96)-Jin-Guan-Zheng-(VI)-
0960002720
(103)-Jin-Guan-Zheng-Shen-
1030025503

Hsu, Hsin-Min

CPA:

Cheng, Ching-Piao

February 23, 2023

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 December 31, 2022 and December 31, 2021
(All amounts in NTD thousands)

Asset			December 31, 2022		December 31, 2021	
Code	Item	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	(IV), (VI). 1 and (XII)	\$ 1,534,624	24	\$ 1,450,910	25
1140	Contract assets - current	(IV), (VI).15 and (VI).16	248,953	4	204,391	4
1150	Notes receivable, net	(IV), (VI).4, (VI).16, and (XII)	10,342	-	5,759	-
1172	Accounts receivable	(IV), (VI).5, (VI).16, and (XII)	513,172	8	621,152	11
1173	Installment accounts receivable	(IV), (VI).5, (VI).16, and (XII)	79,052	1	55,912	1
1200	Other receivables	(XII)	4,719	-	5,402	-
130x	Inventories	(IV) and (VI).6	2,530,729	39	1,991,209	34
1410	Prepayments	(IV) and (VI).7	663,641	10	493,274	8
1476	Other financial assets - current	(IV), (VIII) and (XII)	15,372	-	9,013	-
1478	Refundable deposits	(XII)	137,870	2	149,443	3
1479	Other current assets		1,497	-	1,394	-
11xx	Total current assets		5,739,971	88	4,987,859	86
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income -non -current	(IV), (VI).3 and (XII)	121,666	2	144,213	3
1600	Property, plant and equipment	(IV), and (VI).8	440,151	7	446,238	8
1755	Right-of-use assets	(III), (IV), and (VI).17	26,018	-	23,799	1
1780	Intangible asset	(IV) and (VI).9	2,911	-	7,998	-
1840	Deferred income tax assets	(IV) and (VI). 21	15,804	-	17,497	-
1920	Refundable deposits	(XII)	117,592	2	81,143	1
1933	Long-term installment accounts receivable	(IV), (VI).5, (VI).16, and (XII)	37,711	1	70,001	1
1980	Other financial assets - non-current	(IV), (VIII) and (XII)	4,796	-	6,842	-
1990	Other non-current assets	(VI).10	1,678	-	1,279	-
15xx	Total non-current assets		768,327	12	799,010	14
1xxx	Total assets		\$ 6,508,298	100	\$ 5,786,869	100

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc. and Subsidiaries (Continued)
Consolidated Balance Sheet
As at December 31, 2022 and December 31, 2021
(All amounts in NTD thousands)

Liabilities and equity			December 31, 2022		December 31, 2021	
Code	Item	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	(IV), (VI).11 and (XII)	\$ 150,000	2	\$ 70,000	1
2130	Contract liabilities - current	(IV) and (VI).15	1,492,594	23	1,173,794	20
2150	Notes payable	(XII)	18,860	-	963	-
2170	Accounts payable	(XII)	1,038,247	16	928,812	16
2200	Other payables	(XII)	303,391	5	261,730	5
2230	Current income tax liabilities	(IV) and (VI).21	178,070	3	126,837	2
2250	Provisions	(VI).12	7,427	-	14,720	-
2280	Lease liabilities - current	(III), (IV), (VI).17 and (XII)	10,456	-	12,101	-
2399	Other current liabilities		75,483	1	76,524	2
21xx	Total current liabilities		3,274,528	50	2,665,481	46
	Non-current liabilities					
2570	Deferred income tax liabilities	(IV) and (VI).21	60,098	1	51,797	1
2580	Lease liabilities - non-current	(III), (IV), (VI).17 and (XII)	15,914	-	12,343	-
2640	Net defined benefit liabilities - non-current	(IV) and (VI).13	26,448	1	34,237	1
2645	Guarantee deposits	(XII)	5,983	-	3,138	-
25xx	Total non-current liabilities		108,443	2	101,515	2
2xxx	Total liabilities		3,382,971	52	2,766,996	48
31xx	Equity attributable to owners of the parent company	(VI).14				
3100	Share capital					
3110	Ordinary share		1,063,603	16	1,063,603	18
3200	Capital surplus		166,514	3	166,514	3
3300	Retained earnings					
3310	Legal reserve		943,184	14	879,312	15
3320	Special reserve		144	-	144	-
3350	Unappropriated retained earnings		950,400	15	873,169	15
	Total retained earnings		1,893,728	29	1,752,625	30
3400	Other equity interests	(VI).20	1,482	-	37,131	1
3xxx	Total equity		3,125,327	48	3,019,873	52
	Total liabilities and equity		\$ 6,508,298	100	\$ 5,786,869	100

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the Years Ended December 31, 2022 and 2021
(All amounts are in NTD thousands, except for earnings per share)

Code	Item	Notes	2022		2021	
			Amount	%	Amount	%
4000	Net operating revenue	(IV) and (VI).15	\$ 6,728,995	100	\$ 6,579,554	100
5000	Operating cost	(VI).6 and (VI).18	(4,994,017)	(74)	(4,980,918)	(76)
5900	Operating margin		<u>1,734,978</u>	<u>26</u>	<u>1,598,636</u>	<u>24</u>
6000	Operating expenses	(VI).17 and (VI).18				
6200	Administrative expenses		(850,219)	(13)	(749,602)	(11)
6300	Research and development expenses		(84,411)	(1)	(91,040)	(2)
6450	Expected credit impairment reversal gain	(VI).16	3,264	-	2,539	-
	Total operating expenses		<u>(931,366)</u>	<u>(14)</u>	<u>(838,103)</u>	<u>(13)</u>
6900	Operating income		<u>803,612</u>	<u>12</u>	<u>760,533</u>	<u>11</u>
7000	Non-operating income and expenses	(VI).19				
7100	Interest income		13,382	-	12,889	-
7010	Other income		63,449	1	23,877	1
7020	Other gains and losses		30,581	1	2,499	-
7050	Finance costs		(1,714)	-	(1,451)	-
	Total non-operating income and expenses		<u>105,698</u>	<u>2</u>	<u>37,814</u>	<u>1</u>
7900	Income before income tax		909,310	14	798,347	12
7950	Income tax expenses	(IV) and (VI).21	(174,139)	(3)	(160,185)	(2)
8200	Net income		<u>735,171</u>	<u>11</u>	<u>638,162</u>	<u>10</u>
8300	Other comprehensive income					
8310	Items not reclassified into profit or loss	(VI).20				
8311	Remeasurement of defined benefit obligation		4,596	-	944	-
8316	Unrealized (losses) gains on investments in equity instruments at fair value through other comprehensive income		(41,936)	(1)	7,717	-
8349	Income tax benefit (expense) related to items that are not reclassified into profit or loss		(919)	-	(189)	-
8360	Items likely to be reclassified into profit or loss	(VI).20				
8361	Exchange differences on translation of foreign operations		6,287	-	1,576	-
	Other comprehensive income for the current period (net of income tax)		<u>(31,972)</u>	<u>(1)</u>	<u>10,048</u>	<u>-</u>
8500	Total comprehensive income for the period		<u>\$ 703,199</u>	<u>10</u>	<u>\$ 648,210</u>	<u>10</u>
8600	Net income attributable to:	(VI).22				
8610	Owners of the parent company		\$ 735,171		\$ 638,162	
8620	Non-controlling interest		<u>-</u>		<u>-</u>	
			<u>\$ 735,171</u>		<u>\$ 638,162</u>	
8700	Comprehensive income attributable to:					
8710	Owners of the parent company		\$ 703,199		\$ 648,210	
8720	Non-controlling interest		<u>-</u>		<u>-</u>	
			<u>\$ 703,199</u>		<u>\$ 648,210</u>	
	Earnings per share (NTD)					
9750	Basic earnings per share					
9710	Net income	(VI).22	<u>\$ 6.91</u>		<u>\$ 6.00</u>	
9850	Diluted earnings per share					
9810	Net income	(VI).22	<u>\$ 6.86</u>		<u>\$ 5.97</u>	

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc. and Subsidiaries
Consolidated Statement of Changes in Equity
For the Years Ended December 31, 2022 and 2021
(All amounts in NTD thousands)

Code	Item	Equity attributable to owners of the parent company								Total equity
		Share capital	Capital surplus	Retained earnings			Other equity items		Total	
				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		
Code	Item	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 2021	-	-	-	-	638,162	-	-	638,162	638,162
D3	Other comprehensive income for 2021	-	-	-	-	755	1,576	7,717	10,048	10,048
D5	Total comprehensive income for the period	-	-	-	-	638,917	1,576	7,717	648,210	648,210
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(191)	-	191	-	-
Z1	Balance as at December 31, 2021	\$ 1,063,603	\$ 166,514	\$ 879,312	\$ 144	\$ 873,169	\$ (24,222)	\$ 61,353	\$ 3,019,873	\$ 3,019,873
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 2022	-	-	-	-	735,171	-	-	735,171	735,171
D3	Other comprehensive income for 2022	-	-	-	-	3,677	6,287	(41,936)	(31,972)	(31,972)
D5	Total comprehensive income for the period	-	-	-	-	738,848	6,287	(41,936)	703,199	703,199
Z1	Balance as at December 31, 2022	\$ 1,063,603	\$ 166,514	\$ 943,184	\$ 144	\$ 950,400	\$ (17,935)	\$ 19,417	\$ 3,125,327	\$ 3,125,327

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flow
For the Years Ended December 31, 2022 and 2021
(All amounts in NTD thousands)

Code	Item	2022 Amount	2021 Amount	Code	Item	2022 Amount	2021 Amount
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Income before income tax	\$ 909,310	\$ 798,347	B00010	Acquisition of financial assets at fair value through other comprehensive income	(26,000)	(44,021)
A20000	Adjustments:			B00030	Capital reduction of financial assets at fair value through other comprehensive income	6,611	95
A20010	Income, expenses and losses:			B00200	Disposal of financial assets at fair value through profit or loss	-	15,167
A20100	Depreciation expenses	31,172	34,070	B02000	Increase in prepayments for investments	(8,000)	-
A20200	Amortization expenses	6,932	8,331	B02700	Acquisition of property, plant and equipment	(9,013)	(8,859)
A20300	Expected credit impairment reversal gain	(3,264)	(2,539)	B02800	Disposal of property, plant and equipment	-	4
A20400	Net gain on financial assets and liabilities at fair value through profit or loss	-	(2,577)	B03700	Increase in refundable deposits	(24,876)	(14,989)
A20900	Interest expense	1,714	1,451	B04500	Acquisition of intangible assets	(1,845)	(9,618)
A21200	Interest income	(13,382)	(12,889)	B06500	Increase(decrease) in other financial assets	(4,313)	1,670
A21300	Dividend income	(10,560)	(3,839)	B06700	Increase (decrease) in other non-current assets	(399)	4,524
A22500	Loss on disposal of property, plant and equipment	-	2	BBBB	Net cash outflow from investing activities	(67,835)	(56,027)
A31000	Changes in assets/liabilities that are related to operating activities:						
A31125	Contract assets	(37,173)	135,583	CCCC	Cash flow from financing activities:		
A31130	Notes receivable	(4,583)	(2,930)	C00200	Increase in short-term loans	80,000	70,000
A31150	Accounts receivable	117,049	21,320	C03000	Increase in guarantee deposits	2,845	317
A31180	Other receivables	689	(2,728)	C04020	Repayment of lease principal	(15,359)	(17,024)
A31200	Inventories	(540,953)	(34,752)	C04500	Distribution of cash dividends	(597,745)	(457,349)
A31230	Prepayments	(162,367)	(30,660)	CCCC	Net cash outflow from financing activities	(530,259)	(404,056)
A31240	Other current assets	(103)	2,156				
A32125	Contract liabilities - current	318,800	(55,414)	DDDD	Effect of exchange rate variation on cash and cash equivalents	6,199	1,532
A32130	Notes payable	17,897	(1,783)				
A32150	Accounts payable	109,435	(188,194)	EEEE	Net increase in cash and cash equivalents for the current period	83,714	102,506
A32180	Other payables	41,636	(6,562)	E00100	Cash and cash equivalents, beginning of period	1,450,910	1,348,404
A32200	Provisions	(7,293)	(27,451)	E00200	Cash and cash equivalents, end of period	\$ 1,534,624	\$ 1,450,910
A32230	Other current liabilities	(1,041)	40,375				
A32240	Net defined benefit liabilities	(3,193)	267				
A33000	Cash inflow from operations	770,722	669,584				
A33100	Interests received	9,328	9,688				
A33200	Dividend received	10,560	3,839				
A33300	Interests paid	(1,170)	(804)				
A33500	Income tax paid	(113,831)	(121,250)				
AAAA	Net cash inflow from operating activities	675,609	561,057				

(Please refer to notes to consolidated financial statements)

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(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 years ended December 31, 2022 and 2021 were approved by the board of directors on February 23, 2023.

