2480

# Stark Technology Inc. and Subsidiaries

# Consolidated Financial Statements and Independent Auditor's Review Report

# For the Three Months Ended March 31, 2023 and 2022

Company address: 12F-1, No. 83, Section 2, Dongda Road, Hsinchu City
TEL: (03)542-5566

Consolidated Financial Statements

Table of Contents

Independent Auditor's Review Report

To stakeholders of Stark Technology Inc.:

**Foreword**

We have reviewed the consolidated balance sheet of Stark Technology Inc. and subsidiaries as of March 31, 2023 and 2022, the consolidated statement of comprehensive income for the three months ended March 31, 2023 and 2022, consolidated statement of changes in equity for the three months ended March 31, 2023 and 2022, consolidated statement of cash flow for the three months ended March 31, 2023 and 2022, and the accompanying footnotes (including a summary of key accounting policies). It is the responsibility of the management to prepare and ensure fair presentation of consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the version of IAS 34 - "Interim Financial Reporting" approved and published by the Financial Supervisory Commission. Our responsibility as auditor is to form a conclusion based on our review.

**Scope**

Except for the issues discussed in the "Basis of reservation" paragraph, we, the auditors, have performed the review in accordance with the International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The procedures executed in our review of consolidated financial statements include inquiry (mainly with employees responsible for financial and accounting affairs), analysis and other review-related processes. The scope of financial statement review is significantly smaller than a financial statement audit, therefore we may not be able to detect all material issues through the steps we have taken, and are therefore unable to provide an opinion.

**Basis of reservation**

As mentioned in Note (IV).3 of the consolidated financial statements, some of the non-material subsidiaries were consolidated using financial statements for the corresponding periods that were not reviewed by CPAs. As at March 31, 2023 and 2022, these subsidiaries aggregately reported total assets of NT$1,462,440 thousand and NT$409,842 thousand that represented 22.26% and 7.10% of consolidated total assets, and total liabilities of NT$472,394 thousand and NT$41,932 thousand that represented 12.18% and 1.33% of consolidated total liabilities, respectively. These subsidiaries also reported total comprehensive income of NT$20,760 thousand and NT$17,179 thousand that represented 8.91% and 9.33% of consolidated total comprehensive income for the three months ended March 31, 2023 and 2022, respectively. Furthermore, information relating to the abovementioned subsidiaries, as disclosed in Note (XIII) of the consolidated financial statements, were not CPA-reviewed.

<Continued next page>

<Continued from previous page>

**Reservations**

Based on the reports we have reviewed, we found that none of the material disclosures of the consolidated financial statements mentioned above exhibited any misstatement that did not conform with Regulations Governing the Preparation of Financial Reports by Securities Issuers or the version of IAS 34 - "Interim Financial Reporting" approved by the Financial Supervisory Commission, or compromised the fair view of the consolidated financial position of Stark Technology Inc. and subsidiaries as at March 31, 2023 and 2022, or the consolidated financial performance for the three months ended March 31, 2023 and 2022 or consolidated cash flow for the three months ended March 31, 2023 and 2022, except for the issues discussed in the "Basis of reservation" paragraph, where financial statements and information of non-material subsidiaries had yet to be reviewed by CPAs, and may cause adjustments to the consolidated financial statements.

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

Hsu, Hsin-Min

CPA:

Cheng, Ching-Piao

April 28, 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 March 31, 2023, December 31, 2022, and March 31, 2022
(Information as at March 31, 2023 and 2022, were reviewed only, and not audited in accordance with audit principles)

Unit: NTD thousands

| Asset | | | March 31, 2023 | | December 31, 2022 | | March 31, 2022 | |
|---|---|---|---|---|---|---|---|---|
| Code | Item | Notes | Amount | % | Amount | % | Amount | % |
| | Current assets | | | | | | | |
| 1100 | Cash and cash equivalents | (VI).1 and (XII) | $1,496,255 | 23 | $1,534,624 | 24 | $1,730,816 | 30 |
| 1140 | Contract assets - current | (VI).14 and (VI).15 | 380,635 | 6 | 248,953 | 4 | 210,344 | 4 |
| 1150 | Notes receivable, net | (VI).3, (VI).15 and (XII) | 2,634 | - | 10,342 | - | 2,353 | - |
| 1172 | Accounts receivable | (VI).4, (VI).15 and (XII) | 419,138 | 6 | 513,172 | 8 | 359,437 | 6 |
| 1173 | Installment accounts receivable | (VI).4, (VI).15 and (XII) | 81,069 | 1 | 79,052 | 1 | 56,811 | 1 |
| 1200 | Other receivables | (XII) | 2,758 | - | 4,719 | - | 5,621 | - |
| 130x | Inventories | (VI).5 | 2,541,604 | 39 | 2,530,729 | 39 | 1,799,001 | 31 |
| 1410 | Prepayments | (VI).6 | 734,588 | 11 | 663,641 | 10 | 652,014 | 12 |
| 1476 | Other financial assets - current | (VIII) and (XII) | 15,292 | - | 15,372 | - | 10,015 | - |
| 1478 | Refundable deposits | (XII) | 124,853 | 2 | 137,870 | 2 | 119,179 | 2 |
| 1479 | Other current assets | | 1,367 | - | 1,497 | - | 1,234 | - |
| 11xx | Total current assets | | 5,800,193 | 88 | 5,739,971 | 88 | 4,946,825 | 86 |
| | Non-current assets | | | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | (VI).2 and (XII) | 146,710 | 2 | 121,666 | 2 | 158,744 | 3 |
| 1600 | Property, plant and equipment | (VI).7 | 438,319 | 7 | 440,151 | 7 | 442,925 | 8 |
| 1755 | Right-of-use assets | (VI).16 | 28,528 | 1 | 26,018 | - | 22,698 | - |
| 1780 | Intangible asset | (VI).8 | 2,205 | - | 2,911 | - | 5,457 | - |
| 1840 | Deferred income tax assets | (IV) | 9,831 | - | 15,804 | - | 16,259 | - |
| 1920 | Refundable deposits | (XII) | 113,352 | 2 | 117,592 | 2 | 109,779 | 2 |
| 1933 | Long-term installment accounts receivable | (VI).4, (VI).15 and (XII) | 25,688 | - | 37,711 | 1 | 59,759 | 1 |
| 1980 | Other financial assets - non-current | (VIII) and (XII) | 4,796 | - | 4,796 | - | 6,674 | - |
| 1990 | Other non-current assets | (VI).9 | 1,380 | - | 1,678 | - | 1,388 | - |
| 15xx | Total non-current assets | | 770,809 | 12 | 768,327 | 12 | 823,683 | 14 |
| 1xxx | Total assets | | $6,571,002 | 100 | $6,508,298 | 100 | $5,770,508 | 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 March 31, 2023, December 31, 2022, and March 31, 2022
(Information as at March 31, 2023 and 2022, were reviewed only, and not audited in accordance with audit principles)

Unit: NTD thousands

| Liabilities and equity | | | March 31, 2023 | | December 31, 2022 | | March 31, 2022 | |
|---|---|---|---|---|---|---|---|---|
| Code | Item | Notes | Amount | % | Amount | % | Amount | % |
| | Current liabilities | | | | | | | |
| 2100 | Short-term loans | (VI).10 and (