(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.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

2. The Group has not adopted the following IASB-announced and FSC-approved new standards, amendments, guidance, and interpretation as of the release date of the financial reports:

Item No.	New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
1	Amendments to IAS 1 - "Disclosure of Accounting Policies"	January 1, 2023
2	Amendments to IAS 8 - "Definition of Accounting Estimates"	January 1, 2023
3	Amendments to IAS 12 - "Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction"	January 1, 2023

(1) Amendments to IAS 1 - "Disclosure of Accounting Policies"

This amendment aims to improve disclosure of accounting policies to provide investors and other primary users of financial statements with more useful information.

(2) Amendments to IAS 8 - "Definition of Accounting Estimates"

This amendment directly defines accounting estimates and makes other amendments to International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to assist entities in distinguishing between changes in accounting policies and changes in accounting estimates.

(3) Amendments to IAS 12 - "Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction"

This amendment restricts the scope of exempting recognition of deferred tax in paragraphs 15 and 24 of International Accounting Standard 12 "Income Taxes," so that the exemption does not apply to transactions that generate taxable and deductible temporary differences of the same amount at the time of initial recognition.

All above are the newly issued, revised and amended standards or interpretations that have been issued by the International Accounting Standards Board, approved by the Financial Supervisory Commission and applicable for fiscal years after January 1, 2023. They have no significant impact on the Group.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(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	Amendments to IAS 1 - "Classification of Liabilities as Current or Non-current"	January 1, 2024
4	Amendments to IFRS 16 - "Lease Liability in a Sale and Leaseback"	January 1, 2024
5	Amendments to IAS 1 - "Non-Current Liabilities in Contracts"	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) Amendments to IAS 1 - "Classification of Liabilities as Current or Non-current"

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) Amendments to IFRS 16 - "Lease Liability in a Sale and Leaseback"

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.

(5) Amendments to IAS 1 - "Non-Current Liabilities in Contracts"

This amendment aims to enhance the information provided by the entity regarding long-term debt contracts. The disclosure of contractual obligations that are required to be met within twelve months after the reporting period does not affect the classification of such liabilities as current or non-current at the end of the reporting

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 of the Group for the years ended December 31, 2022 and 2021 have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the version of IFRS, IAS, IFRIC and interpretations thereof approved and effected by the FSC.

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 (i.e. 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

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

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

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

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

A subsidiary is consolidated into the consolidated financial statements from the day of acquisition (i.e., 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;

This consolidated financial statement encompasses the following:

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

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

4. Foreign currency transactions

The Group's consolidated financial statements are presented in the Company's functional currency (NTD). Each entity within the Group determines its own functional currency, and prepares financial statements using their respective functional currencies.

(All amounts in NTD thousands unless otherwise specified)

Foreign currency transactions by entities of the Group are converted into the functional currency using exchange rates as of the date of transaction. Foreign currency monetary items are converted using closing exchange rate at the end of each reporting period. Foreign currency-denominated non-monetary items measured at fair value are converted using exchange rate as of the valuation date. Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as of the initial transaction date.

Exchange differences arising from settlement or translation of monetary accounts are recognized in profit and loss in the period occurred, except in the following circumstances.

- (1) For foreign currency loans that are undertaken for the purpose of acquiring a qualifying asset, the exchange difference would form part of the borrowing cost if it is treated as an adjustment to interest cost, and capitalized into the cost of the asset.
- (2) Foreign currency items subject to IFRS 9 - "Financial Instruments" are treated using accounting policy on financial instruments.
- (3) For monetary items that make up a part of the reporting entity's net investments in foreign operation, exchange difference is recognized as other comprehensive income at initiation, and subsequently reclassified from equity into profit or loss upon disposal of net investments.

Non-monetary accounts that have gains and losses recognized as other comprehensive income shall also have any exchange component of that gain or loss recognized as other comprehensive income. Non-monetary accounts that have gains and losses recognized in profit and loss shall also have any exchange component of that gain or loss recognized in profit and loss.

5. Translation of foreign currency financial statements

When preparing consolidated financial statements, assets and liabilities of foreign operations are converted into NTD using closing exchange rate as at the balance sheet date, whereas income, expenses, and losses are converted using average exchange rate for the current period. Exchange differences arising from financial statement translation are recognized as other comprehensive income; upon disposal of foreign operations, exchange differences previously recognized as other comprehensive income and accumulated under equity from the separate parts are reclassified from equity to profit or loss when recognizing gain/loss on disposal. In a partial disposal of subsidiary containing foreign operation that results in a loss of control, and partial disposal of equity in an associated company or joint agreement containing foreign operation, the disposal treatment shall also

(All amounts in NTD thousands unless otherwise specified)

apply if the remaining equity can be regarded as a financial asset containing foreign operation.

In a partial disposal of subsidiary containing foreign operation that does not result in a loss of control, cumulative exchange differences previously recognized in other comprehensive income are re-attributed to non-controlling equity of such foreign operation, instead of being recognized in profit or loss. In a partial disposal of associated company or joint agreement containing foreign operation where significant influence or joint control is not lost, cumulative exchange differences are reclassified into profit or loss proportionally.

Goodwill arising from acquisition of foreign operations and fair value adjustments to the book value of assets and liabilities are accounted as assets and liabilities of the respective foreign operations, and presented in the functional currency.

6. Classification of current and non-current assets and liabilities

Assets that satisfy any of the following criteria are classified as current assets; assets that are not classified as current are classified as non-current assets:

- (1) Assets that are expected to be realized, or intended to be sold or consumed, in the Group's normal operating cycle.
- (2) Assets that are held mainly for the purpose of trading.
- (3) Assets that are expected to be realized within 12 months after the end of the reporting period.
- (4) Cash or cash equivalents, except those are restricted from being swapped or used to repay liabilities beyond 12 months after the end of the reporting period, and those with restricted uses.

Liabilities that satisfy any of the following criteria are classified as current liabilities; liabilities that are not classified as current are classified as non-current liabilities:

- (1) Liabilities that are expected to be repaid in the Group's normal business cycle.
- (2) Liabilities that are held mainly for the purpose of trading.
- (3) Liabilities that are expected to be repaid within 12 months after the end of the reporting period.
- (4) Liabilities where the repayment terms cannot be unconditionally beyond 12 months after the end of the reporting period. Liabilities with terms that give counterparties the option to be repaid by the issue of equity instruments do not affect their classification.

7. Cash and cash equivalents

Cash and cash equivalent refer to cash on hand, demand deposit, and short-term and highly liquid time deposits or investments (including time deposits with terms equal to or less than 12 months) that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to a financial instrument contract.

Financial assets and liabilities subject to IFRS 9 - "Financial Instruments" are measured at fair value at initiation. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (except for financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of the respective asset/liability.

(1) Recognition and measurement of financial assets

Regular transactions of financial asset are recognized and derecognized using trade date accounting.

The Group classifies financial assets into those that are carried at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss based on the two considerations below:

- A. Business model for managing the financial assets
- B. Characteristics of contractual cash flow for the financial assets

Financial assets at amortized costs

Financial assets that simultaneously satisfy the two conditions below are carried at amortized cost and presented on balance sheet as notes receivable, accounts receivable, installment accounts receivable, long-term installment accounts receivable, and other receivables:

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

- A. Business model for managing the financial assets: financial asset is held for the purpose of collecting contractual cash flow
- B. Characteristics of contractual cash flow for the financial assets: cash flow is solely used to pay principal and interests on outstanding principal

These financial assets (excluding those that are associated with hedge) are subsequently carried at amortized cost {i.e., the initial amount less principals repaid, plus/less cumulative amortization of differences between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss provisions}. Upon derecognition, amortization, or recognition of impairment gains/losses, the gains or losses are recognized in profit or loss.

Interests calculated using the effective interest method (i.e., by multiplying the book value of financial asset with effective interest rate) or under the following circumstances are recognized in profit or loss:

- A. Purchased or originated credit-impaired financial assets, where interest is calculated by multiplying the cost of financial assets after amortization with credit-adjusted effective interest rate.
- B. Subsequent impairment of financial asset that does not meet the above description, where interest is calculated by multiplying the cost of financial assets after amortization with effective interest rate.

Financial assets at fair value through other comprehensive income

Financial assets that simultaneously satisfy the two criteria below are measured at fair value through other comprehensive income, and presented on the balance sheet as financial assets at fair value through other comprehensive income.

- A. Business model for managing the financial assets: financial asset is held for collecting contractual cash flow and sale
- B. Characteristics of contractual cash flow for the financial assets: cash flow is solely used to pay principal and interests on outstanding principal

(All amounts in NTD thousands unless otherwise specified)

Gains and losses associated with this type of financial assets are recognized in the following manner:

- A. Prior to derecognition or reclassification, gains and losses are recognized in other comprehensive income, except for impairment gains/losses and foreign exchange gains/losses, which are recognized in profit or loss
- B. Upon derecognition, all cumulative gains/losses previously recognized in other comprehensive income are reclassified from equity to profit or loss and treated as a reclassification adjustment
- C. Interests calculated using the effective interest method (i.e., by multiplying the book value of financial asset with effective interest rate) or under the following circumstances are recognized in profit or loss:
 - (a) Purchased or originated credit-impaired financial assets, where interest is calculated by multiplying the cost of financial assets after amortization with credit-adjusted effective interest rate.
 - (b) Subsequent impairment of financial asset that does not meet the above description, where interest is calculated by multiplying the cost of financial assets after amortization with effective interest rate.

For equity instruments that are subject to IFRS 9 but are neither held for trading nor recognized as acquirer's contingent consideration under IFRS 3 - Business Combinations, a (irrevocable) choice can be made at initial recognition to account for subsequent fair value changes in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently reclassified into profit or loss (upon disposal of the equity instrument, amounts previously accumulated under other equity item are reclassified directly into retained earnings); these instruments are presented on balance sheet as financial assets at fair value through other comprehensive income. Dividends from investments are recognized in profit or loss, unless the dividends clearly represent a partial recovery of the investment cost.

Financial assets at fair value through profit or loss

With the exception of financial assets that are carried at amortized cost or measured at fair value through other comprehensive income for satisfying the special criteria mentioned above, all other financial assets are measured at fair value through profit or loss, and presented on balance sheet at fair value through profit or loss.

(All amounts in NTD thousands unless otherwise specified)

This category of financial assets is measured at fair value. Gains or losses arising from remeasurement are recognized in profit or loss. The amount of gains and losses recognized in profit or loss includes all dividends or interests collected on the financial asset.

(2) Impairment of financial assets

The Group recognizes and measures the loss provisions for debt instrument investments held at fair value through other comprehensive income and financial assets carried at amortized cost at an amount equal to expected credit loss. Loss provisions on debt instrument investments held at fair value in other comprehensive income are recognized through other comprehensive income and do not reduce the book value of investment.

The Group measures expected credit losses after taking into account of the following:

- A. An unbiased and probability-weighted amount determined after assessing the possible outcomes
- B. Time value of monetary
- C. Rational and verifiable information about past event, current situation, and future economic forecast (that can be obtained on the balance sheet date without incurring excessive cost or input)

Loss provisions are measured using the methods explained below:

- A. At an amount equal to 12-month expected credit loss: applies to financial assets that exhibit no significant increase in credit risk since initial recognition, or those that are considered to be of low credit risk as at the balance sheet date. This method also applies to accounts that had loss provisions measured based on lifetime expected credit losses in the previous reporting period, but no longer meets the condition of having exhibited significant increase in credit risk since initial recognition as at the current balance sheet date.
- B. At an amount equal to lifetime expected credit losses: applies to financial assets that exhibit significant increase in credit risk since initial recognition, or purchase or originated credit-impaired financial assets.
- C. For accounts receivable or contract assets that arise from the transactions defined in IFRS 15, the Group measures loss provisions at an amount equal to lifetime expected credit losses.
- D. For lease receivable that arises from the transactions defined in IFRS 16, the Group

(All amounts in NTD thousands unless otherwise specified)

measures loss provisions at an amount equal to lifetime expected credit losses.

On each balance sheet date, the Group examines financial instruments for any change in default risk between the balance sheet date and the date of initial recognition, and in doing so evaluates whether there is significant increase in the credit risk of financial instrument since initial recognition. Please see Note (XII) for credit risk-related information.

(3) Derecognition of financial assets

Financial assets that satisfy any of the following criteria are derecognized:

- A. When contractual entitlement to receive cash flow from the asset has ended.
- B. When the financial asset has been transferred along with virtually all risks and returns associated with the ownership of the asset.
- C. When control of the asset has been transferred, even if the Group does not transfer or retain virtually all risks and returns associated with the asset.

When a financial asset is derecognized, the difference between book value and the sum of consideration received/receivable plus any cumulative gains or losses previously recognized in other comprehensive income is recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liability and equity

Debt and equity instruments issued by the Group are classified into financial liabilities or equity based on the essence of the contract agreement and definitions of financial liabilities and equity instrument.

Equity instrument

Equity instrument refers to any contract that represents residual interests after the Group deducts all of its liabilities from its assets. Equity instruments issued by the Group are recognized at the amount of proceeds received net of direct issuing costs.

Financial liabilities

Financial liabilities subject to IFRS 9 are classified as financial liabilities at fair value

(All amounts in NTD thousands unless otherwise specified)

through profit or loss or financial liabilities at amortized cost at initiation.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities that are held for trading and designated to be measured at fair value through profit or loss.

Financial liabilities are classified as held for trading if it satisfies any of the following criteria:

- A. Acquired mainly for the purpose of being sold in the short term.
- B. Having been recognized at initiation as part of a portfolio of identifiable financial instruments under collective management, and there is evidence to suggest that the portfolio is being traded for short-term profits; or
- C. Exhibits the characteristics of a derivative instrument (except for financial guarantee contracts or derivative instruments designated for effective hedge).

Contracts that contain one or multiple embedded derivative instruments can be designated as hybrid (combined) contracts, and presented as financial liabilities at fair value through profit or loss. These instruments are designated to be measured at fair value through profit or loss at initiation if more relevant information can be obtained in one of the following situations:

- A. Designation would eliminate or significantly reduce discrepancies arising from measurement or recognition; or
- B. A group of financial liabilities or a group of financial assets and liabilities that are managed and evaluated performance based on fair value, as per risk management guidelines or investment strategy that are in written form, and that information of the investment portfolio provided internally to the management of the Group is also based on fair value.

Gains and losses arising from remeasurement of this category of financial liabilities are recognized in profit or loss. The amount of gains and losses recognized in profit or loss includes all interests paid on the financial liability.

Financial liabilities at amortized costs

Financial liabilities at amortized costs include payables and loans, which are subsequently measured using the effective interest rate method after initial recognition. When financial liabilities are derecognized from balance sheet and when amortization

(All amounts in NTD thousands unless otherwise specified)

is provided using the effective interest rate method, the corresponding gains, losses, and amortizations are recognized in profit or loss.

Calculation of amortized costs takes into consideration discounts or premiums at the time of acquisition and transaction costs.

Derecognition of financial liabilities

Financial liabilities are derecognized from balance sheet when obligations have been relieved, canceled, or voided.

When the Group engages a creditor in a swap of debt instruments with significant discrepant terms, or makes significant modification to some or all terms of existing financial liability (whether due to financial distress or not), the effects are accounted by derecognizing the original liability and recognizing the new liability at the same time. When derecognizing financial liability, differences between the book value and the considerations paid/payable (including non-cash assets transferred or liabilities assumed) are recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported in the balance sheet in net amount only when the entity is legally entitled to do so and has the intention to settle assets and liabilities in net amount or to realize the asset and settle the liability at the same time.

9. Fair value assessment

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. Fair value assessment assumes that the asset/liability is sold/transferred in one of the following markets:

- (1) The principal market for the asset or liability; or
- (2) The most advantageous market for the asset or liability, if the principal market does not exist

The principal or most advantageous market must be one that the Group has access to and is able to transact in.

(All amounts in NTD thousands unless otherwise specified)

Common assumptions that market participants adopt for pricing assets or liabilities are used when assessing fair value of an asset or liability. These assumptions assume that market participants all act in their best economic interest.

Fair value assessment of non-financial assets takes into consideration market participants' intent to make the highest and best use of the asset, or their intent to sell the asset to another market participant that will make the highest and best use in order to generate economic benefits.

The Group assesses fair value by adopting valuation techniques that are appropriate for the given circumstance and for which data can be obtained, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

10. Inventories

Accounted at acquisition cost; the cost of inventory is calculated using the weighted average method. Inventory is subsequently measured at the lower of cost or net realizable value item by item. Net realizable value refers to the balance of estimated selling price less any costs required to sell inventory under normal circumstances. Allowance for losses on inventory devaluation and obsolescence is made for any inventory that is considered slow-moving or obsolete.

11. Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost and presented net of accumulated depreciation and accumulated impairment. The abovementioned cost includes the cost of uninstalling, removing, and restoring property, plant and equipment at the given location, and any interest costs incurred on construction-in-progress. Significant compositions of property, plant, and equipment are depreciated separately. When making regular replacements for major component of property, plant, and equipment, the Group treats the replacement as a separate asset and recognizes depreciation based on the specified useful life and depreciation method. Book values of replaced assets are derecognized from balance sheet in accordance with IAS 16 - "Property, plant and equipment." Major repair costs that satisfy the recognition criteria are treated as replacement costs and recognized as part of the book value of property, plant and equipment. All other repair and maintenance expenditures are recognized in profit or loss.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Depreciation is provided on a straight-line basis over the estimated useful lives mentioned below:

Buildings	51-56 years
Accessory equipment of buildings	6 years
Transportation equipment	6 years
Office equipment	4-6 years
Right-of-use assets/lease assets	The lower between lease tenor and useful life
Lease improvements	The lower between lease tenor and useful life
Other equipment	2-6 years

The entity derecognizes property, plant and equipment or any of its major components from balance sheet and recognizes in profit or loss when it disposes the asset or expects no further inflow of economic benefits from utilization or disposal of the asset.

Residual value, useful life, and depreciation method of property, plant and equipment are evaluated at the end of each financial year. If the expected value differs from previous estimates, the difference is treated as a change in accounting estimate.

12. Lease

The Group evaluates whether a contract meets the criteria of (or contains) lease on the day of establishment. A contract is considered as (or contains) lease if it involves a transfer of control over identified assets for a period of time in exchange for consideration. To determine whether a contract transfers the right to control the use of an identified asset for a period of time, the Group evaluates whether the following two conditions are met throughout the entire period of use:

- (1) The user has the right to obtain substantially all of the economic benefits from using the identified asset; and
- (2) The user has the right to determine how identified asset is used.

(All amounts in NTD thousands unless otherwise specified)

For contracts that meet the criteria of (or contain) lease, the Group treats every lease component in the contract as a standalone lease, and accounts for non-lease components separately. For a contract that contains a lease component and one or multiple additional lease or non-lease components, the Group separates relative standalone price of each lease component from total standalone price of non-lease components, and allocates consideration to lease components. Relative standalone prices of lease and non-lease components are determined based on the price received by lessor (or supplier of similar nature) for the particular component (or similar component). If observable standalone prices are not readily available, the Group will maximize the use of observable information to estimate the standalone price.

Where the Group is the lessee

Except for leases that meet the criteria for and are accounted as short-term lease or least of low-value asset, the Group recognizes right-of-use assets and lease liabilities on all lease contracts where it is the lessee.

On the commencement date, the Group measures lease liabilities at the present value of unpaid lease payments outstanding on that day. Lease payments are discounted at the implicit interest rate if it can be determined easily. If the implicit interest rate cannot be determined easily, the lessee's incremental borrowing rate is used instead. Lease payments to be included in the calculation of lease liabilities on the commencement date include the following payments outstanding on that day that are relevant to the right-of-use of the underlying asset over the lease tenor:

- (1) Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (2) Variable lease payments that are determined by certain index or rate (which are initially measured using index or rate as at the commencement date);
- (3) Amounts that the lessee expects to pay under guaranteed residual value;
- (4) Exercise price for the purchase option, provided that the Group is reasonably certain to exercise such option; and
- (5) Penalties that have to be paid upon termination of lease, if the lease term reflects the lessee's intent to exercise the termination option.

(All amounts in NTD thousands unless otherwise specified)

After the commencement date, the Group measures lease liabilities at amortized cost basis and uses the effective interest method to increase the book value of lease liabilities to reflect the interest expense on lease liabilities. Lease payments reduce the book value of lease liabilities.

The Group measures right-of-use assets at cost on the commencement date; the cost of right-of-use asset includes:

- (1) Initial measured amount of lease liabilities;
- (2) Any lease payment made on or before the commencement date, less any lease incentive received;
- (3) Any direct cost incurred by the lessee at initiation; and
- (4) Estimated cost for the lessee to dismantle, remove the underlying asset, and restore its original location, or to restore the underlying asset to the state specified in the terms and conditions of the lease agreement.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment loss; in other words, the cost method is used to measure right-of-use assets.

If ownership of the underlying asset is due to be transferred to the Group at the end of the lease tenor, or if the cost of right-of-use asset already reflects the Group's intent to exercise the option to purchase, the Group shall begin recognizing depreciation on right-of-use assets from the commencement date until the end of useful life. Otherwise, the Group is required to recognize depreciation from the commencement date until the end of useful life of the right-of-use asset or until the end of the lease tenor, whichever the earlier.

The Group adopts IAS 36 - "Asset impairment" to determine whether right-of-use assets exhibit signs of impairment and account for any impairment losses identified.

Except for leases that meet the criteria for and are accounted as short-term lease or lease of low-value asset, the Group recognizes both right-of-use assets and lease liabilities on the balance sheet, and lease-related depreciation and interest expenses on the statement of comprehensive income.

The Group accounts lease payments associated with short-term lease and lease of low-value asset as expense over the lease tenor on a straight-line basis or using an alternative systematic approach.

Where the Group is the lessor

The Group classifies each lease arrangement into an operating lease or financing lease on the contract establishment date. A lease is classified as financial lease if virtually all risks and returns associated with ownership of the underlying asset are transferred; otherwise, the lease is classified as an operating lease. On the commencement date, the Group recognizes assets held under financial lease arrangement on balance sheet, and presents financial lease receivable at the amount of net lease investments.

For contracts that contain both lease component and non-lease component, the Group adopts IFRS 15 and allocates considerations of contracts accordingly.

The Group recognizes lease payments received from operating leases as rental income on a straight-line basis or using alternative systematic basis. In an operating lease, variable lease payments that are not derived from any particular index or rate are recognized as rental income at the time occurred.

13. Intangible asset

Intangible assets that are acquired separately are measured at cost at initiation. For intangible assets acquired through business combination, cost is determined as fair value as of the acquisition date. After initial recognition, book value of intangible assets is subsequently presented at cost less accumulated amortization and accumulated impairment loss. Intangible assets generated internally that do not meet the recognition criteria are not capitalized, but recognized in profit or loss at the time occurred.

Intangible assets are distinguished into those with finite useful lives and those with indefinite useful lives.

Finite useful life intangible assets are amortized over the number of useful years, and subjected to impairment tests if there are signs of impairment. Useful life and method of amortization for finite useful life intangible assets are reviewed at the end of each financial year. If an asset's expected useful life differs from the previous estimate or if there is a change to how future economic benefits are realized, the Group will adjust the period and method of amortization and treat the adjustment as a change in accounting estimate.

(All amounts in NTD thousands unless otherwise specified)

Indefinite useful life intangible assets are not amortized, but are subjected to impairment tests as a standalone asset or as part of the cash-generating unit yearly. Indefinite useful life intangible assets are evaluated each year to determine whether there are events or circumstances that continue to support the assets' useful life are indefinite. If changing from indefinite useful life to finite useful life, that apply will be postponed.

Gains or losses arising from the derecognition of intangible assets are recognized in profit or loss.

Computer software

Cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 5 years).

	<u>Computer software</u>
Useful life	Finite
Amortization method	Amortized on a straight-line basis over the estimated useful life
Internally generated or externally acquired	Externally acquired

14. Impairment on non-financial assets

All assets subject to IAS 36 - "Asset impairment" are evaluated whether there is a sign of impairment at the end of each reporting period. If there is a sign of impairment or impairment tests on particular asset is needed yearly, the Group will conduct the impairment tests as a standalone asset or as part of the cash-generating unit. Impairment losses are recognized if the impairment test shows book value of the asset or cash-generating unit exceeds its recoverable amount. Recoverable amount is the higher between the net fair value and the utilization value.

For assets except for goodwill, the Group conducts regular assessments at the end of each reporting period to determine whether impairment losses recognized in previous periods have reduced or no longer exist. If so, the Group immediately estimates the recoverable amount of the asset or cash-generating unit. Impairment losses are reversed if the recoverable amount increases due to a change in estimated service potential of the underlying asset. However, the asset's book value after reversal of impairment losses cannot exceed the amount of book value less depreciation or amortization before the impairment took place.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

Impairment losses and reversal gains from continuing operations are recognized in profit or loss.

15. Provisions

Provisions are recognized on current obligations (legally or constructive) given rise by a past event, for which the Group is very likely to incur an outflow of economic benefit or resource to settle such an obligation, and that the amount of obligation can be estimated reliably. When the Group expects some or all of its provisions to be reimbursed, the Group will recognize assets separately only when the reimbursement is almost confirmed. In circumstances where time value of money has a significant impact, the provision is discounted using the pre-tax interest rate that appropriately reflects the specific risk characteristics of the liability. When discounting, any increase in the amount of liability due to passage of time is recognized as borrowing cost.

Provisions for warranty

Provisions for warranty are estimated base on the terms of product sale contracts, and the management's best estimate of future economic benefit outflows of warranty obligations (based on historical warranty experience).

16. Revenue recognition

Revenue from contracts with customers mainly involves sale of merchandise and rendering of service. Accounting treatments are as explained below:

Sales of merchandise

The Group recognizes revenue on sale of merchandise when the promised merchandise has been delivered to the customer and that the customer has control of the merchandise (i.e. the customer is able to make use of the merchandise and access virtually all remaining benefits on the merchandise). Most of the merchandises sold are electronic equipment of high unit price, for which revenues are recognized based on prices stated in individual contracts. Other merchandises are often sold with discount (based on sales volume accumulated within a defined period), therefore revenue is recognized at prices stated in individual contracts less estimated discounts. The Group estimates how volume-based discounts affect variable consideration using previous experience and expected value. However, variable consideration is only taken into account if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. Meanwhile, expected volume discount is recognized as refund liabilities in period of agreement.

Warranty represents the Group's assurance that the merchandise supplied will function within customers' expectations, and is recognized according to IAS 37.

The Group sells merchandises with a credit term of 30-120 days. For most contracts, accounts receivables are recognized when the Group transfers control of merchandise and obtains an unconditional entitlement to receive consideration. Such accounts receivable is usually short in duration and there is no significant financial component. For some contracts that merchandise is transferred to customer but does not obtain unconditional entitlement to receive consideration yet, the Group would recognize contractual assets instead. According to IFRS 9, loss provisions on contract assets should be measured based on Lifetime Expected Credit Losses.

Rendering of service

The services provided by the Group are mainly maintenance, warranty, and design. Such services are priced individually or through negotiation, and provided during the contract period. Service income is recognized over time, considering that the Group renders services in a period of time specified in contract and that customers generate benefits from product throughout contract duration, thereby the performance obligation is fulfilled progressively over time, and service income is recognized over time.

(All amounts in NTD thousands unless otherwise specified)

For the majority of the Group's contracts, consideration is collected over equal installments after services are rendered. Contractual assets are recognized when services are rendered to customers without unconditional entitlement to collect consideration. However, in certain contracts where partial consideration is collected from customers in advance at the time of signing, the Group bears the obligation to provide subsequent services and therefore recognizes contractual liabilities.

In the above situation, the reclassification of contractual liabilities into income generally do not exceed one year, and hence has not given rise to significant financing component.

17. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of qualifying assets are capitalized into part of the cost of the respective assets. All other borrowing costs are expensed in the period incurred. Borrowing cost includes interest and other costs incurred in relation to the borrowing of capital.

18. Post-employment benefit plans

The Company and domestic subsidiaries' retirement policies apply to all permanent employees. All pension contributions are placed entirely under the management of the Labor Pension Fund Supervisory Committee and deposited into a dedicated pension fund account. Since the above pension fund is being held under the name of the Labor Pension Fund Supervisory Committee, it is completely separate from the Company's and domestic subsidiaries' assets and hence excluded from the consolidated financial statements presented above. For employees of foreign subsidiaries, retirement policy is subject to local regulations.

For employees under the post-employment benefit plans of defined contribution plan, the Company and domestic subsidiaries make monthly pension contributions totaling no less than 6% of employees' salary. The amounts contributed are recognized as current period expense.

(All amounts in NTD thousands unless otherwise specified)

For employees that are subject to post-employment benefit plans of defined benefit plan, provisions are made at the end of the reporting period based on actuarial report using the Projected Unit Credit method. Remeasurement of net defined benefit liabilities (assets) includes return on plan asset and any change in the effect of asset cap, less the amount of net interest on the net defined benefit liabilities (assets) and actuarial gains/losses. Remeasurement of net defined benefit liabilities (assets) is recognized in other comprehensive income in the periods they occur, and recognized immediately into retained earnings. Service costs for the previous period represent changes in the present value of defined benefit obligations due to plan amendment or curtailment, and are recognized as expense on the earlier of the two dates below:

- (1) When the plan is amended or curtailed; and
- (2) When the Group recognizes related restructuring costs or termination benefits.

Net interest on net defined benefit liabilities (assets) is determined by multiplying net defined benefit liabilities (assets) with the discount rate. Both variables are determined at the beginning of annual reporting period, and changes in net defined benefit liabilities (assets) due to contributions and benefit payments during the period are evaluated thereafter.

19. Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax liabilities (assets) for the current and previous periods are measured using statutory or substantively enacted tax rates and tax laws at the end of the reporting period. Current income taxes that arise in relation to accounts recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or in equity respectively, instead of profit or loss.

Additional income tax for undistributed earnings is recognized as income tax expense on the date when the distribution proposal is approved in the annual shareholders' meeting.

Deferred income tax

Deferred income tax is recognized on temporary differences between the tax basis of assets and liabilities and book value shown in the balance sheet as of the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities, except for the two circumstances below:

- (1) Initial recognition of goodwill; or initial recognition of assets or liabilities that do not arise from transactions of the consolidated entity, provided that doing so affects neither accounting profit nor taxable profit (loss) at the time of transaction.
- (2) Taxable temporary difference that arises from investment in subsidiaries, provided that the timing of reversal can be controlled and the difference is very unlikely to reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences, unused tax losses, and carry forward of unused tax credit to the extent that the Group is likely to earn taxable income to offset them in the future, except for the two circumstances below:

- (1) Deductible temporary difference arising from initial recognition of an asset or liability that is unrelated to transactions of the consolidated entity, provided that doing so affects neither accounting profit nor taxable profit (loss) at the time of transaction;
- (2) Deductible temporary difference arising from investment in subsidiaries, which is recognized only to the extent that the difference is very likely to be reversed in the foreseeable future and that sufficient taxable income can be earned to realize the temporary difference.

Deferred income tax assets and liabilities are measured using tax rate that is expected to apply in the year when the asset is realized or the liability is settled. This tax rate is determined based on the tax rate and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred income tax liabilities and assets represent tax impacts of the method by which the entity expects to recover/settle the book value of its assets and liabilities at the end of the reporting period. Deferred income taxes unrelated to any profit or loss account are not recognized in profit or loss, but are instead recognized in other comprehensive income or directly in equity depending on the nature of the transaction. Deferred income tax asset is re-examined and recognized at the end of each reporting period.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Current portions of deferred current income tax assets and liabilities can be offset against each other only if the entity is legally entitled to do so, and that the deferred income taxes are attributed to the same taxpayer and the same tax authority.

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

When preparing consolidated financial statements, the management is required to make judgments, estimates, and assumptions as at the end of the reporting period, which will affect the amounts of income, expenses, assets, and liabilities reported and disclosure of contingent liabilities. Uncertainties associated with these significant assumptions and estimates may cause the entity to make significant adjustments to the book value of assets or liabilities in the future.

1. Judgment

When applying accounting policies for the preparation of financial statements, the management is required to make several significant judgments.

These include:

Operating lease commitments - where the Group is the lessor

Lease arrangements in which the Group retains significant risk and return associated with property ownership, according to the assessments on the terms of the lease agreement, are accounted as operating leases.

2. Estimates and assumptions

Estimates and assumptions made about the future at the end of the reporting period for significant but uncertain sources of information may result in significant risks for material adjustments to the book value of assets and liabilities in the next financial year. Explanation is as follows:

(1) Fair value of financial instruments

When fair value of a financial asset and financial liability shown on balance sheet cannot be obtained through active market, the fair value will be determined using valuation technique, such as the income approach (e.g., discounted cash flow model) or market approach. Changes in the assumptions used in these models will affect the

(All amounts in NTD thousands unless otherwise specified)

fair value of financial instruments reported. Please see Note (XII) for more details.

(2) Inventories valuation

Due to the fact that inventory is valued at the lower of cost or net realizable value item by item, the Group is required to exercise judgment and make estimates in order to determine the net realizable value of inventory at the end of the reporting period.

Due to rapidly changing technologies, the Group estimates the net realizable value of inventory for normal waste, obsolescence and market value at the end of reporting period and then writes down the cost of inventories to net realizable value. Inventory valuation is estimated primarily based on inventory characteristics, utilization value, historical experience, and market price, and therefore may give rise to significant changes. See Note (VI) for more details.

(3) Post-employment benefit plans

Pension cost and present value of defined benefit obligations of post-employment benefit plans are determined using actuarial valuations. The actuarial valuation involves several different assumptions, including discount rate and expected salary changes. Please see Note (VI) for details on the assumptions used to measure pension cost and defined benefit obligations.

(4) Revenue recognition - sales return and discount

The Group estimates sales return and discount based on historical experience and other known factors, and accounts them as contra items to operating revenues when merchandise is sold. The aforementioned estimates of sales returns and discounts are based on the amount of the accumulated revenue recognized in major reversals is highly unlikely to happen based on the premise. See Note (VI) for more details.

(5) Receivables - estimation of impairment losses

The Group estimates impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is determined as the present value of differences between contractual cash flow that is due to the Group under contracts (book value) and cash flow the Group expects to receive (after evaluating forward-looking information), but considering that the effect of discounting is insignificant for short-term receivables, credit loss is measured using the undiscounted differences.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Significant impairment losses may arise if actual cash flow is less than expectation in the future. See Note (VI) for details.

(6) Income tax

Uncertainty of income tax lies in the interpretation of complex tax laws and the amount and timing of future taxable income. Due to the wide range of international business relationships and the long-term nature and complexity of contracts, differences between the actual outcome and the assumptions made previously or future changes to such assumption may necessitate future adjustments to income tax benefits and expenses already recognized. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of provision is recognized after taking into account different factors such as: past tax audit experience and the different interpretations of tax law between the subject of tax and the applicable tax authority. Differences in interpretation may give rise to various issues depending on where the Group is located.

Unused tax losses and tax credits carried into subsequent periods and deductible temporary differences are recognized as deferred income tax assets to the extent that the entity is very likely to earn taxable income to offset against. The amount of deferred income tax assets recognizable is determined based on the timing and level of future taxable income and taxable temporary differences, as well as future tax plans and strategies. See Note (VI) for details of deferred income tax assets that the Group had not recognized as at December 31, 2022.

(VI). Notes to Major Accounts

1. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash	\$196	\$196
Demand and check deposit	1,300,263	1,233,979
Time deposit	234,165	216,735
Total	<u>\$1,534,624</u>	<u>\$1,450,910</u>

2. Financial assets at fair value through profit or loss

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in equity instruments at fair value through profit or loss - non-current:		
Fund	<u>\$-</u>	<u>\$-</u>

(1) The Group disposed 1 million units of Yuanta Taiwan High-yield Leading Company Fund in November 2021 for a sum of NT\$15,167 thousand; gains on disposal of NT\$2,577 thousand was recognized in 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in equity instruments at fair value through other comprehensive income - non-current:		
TWSE/TPEX listed shares	\$86,164	\$128,100
Unlisted shares	<u>35,502</u>	<u>16,113</u>
Total	<u>\$121,666</u>	<u>\$144,213</u>

(1) The Group acquired 47 thousand shares of Zero One Technology Co., Ltd., a TWSE-listed company, in February 2021 at a cost of NT\$1,775 thousand. The Group also participated in the cash issue of Zero One Technology Co., Ltd. in December 2021 and acquired 1,007 thousand shares 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 the capital reduction of NT\$95 thousand and the dividend income of NT\$8 thousand from the distribution of its remaining surplus, and transferred the accumulated unrealized valuation loss of NT\$191 thousand at the time of disposal from other equity to retained earnings.

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

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

- (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 of stock dividend from retained earnings of Genesis Technology Inc., a TPEX-listed company, in the third quarter of 2022.
- (6) The Group acquired 1 thousand shares of stock dividend from retained earnings of Dimerco Data System Corporation, a TPEX-listed company, in the fourth quarter of 2022.
- (7) LOLA Technology Inc. held by The Group reduced its capital, at a ratio of 45.593%, and refunded a sum of NT\$6,611 thousand on December 8, 2022.
- (8) The Group recognized NT\$10,560 thousand and NT\$3,839 thousand of dividend income for the years ended December 31, 2022 and 2021, respectively 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 at the balance sheet date.
- (9) None of the Group's financial assets at fair value through other comprehensive income was placed as collateral.

4. Notes receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable - arising from operating activities	\$10,342	\$5,759
Less: loss provisions	-	-
Net amount	<u>\$10,342</u>	<u>\$5,759</u>

None of the Group's notes receivable 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$517,973	\$629,315
Installment accounts receivable	122,010	143,302

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Less: Unrealized interest income - installment

accounts receivable	(5,247)	(9,295)
Subtotal (total book value)	634,736	763,322
Less: loss provisions	(4,801)	(16,257)
Total	\$629,935	\$747,065

Expected recovery of installment accounts receivable is as follows:

	December 31, 2022	December 31, 2021
No more than 1 year	\$82,403	\$69,336
1 to 2 years	30,592	45,218
2 years and above	9,015	28,748
Total	\$122,010	\$143,302

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\$634,736 thousand and NT\$763,322 thousand as at December 31, 2022 and 2021, respectively. See Note (VI).16 for information on loss provisions and Note (XII) for credit risk-related information.

6. Inventories

	December 31, 2022	December 31, 2021
Net inventory - merchandise	\$2,530,729	\$1,991,209

Cost of inventory, consultation, and maintenance recognized as expenses for the years ended December 31, 2022 and 2021 were NT\$4,994,017 thousand and NT\$4,980,918 thousand respectively. These amounts included NT\$1,227 thousand of loss on inventory devaluation and obsolescence and NT\$1,183 thousand of gain on reversal of inventory devaluation and obsolescence for the years ended December 31, 2022 and 2021, respectively. As at December 31, 2022 and 2021, the Group had provisions on inventory devaluation outstanding at NT\$5,117 thousand and NT\$3,890 thousand, respectively.

None of the above inventory was pledged as collateral.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
 (All amounts in NTD thousands unless otherwise specified)

7. Prepayments

	December 31, 2022	December 31, 2021
Prepaid purchases	\$586,943	\$450,172
Prepayments for investments	8,000	-
Other prepaid expenses	68,698	43,102
Total	<u>\$663,641</u>	<u>\$493,274</u>

8. Property, plant and equipment

	December 31, 2022	December 31, 2021
Owner-occupied property, plant and equipment	<u>\$440,151</u>	<u>\$446,238</u>

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

	Land	Buildings	Transportation equipment	Office equipment	Lease improvements	Other equipment	Total
<u>Cost:</u>							
January 1, 2022	\$291,892	\$202,009	\$6,813	\$43,891	\$5,830	\$578	\$551,013
Additions	-	1,287	81	5,416	2,229	-	9,013
Disposals	-	(186)	-	(14,609)	-	-	(14,795)
Reclassification	-	-	-	1,524	-	-	1,524
Effects of exchange rate variation	-	-	86	4	-	-	90
December 31, 2022	<u>\$291,892</u>	<u>\$203,110</u>	<u>\$6,980</u>	<u>\$36,226</u>	<u>\$8,059</u>	<u>\$578</u>	<u>\$546,845</u>
January 1, 2021	\$291,892	\$202,098	\$4,004	\$45,759	\$5,796	\$323	\$549,872
Additions	-	784	3,100	4,941	34	-	8,859
Disposals	-	(873)	(297)	(8,002)	-	-	(9,172)
Reclassification	-	-	-	1,192	-	255	1,447
Effects of exchange rate variation	-	-	6	1	-	-	7
December 31, 2021	<u>\$291,892</u>	<u>\$202,009</u>	<u>\$6,813</u>	<u>\$43,891</u>	<u>\$5,830</u>	<u>\$578</u>	<u>\$551,013</u>
<u>Depreciation and impairment:</u>							
January 1, 2022	\$-	\$73,762	\$3,208	\$24,360	\$3,135	\$310	\$104,775
Depreciation	-	5,400	779	9,125	1,182	139	16,625
Disposals	-	(186)	-	(14,609)	-	-	(14,795)
Effects of exchange rate variation	-	-	86	3	-	-	89
December 31, 2022	<u>\$-</u>	<u>\$78,976</u>	<u>\$4,073</u>	<u>\$18,879</u>	<u>\$4,317</u>	<u>\$449</u>	<u>\$106,694</u>
January 1, 2021	\$-	\$69,264	\$3,031	\$21,582	\$2,166	\$178	\$96,221
Depreciation	-	5,371	463	10,779	969	132	17,714
Disposals	-	(873)	(291)	(8,002)	-	-	(9,166)
Effects of exchange rate variation	-	-	5	1	-	-	6
December 31, 2021	<u>\$-</u>	<u>\$73,762</u>	<u>\$3,208</u>	<u>\$24,360</u>	<u>\$3,135</u>	<u>\$310</u>	<u>\$104,775</u>
<u>Net book value:</u>							
December 31, 2022	<u>\$291,892</u>	<u>\$124,134</u>	<u>\$2,907</u>	<u>\$17,347</u>	<u>\$3,742</u>	<u>\$129</u>	<u>\$440,151</u>
December 31, 2021	<u>\$291,892</u>	<u>\$128,247</u>	<u>\$3,605</u>	<u>\$19,531</u>	<u>\$2,695</u>	<u>\$268</u>	<u>\$446,238</u>

The Group did not capitalize any interest for the years ended December 31, 2022 and 2021.

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

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

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

9. Intangible asset

	<u>Computer software</u>
Cost:	
January 1, 2022	\$16,887
Addition - acquisition by separate purchase	1,845
Addition - internal transfer	-
Reduction - removal in the current period	(9,979)
December 31, 2022	<u>\$8,753</u>
January 1, 2021	\$12,470
Addition - acquisition by separate purchase	9,618
Addition - internal transfer	-
Reduction - removal in the current period	(5,201)
December 31, 2021	<u>\$16,887</u>
Amortization and impairment:	
January 1, 2022	\$8,889
Reduction - removal in the current period	(9,979)
Amortization	6,932
December 31, 2022	<u>\$5,842</u>
January 1, 2021	\$5,759
Reduction - removal in the current period	(5,201)
Amortization	8,331
December 31, 2021	<u>\$8,889</u>
Net book value:	
December 31, 2022	<u>\$2,911</u>
December 31, 2021	<u>\$7,998</u>

Amortization amount of intangible assets:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Operating cost	<u>\$-</u>	<u>\$-</u>
Administrative expenses	<u>\$6,931</u>	<u>\$8,328</u>
Research and development expenses	<u>\$1</u>	<u>\$3</u>

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

10. Other non-current assets

	December 31, 2022	December 31, 2021
Other non-current assets - others	\$1,678	\$1,279

11. Short-term loans

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$150,000	\$70,000
Interest rate range	1.65%~1.875%	0.85%

The Group had undrawn short-term credit facilities of NT\$2,080,613 thousand and NT\$2,144,508 thousand as at December 31, 2022 and 2021, respectively.

12. Provisions

	Warranty	
	For the year ended December 31, 2022	For the year ended December 31, 2021
Beginning of period	\$14,720	\$42,171
Additions in the current period	15,458	31,849
Utilization in the current period	(8,804)	(6,063)
Reversals in the current period	(13,947)	(53,237)
End of the period	\$7,427	\$14,720

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.

(All amounts in NTD thousands unless otherwise specified)

13. Post-employment benefit plans

Defined Contribution Plans

The retirement policy that the Company and domestic subsidiaries have established in accordance with the "Labor Pension Act" introduces a defined contribution plan. According to the Labor Pension Act, the Company and domestic subsidiaries are required to make monthly pension fund contributions at an amount no less than 6% of employee's monthly salary. The Company and domestic subsidiaries have established a set of employee retirement policy according to the Labor Pension Act, and has been making monthly contributions to employees' pension fund accounts held with the Bureau of Labor Insurance at 6% of salary.

Subsidiaries located in Mainland China are bound to comply with local government regulations by making contributions equal to a certain percentage of employees' gross salary to the pension fund. These contributions are paid to relevant government departments, and are saved in dedicated accounts of each employee.

Other foreign subsidiaries of the Group are bound to make pension contributions to the appropriate pension fund management institution in accordance with local laws.

The amounts of recognized pension expenses related to defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$28,244 thousand and NT\$27,482 thousand respectively.

Defined Benefit Plans

The pension policy that the Company and domestic subsidiaries have established in accordance with the "Labor Standards Act" introduces a defined benefit plan. Employees' pension benefits were paid based on their years of service and their average salaries during the one month when retirement is approved. Employees are awarded 2 pension basis points for every year of service under (including) 15 years, and 1 pension basis point for every year of service above 15 years, subject to a maximum of 45 pension basis points. The Company and domestic subsidiaries make monthly pension contributions equivalent to 2% of employees' monthly gross salaries in accordance with the Labor Standards Act. These contributions are deposited into the dedicated account held with the Bank of Taiwan in the name of Labor Pension Fund Supervisory Committee. The Company and subsidiaries also evaluate the balance of the above-mentioned labor pension fund account before the end of each year. In the event that the account is estimated to be short of balance to pay the amount of estimated pension benefits to workers who are expected to meet their retirement criteria in the following year, the Company and domestic subsidiaries are required to reimburse the shortfall in one contribution before the end of March the following year.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

Assets are allocated according to Ministry of Labor's Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. Fund assets are managed through a combination of self-management and mandate, using both active and passive medium-to-longer term investment strategies. The Ministry of Labor has imposed risk limits and control measures on market, credit, and liquidity risks, so that fund assets are not exposed to excessive risk while being given the flexibility to achieve target returns. Plan assets can only be allocated to investments that offer annual yields higher than the 2-year time deposit rate quoted by local banks. Shortfalls may be reimbursed by the public treasury subject to approval of the authority. Since the Company is not involved in the operation and management of the fund, it is unable to disclose the fair value of plan assets according to IAS 19 Section 142.

As at December 31, 2022, the Group expected to make contributions totaling NT\$3,137 thousand to the defined benefit plan in the next year.

As at December 31, 2022 and 2021, weighted average duration of the Group's defined benefit obligations was 5 years and 9 years, respectively.

A breakdown of defined benefit plan costs recognized in profit or loss is explained in the chart below:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Service costs for the current period	\$2,884	\$2,886
Net interest on net defined benefit liabilities (assets)	232	130
Service costs for the previous period	-	8,236
Total	\$3,116	\$11,252

Reconciliation between present value of defined benefit obligations and fair value of plan assets:

	December 31, 2022	December 31, 2021	January 1, 2021
Present value of defined benefit obligations	\$155,339	\$159,873	\$150,208
Fair value of plan assets	(128,891)	(125,636)	(115,294)
Net defined benefit liabilities - non-current	\$26,448	\$34,237	\$34,914

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
January 1, 2021	\$150,208	\$(115,294)	\$34,914
Service costs for the current period	2,886	-	2,886
Interest expense (income)	556	(426)	130
Service costs for the previous period	8,236	-	8,236
Subtotal	161,886	(115,720)	46,166
Remeasurement of defined benefit liabilities (assets):			
Actuarial gains or losses due to change of demographic assumption	426	-	426
Actuarial gains or losses due to change of financial assumption	(5,410)	-	(5,410)
Adjustment based on past experience	5,036	(995)	4,041
Subtotal	52	(995)	(943)
Benefits paid	(2,065)	2,065	-
Employer's contribution	-	(10,986)	(10,986)
December 31, 2021	159,873	(125,636)	34,237
Service costs for the current period	2,884	-	2,884
Interest expense (income)	1,087	(855)	232
Subtotal	163,844	(126,491)	37,353
Remeasurement of defined benefit liabilities (assets):			
Actuarial gains or losses due to change of financial assumption	(4,079)	-	(4,079)
Adjustment based on past experience	5,309	(5,826)	(517)
Subtotal	1,230	(5,826)	(4,596)
Benefits paid	(9,735)	9,735	-
Employer's contribution	-	(6,309)	(6,309)
December 31, 2022	\$155,339	\$(128,891)	\$26,448

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Below are the main assumptions used for the Company's defined benefit plan:

	December 31, 2022	December 31, 2021
Discount rate	1.17%	0.68%
Expected salary increase rate	1.00%	1.00%

Sensitivity analysis per major actuarial assumption:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Increase in defined benefit obligations	Decrease in defined benefit obligations	Increase in defined benefit obligations	Decrease in defined benefit obligations
0.5% increase in the discount rate	\$-	\$3,777	\$-	\$5,396
0.5% decrease in the discount rate	4,197	-	9,379	-
0.5% rise in the expected salary increase rate	4,177	-	9,298	-
0.5% fall in the expected salary increase rate	-	3,801	-	5,405

The above-mentioned sensitivity analysis shows how reasonable changes in a single actuarial estimate (e.g.: discount rate or expected salary) may affect defined benefit obligations while other assumptions remain unchanged. However, there are limitations to this approach, as some actuarial assumptions are intercorrelated and it is rare to see only one actuarial assumption change in practice.

Methodology and assumption for sensitivity analysis of current period are consistent with those of the previous period.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

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 the exercise of employee warrants) as at December 31, 2022 and 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 dates. Each share is entitled to one voting right and the right to receive dividends.

(2) Capital surplus

	December 31, 2022	December 31, 2021
Premium on consolidation	\$148,259	\$148,259
Premium on conversion of convertible bonds	18,255	18,255
Total	\$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.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

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

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

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

The Company's 2022 and 2021 earnings appropriation proposal and dividends per share were proposed and resolved during the board of directors meeting held on February 23, 2023 and annual general meeting held on May 27, 2022, respectively. Details are as presented below:

	<u>Earnings appropriation plan</u>		<u>Dividends per share (NTD)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve	\$73,885	\$63,872		
Cash dividends on				
ordinary shares	665,815	597,745	\$6.26	\$5.62

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

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

(4) Non-controlling interests: None.

15. Operating revenue

	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenues from sale of merchandise	\$4,565,440	\$4,621,922
Revenues from rendering of service	2,155,573	1,951,042
Other operating revenues	7,982	6,590
Total	<u>\$6,728,995</u>	<u>\$6,579,554</u>

Information relating to revenue from contracts with customers for the years ended December 31, 2022 and 2021:

(1) Breakdown of revenue

	Operating segment	
	For the year ended December 31, 2022	For the year ended December 31, 2021
Sales of merchandise	\$4,565,440	\$4,621,922
Rendering of service	2,155,573	1,951,042
Others	7,982	6,590
Total	<u>\$6,728,995</u>	<u>\$6,579,554</u>
Timing of revenue recognition:		
At a point in time	\$4,573,422	\$4,628,512
Over time	2,155,573	1,951,042
Total	<u>\$6,728,995</u>	<u>\$6,579,554</u>

(2) Contract balance

A. Contract assets - current

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Sales of merchandise and rendering of service	\$252,812	\$215,639	\$351,222
Less: loss provisions	<u>(3,859)</u>	<u>(11,248)</u>	<u>(12,524)</u>
Total	<u>\$248,953</u>	<u>\$204,391</u>	<u>\$338,698</u>

Major changes in the balance of contract assets for the years ended December 31, 2022 and 2021 are explained below:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Amount of beginning balance reclassified into accounts receivable in the current period	<u>\$(196,981)</u>	<u>\$(326,606)</u>
Changes were measured based on level of completion	<u>\$234,154</u>	<u>\$191,023</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Sales of merchandise and rendering of service	<u>\$1,492,594</u>	<u>\$1,173,794</u>	<u>\$1,229,208</u>

Major changes in the balance of contract liabilities for the years ended December 31, 2022 and 2021 are explained below:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Amount of beginning balance reclassified into revenue in the current period	<u>\$(930,476)</u>	<u>\$(969,228)</u>
Current increase in advanced receipt (less amounts incurred and reclassified into revenue in the current period)	<u>\$1,249,276</u>	<u>\$913,814</u>

(3) Allocation of transaction price into unfulfilled contractual obligations

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

As at December 31, 2022, the Group had allocated NT\$5,875,132 thousand of transaction price into unfulfilled (including partially unfulfilled) contractual obligations; 84.13% of which are expected to be recognized as revenue in 2023, whereas the remainder will be recognized as revenue on and after 2024.

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

None.

16. Expected credit impairment reversal gain

	For the year ended December 31, 2022	For the year ended December 31, 2021
Expected credit impairment (loss) reversal gain		
Contract assets	\$105	\$126
Accounts receivable	2,114	3,458
Installment accounts receivable	1,045	(1,045)
Total	<u>\$3,264</u>	<u>\$2,539</u>

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 December 31, 2022 and 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:

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

December 31, 2022

Group 1	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value	\$786,226	\$59,052	\$31,241	\$2,950	\$3,978	\$13,055	\$896,502
Loss ratio	0.8%	0.6%	0.5%	1.1%	0.6%	1.5%	
Lifetime expected credit losses	(6,523)	(344)	(157)	(31)	(25)	(192)	(7,272)
Net amount	\$779,703	\$58,708	\$31,084	\$2,919	\$3,953	\$12,863	\$889,230

Group 2

(Note 2)	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value	\$-	\$-	\$-	\$-	\$-	\$1,388	\$1,388
Loss ratio	-	-	-	-	-	100%	
Lifetime expected credit losses	-	-	-	-	-	(1,388)	(1,388)
Net amount	\$-	\$-	\$-	\$-	\$-	\$-	\$-

December 31, 2021

Group 1	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
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					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value	\$12,909	\$-	\$-	\$-	\$-	\$5,798	\$18,707

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Group 2

(Note 2)	Not past due	Past due				
Loss ratio	100%	-	-	-	-	100%
Lifetime expected credit losses	(12,909)	-	-	-	-	(5,798)
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.

Changes in loss provisions on contract assets, accounts receivable, and installment accounts receivable for the years ended December 31, 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	(105)	(2,114)	(1,045)
Reclassification	(132)	132	-
Actual write-offs	(7,152)	(1,384)	(7,049)
Effect of exchange rate variation	-	4	-
December 31, 2022	\$3,859	\$4,801	\$-
January 1, 2021	\$12,524	\$11,657	\$7,049
Net recognitions (reversals) for the current period	(126)	(3,458)	1,045
Reclassification	(1,150)	1,150	-
Actual write-offs	-	(1,189)	-
Effect of exchange rate changes	-	3	-
December 31, 2021	\$11,248	\$8,163	\$8,094

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

17. Lease

(1) The Group as lessee

The Group leases several types of asset, 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:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Book value of right-of-use assets

	December 31, 2022	December 31, 2021
Buildings	\$12,449	\$19,471
Transportation equipment	12,434	2,904
Office equipment	1,135	1,424
Total	<u>\$26,018</u>	<u>\$23,799</u>

Right-of-use assets increased by NT\$16,734 thousand and NT\$4,957 thousand for the years ended December 31, 2022 and 2021, respectively.

(b) Lease liabilities

	December 31, 2022	December 31, 2021
Lease liabilities	<u>\$26,370</u>	<u>\$24,444</u>
Current	\$10,456	\$12,101
Non - current	15,914	12,343
Total	<u>\$26,370</u>	<u>\$24,444</u>

Please see Note (VI).19(4) - Financial cost for interest on lease liabilities for

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
 (All amounts in NTD thousands unless otherwise specified)
 the years ended December 31, 2022 and 2021, and Note (XII).5 - Liquidity risk management for maturity analysis of lease liabilities as at December 31, 2022.

B. Amount recognized in statement of comprehensive income

Depreciation of right-of-use assets

	For the year ended December 31, 2022	For the year ended December 31, 2021
Buildings	\$9,755	\$9,734
Transportation equipment	4,041	4,224
Office equipment	751	2,398
Total	<u>\$14,547</u>	<u>\$16,356</u>

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Short-term lease expense	<u>\$4,059</u>	<u>\$3,831</u>

D. Cash outflow relating to lease activities as a lessee

The Group incurred NT\$19,418 thousand and NT\$20,855 thousand of lease-related cash outflow for the years ended December 31, 2022 and 2021.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

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

By function By nature	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	\$87,676	\$770,354	\$858,030	\$80,226	\$686,722	\$766,948
Wages and salaries	75,496	678,444	753,940	68,932	585,642	654,574
Labor and national health insurance expenses	6,392	49,287	55,679	5,928	47,585	53,513
Pension expenses	3,836	27,524	31,360	3,530	35,204	38,734
Other employee benefit expenses	1,952	15,099	17,051	1,836	18,291	20,127
Depreciation expenses	-	31,172	31,172	-	34,070	34,070
Amortization expenses	-	6,932	6,932	-	8,331	8,331

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 year ended December 31, 2022 were estimated at NT\$67,000 thousand and NT\$3,300 thousand, respectively, based on the Company's profitability and the percentages stated in the Articles of Incorporation. Employee remuneration and director/supervisor remuneration for the year ended December 31, 2021 were estimated at NT\$37,100 thousand and NT\$0 thousand, respectively, based on profitability of that particular year. The abovementioned amounts were presented under salary expense at the time of estimation, and if the actual amount resolved by the board of

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

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 23, 2023 to pay the 2022 employee remuneration and director remuneration at NT\$67,000 thousand and NT\$3,300 thousand, respectively, in cash; these amounts were indifferent from the expenses previously recognized in the 2022 financial statements.

The board of directors passed a resolution on February 25, 2022 to pay the 2021 employee remuneration and director/supervisor 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.

19. Non-operating income and expenses

(1) Interest income

	For the year ended December 31, 2022	For the year ended December 31, 2021
Financial assets at amortized costs	\$13,382	\$12,889

(2) Other income

	For the year ended December 31, 2022	For the year ended December 31, 2021
Rental income	\$11	\$11
Dividend income	10,560	3,839
Other income - others	52,878	20,027
Total	\$63,449	\$23,877

(3) Other gains and losses

	For the year ended December 31, 2022	For the year ended December 31, 2021
Gains (losses) on disposals of property, plant and equipment	\$-	\$(2)

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Net gains on currency exchange	29,381	3,124
Gains on financial assets at fair value through profit or loss	-	2,577
Others	1,200	(3,200)
Total	<u>\$30,581</u>	<u>\$2,499</u>

(4) Finance costs

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest expenses on bank loans	\$1,195	\$824
Interest expenses on lease liabilities	519	627
Total	<u>\$1,714</u>	<u>\$1,451</u>

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

20. Composition of other comprehensive income

Composition of other comprehensive income for the year ended December 31, 2022 is explained below:

	Arising in the current period	Reclassification in the current period	Other comprehensive income	Income tax benefits (expenses)	Amount after tax
Items not reclassified into profit or loss:					
Remeasurement of defined benefit plan	\$ 4,596	\$-	\$ 4,596	\$(919)	\$ 3,677
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(25,180)	-	(25,180)	-	(25,180)
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	(16,756)	-	(16,756)	-	(16,756)
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	6,287	-	6,287	-	6,287
Total other comprehensive income (loss) for the current period	<u>\$ (31,053)</u>	<u>\$-</u>	<u>\$ (31,053)</u>	<u>\$(919)</u>	<u>\$ (31,972)</u>

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

Composition of other comprehensive income for the year ended December 31, 2021 is explained below:

	Arising in the current period	Reclassification in the current period	Other comprehensive income	Income tax benefits (expenses)	Amount after tax
Items not reclassified into profit or loss:					
Remeasurement of defined benefit plan	\$944	\$-	\$944	\$(189)	\$755
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	1,501	-	1,501	-	1,501
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	6,216	-	6,216	-	6,216
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	1,576	-	1,576	-	1,576
Total other comprehensive income for the current period	\$10,237	\$-	\$10,237	\$(189)	\$10,048

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

21. Income tax

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

Income tax recognized under profit or loss

	For the year ended December 31, 2022	For the year ended December 31, 2021
Income tax expenses (benefits) for the current period:		
Current income tax payable	\$176,722	\$157,454
Adjustment of current income tax of previous years	(11,658)	(6,745)
Deferred income tax expenses (benefits):		
Deferred income tax expenses (benefits) relating to the origination and reversal of temporary differences	9,075	9,473
Others	-	3
Income tax expenses	<u>\$174,139</u>	<u>\$160,185</u>

Income tax recognized under other comprehensive income

	For the year ended December 31, 2022	For the year ended December 31, 2021
Deferred income tax expense:		
Remeasurement of defined benefit plan	<u>\$(919)</u>	<u>\$(189)</u>

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Reconciliation of income tax expense and the amount of accounting income multiplied with applicable income tax rate:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Income before income tax from continuing operations	\$909,310	\$798,347
Tax amount calculated by applying the domestic statutory tax rate of related countries	\$219,565	\$220,096
Tax effects of non-deductible expenses	(34,575)	(51,519)
Tax effects of deferred income tax assets/liabilities	807	(1,650)
Adjustment of current income tax of previous years	(11,658)	(6,745)
Others	-	3
Total income tax expense recognized under profit or loss	\$174,139	\$160,185

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Balance of deferred income tax assets (liabilities) relating to the items below:

For the year ended December 31, 2022

	Beginning of period	Recognized under profit or loss	Recognized under other comprehensive income	End of period
Temporary difference				
Investments accounted for using equity method	\$(51,797)	\$(8,301)	\$-	\$(60,098)
Employee benefits payable	4,279	83	-	4,362
Net defined benefit liabilities - non-current	6,847	(638)	(919)	5,290
Unrealized (gains) losses on currency exchange	127	1,648	-	1,775
Excess allowance for doubtful accounts	3,860	(505)	-	3,355
Provisions	2,384	(1,362)	-	1,022
Deferred income tax (expense) benefit		<u>\$(9,075)</u>	<u>\$(919)</u>	
Net deferred income tax assets (liabilities)	<u>\$(34,300)</u>			<u>\$(44,294)</u>
Information presented under the balance sheet:				
Deferred income tax assets	<u>\$17,497</u>			<u>\$15,804</u>
Deferred income tax liabilities	<u>\$(51,797)</u>			<u>\$(60,098)</u>

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

For the year ended December 31, 2021

	Beginning of period	Recognized under profit or loss	Recognized under other comprehensive income	End of period
Temporary difference				
Valuation of financial assets at fair value through profit or loss	\$(518)	\$518	\$-	\$-
Investments accounted for using equity method	(46,932)	(4,865)	-	(51,797)
Employee benefits payable	4,673	(394)	-	4,279
Net defined benefit liabilities - non-current	6,983	53	(189)	6,847
Unrealized (gains) losses on currency exchange	(39)	166	-	127
Excess allowance for doubtful accounts	3,622	238	-	3,860
Provisions	7,573	(5,189)	-	2,384
Deferred income tax (expense) benefit		<u>\$(9,473)</u>	<u>\$(189)</u>	
Net deferred income tax assets (liabilities)	<u>\$(24,638)</u>			<u>\$(34,300)</u>
Information presented under the balance sheet:				
Deferred income tax assets	<u>\$22,851</u>			<u>\$17,497</u>
Deferred income tax liabilities	<u>\$(47,489)</u>			<u>\$(51,797)</u>

Unused tax loss carryforward by Group entities:

	Unused balance		
Year occurred	December 31, 2022	December 31, 2021	Final year available
2015	<u>\$120</u>	<u>\$120</u>	2025

Items not recognized as deferred income tax asset

As at December 31, 2022 and 2021, the Group had NT\$3,508 thousand and NT\$2,878 thousand, respectively, that were not recognized as deferred income tax assets.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Assessment of income tax return

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

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

22. Earnings per share (EPS)

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

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
(1) Basic earnings per share		
Net income attributable to parent company's ordinary shareholders (NTD thousands)	\$735,171	\$638,162
Weighted average outstanding ordinary shares for basic earnings per share (shares)	106,360,291	106,360,291
Basic earnings per share (NTD)	\$6.91	\$6.00
(2) Diluted earnings per share		
Net income attributable to parent company's ordinary shareholders (NTD thousands)	\$735,171	\$638,162
Weighted average outstanding ordinary shares for basic earnings per share (shares)	106,360,291	106,360,291
Dilutive effect:		
Employee remuneration (shares)	851,211	600,043
Weighted average outstanding ordinary shares after adjustment for dilutive effect (shares)	107,211,502	106,960,334

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

	For the year ended December 31, 2022	For the year ended December 31, 2021
Diluted earnings per share (NTD)	\$6.86	\$5.97

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

(VII). Related party transactions

Compensation for key management of the Group

	For the year ended December 31, 2022	For the year ended December 31, 2021
Short-term employee benefits	\$92,144	\$77,003
Post-employment benefits - pension	8,233	2,673
Total	\$100,377	\$79,676

(VIII). Pledged assets

The Group had placed the following assets as collaterals:

Item	Book value		Details of debts secured
	December 31, 2022	December 31, 2021	
Other financial assets - current	\$15,372	\$9,013	Performance guarantee
Other financial assets - non-current	4,796	6,842	Performance guarantee
Total	\$20,168	\$15,855	

(IX). Significant contingent liabilities and unrecognized contract commitments

Unrecognized contract commitments

1. The Company had engaged financial institutions to provide NT\$99,387 thousand of performance and customs guarantee for various projects.
2. The Company had issued NT\$15,398 thousand of guaranteed notes to customers and

(All amounts in NTD thousands unless otherwise specified)

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 December 31, 2022, the Company has assessed that the aforementioned events will not have a significant impact on the Company's current operations.

(X). Losses from Major Disasters

None.

(XI). Significant Subsequent Events

None.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

(XII). Others

1. Types of financial instrument

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	<u>\$121,666</u>	<u>\$144,213</u>
Financial assets at amortized costs		
Cash and cash equivalents (excluding cash on hand)	1,534,428	1,450,714
Receivables	607,285	688,225
Long-term receivables	37,711	70,001
Other financial assets	20,168	15,855
Refundable deposits	<u>255,462</u>	<u>230,586</u>
Subtotal	<u>2,455,054</u>	<u>2,455,381</u>
Total	<u>\$2,576,720</u>	<u>\$2,599,594</u>
 <u>Financial liabilities</u>		
Financial liabilities at amortized costs:		
Short-term loans	\$150,000	\$70,000
Payables	1,360,498	1,191,505
Lease liabilities	26,370	24,444
Guarantee deposits	<u>5,983</u>	<u>3,138</u>
Total	<u>\$1,542,851</u>	<u>\$1,289,087</u>

(All amounts in NTD thousands unless otherwise specified)

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

(All amounts in NTD thousands unless otherwise specified)

currencies. Sensitivity analysis for the two currencies is provided below:

If NTD strengthened/weakened against USD by 1%, profits for the years ended December 31, 2022 and 2021 would have increased/decreased by NT\$25 thousand and decreased/increased by NT\$19 thousand, respectively, whereas equity would have decreased/increased NT\$137 thousand and NT\$136 thousand, respectively.

If NTD strengthened/weakened against RMB by 1%, profits for the years ended December 31, 2022 and 2021 would have decreased/increased by NT\$439 thousand and NT\$397 thousand, respectively, and 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 investments in equity instruments at fair value through other comprehensive income would have affected the Group's equity by NT\$8,616 thousand and NT\$12,810 thousand for the years ended December 31, 2022 and 2021, respectively.

4. Credit risk management

Credit risk refers to the possibility of financial losses suffered due to counterparties

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

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 20% and 33% of total contract assets and accounts receivable balance as at December 31, 2022 and 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:

Credit risk grade	Indicator	Method of measuring expected credit loss	Total book value	
			December 31, 2022	December 31, 2021
Simplified Approach (Note)	(Note)	Lifetime Expected Credit Losses	\$897,890	\$984,720

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.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(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

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
December 31, 2022					
Short-term loans	\$150,708	\$-	\$-	\$-	\$150,708
Payables	1,360,498	-	-	-	1,360,498
Lease liabilities	10,942	13,440	2,844	-	27,226
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

6. Reconciliation of liabilities relating to financing activities

Reconciliation of liabilities for the year ended December 31, 2022:

	<u>Short-term loans</u>	<u>Guarantee deposits</u>	<u>Lease liabilities</u>	<u>Total</u>
January 1, 2022	\$70,000	\$3,138	\$24,444	\$97,582
Non - cash movement	-	-	17,253	17,253
Cash flow	80,000	2,845	(15,359)	67,486
Exchange rate variation	-	-	32	32
December 31, 2022	<u>\$150,000</u>	<u>\$5,983</u>	<u>\$26,370</u>	<u>\$182,353</u>

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

Reconciliation of liabilities for the year ended December 31, 2021:

	<u>Short-term loans</u>	<u>Guarantee deposits</u>	<u>Lease liabilities</u>	<u>Total</u>
January 1, 2021	\$-	\$2,821	\$35,884	\$38,705
Non - cash movement	-	-	5,584	5,584
Cash flow	70,000	317	(17,024)	53,293
December 31, 2021	<u>\$70,000</u>	<u>\$3,138</u>	<u>\$24,444</u>	<u>\$97,582</u>

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.

(All amounts in NTD thousands unless otherwise specified)

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

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

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

(3) Fair value hierarchy for financial instruments

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

8. Fair value hierarchy

(1) Definition of fair value hierarchy

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

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

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

Level 3 input: Inputs that 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

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

explained below:

December 31, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through other comprehensive income				
Stock	\$86,164	\$-	\$35,502	\$121,666

December 31, 2021:

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

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 years ended December 31, 2022 and 2021 that involved assets or liabilities with fair value measured on a recurring basis.

Transfer of level 3 input for fair value measured on a recurring basis

There had been no transfer of level 3 input that involved assets or liabilities with fair value measured on a recurring basis in current period.

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 fair value measured on a recurring basis:

December 31, 2022:

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Quantitative information</u>	<u>Relationship between input and fair value</u>	<u>Sensitivity analysis on relationship between input and fair value</u>
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:

	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Quantitative information</u>	<u>Relationship between input and fair value</u>	<u>Sensitivity analysis on relationship between input and fair value</u>
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.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)

(All amounts in NTD thousands unless otherwise specified)

9. Significant foreign currency-denominated financial assets and liabilities

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

Unit: thousand

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	\$13,895	30.67	\$426,173	\$3,924	27.61	\$108,331
CNY (RMB)	93,001	4.381	407,435	83,527	4.314	360,337
JPY	647	0.2299	149	26,603	0.2383	6,339
SGD	51	22.75	1,164	90	20.34	1,821
Financial liabilities						
Monetary items:						
USD	234	30.67	7,176	158	27.61	4,368
CNY (RMB)	4,946	4.381	21,669	3,269	4.314	14,104

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 incurred NT\$29,381 thousand and NT\$3,124 thousand of gains on currency exchange for the years ended December 31, 2022 and 2021, 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.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

(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	\$237,925	\$19,500	\$19,500	\$19,500	-	0.62%	\$475,850	-	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.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

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.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(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	\$26,341	0.10%	\$26,341
	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. serves as a director for the entity	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. serves as a director for the entity	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	13,621	0.05%	13,621
	TWSE-listed stock	Zero One Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,054,422	42,335	0.69%	42,335
	TPEX-listed stock	Genesis Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	32,197	1,658	0.04%	1,658
	TPEX-listed stock	Dimerco Data System Corporation	-	Financial assets at fair value through other comprehensive income - non-current	32,340	2,209	0.04%	2,209
	Stock	Hua Chih Venture Capital Corp.	SRAIN Investment Co., Ltd. serves as a director for the entity	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%	-

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(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.	Stock	LOLA Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	788,901	7,389	15.78%	7,389

(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.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(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 year ended December 31, 2022:

Serial No. (Note 1)	Name of transacting party	Counterparty	Relationship with the transacting party (Note 2)	Transaction summary			
				Account	Amount	Transaction terms	As a percentage of consolidated net revenues or total assets (Note 3)
0	Stark Technology Inc.	Stark Technology Inc. (USA)	1	Purchase	\$3,219	Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery.	0.05%
				Accounts payable	573		0.01%
0	Stark Technology Inc.	Stark Inforcom Inc.	1	Sales revenue	22,895	Selling price is determined at 90%-99% of general selling price or through negotiation. Collection term is 30-120 days after acceptance inspection.	0.34%
				Accounts receivable	452		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	1,220	-	0.02%
				Other expense	98	-	-%
0	Stark Technology Inc.	STARK (NINGBO) Technology Inc.	1	Sales revenue	5,034	Selling price is determined by applying a 3%-20% markup on cost or through negotiation. Collection term is 30-120 days after acceptance inspection.	0.07%
0	Stark Technology Inc.	SRAIN Investment Co., Ltd.	1	Rental income	114	-	-%
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.	-%

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

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.

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

2. Information on business investments:

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

Unit: NTD thousands/USD

Name of the investor	Name of investee	Location of the investee	Main business activities	Initial investment (Note 9)		Shares held as at end of the period			Current profit (loss) of the investee (Note 1)	Investment gains (losses) recognized in the current period (Note 1)	Remarks
				End of the current period	End of the previous year	Number of shares	Percentage	Book value			
Stark Technology Inc.	Stark Technology Inc. (USA)	Note 2	Trading of computer-related products	\$1,534 (USD50,000)	\$1,534 (USD50,000)	500,000	100.00%	\$11,574	\$(1,292)	\$(1,330)	-
Stark Technology Inc.	SRAIN Investment Co., Ltd.	Note 3	General investment	410,967	410,967	-	100.00%	569,365	74,809	74,809	-
Stark Technology Inc.	Pacific Ace Holding International Ltd.	Note 4	General investment	92,010 (USD3,000,000)	92,010 (USD3,000,000)	3,000,000	100.00%	368,730	42,933	42,933	-
Stark Technology Inc.	Stark Information (Hong Kong) Limited	Note 5	Trading of computer equipment and software	2,147 (USD70,000)	2,147 (USD70,000)	70,000	100.00%	2,011	(97)	(97)	-
SRAIN Investment Co., Ltd.	S-Rain Investment Ltd.	Note 6	General investment	24,536 (USD800,000)	24,536 (USD800,000)	800,000	100.00%	12,246	(3,455)	-	-
SRAIN Investment Co., Ltd.	Stark Inforcom Inc.	Note 7	Trading of computer-related products	370,000	370,000	37,000,000	100.00%	457,850	71,124	-	-
Pacific Ace Holding International Ltd.	Profit Reap International Limited	Note 4	General investment	92,010 (USD3,000,000) (Note 8)	92,010 (USD3,000,000) (Note 8)	3,000,000	100.00%	369,053	42,933	-	-

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(All amounts in NTD thousands unless otherwise specified)

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, CA95131, 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 - USD906,243.

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

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries (Continued)
(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)	\$92,010 (USD3,000,000)	-	-	\$92,010 (USD3,000,000) (Note 1)	\$42,933 (Note 4.(II).2)	100.00%	\$42,933 (Note 4.(II).2)	\$369,324	-
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)	35,577 (USD1,160,000)	-	-	35,577 (USD1,160,000)	(3,455) (Note 4.(II).2)	100.00%	(3,455) (Note 4.(II).2)	12,235	-
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)	92,010 (USD3,000,000)	-	-	92,010 (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
\$219,597 (USD7,160,000) (Note 3)	\$219,597 (USD7,160,000) (Note 3)	\$1,875,196(Note 5)

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries
(Continued)

(All amounts in NTD thousands unless otherwise specified)

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

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

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

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

- (I). It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit or loss during this period.
- (II). Indicate the basis for investment income (loss) recognition in the number of one of the following three categories.
 - 1. The financial statements were audited and attested by an international accounting firm which has a cooperative relationship with an accounting firm in R.O.C.
 - 2. The financial statements were audited and attested by R.O.C. parent company's CPA
 - 3. Others

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

(2) Significant transactions with Mainland China investees:

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

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

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

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

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

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

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries
(Continued)

(All amounts in NTD thousands unless otherwise specified)

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).

1. Regional information

(1) Income from external customers:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Taiwan	\$6,510,132	\$6,325,312
Mainland China	175,276	215,967
Others	43,587	38,275
Total	<u>\$6,728,995</u>	<u>\$6,579,554</u>

Income is classified based on customers' country of domicile.

(2) Non-current assets:

	December 31, 2022	December 31, 2021
Taiwan	\$470,078	\$477,723
Mainland China	680	1,591
Total	<u>\$470,758</u>	<u>\$479,314</u>

2. Major customers:

Customer accounted for at least 10% of the Group's operating revenue for the years ended December 31, 2022 and 2021 are explained below:

Notes to Consolidated Financial Statements of Stark Technology Inc. and Subsidiaries
(Continued)

(All amounts in NTD thousands unless otherwise specified)

	For the year ended December 31, 2022	For the year ended December 31, 2021
Customer A	\$704,680	\$719,354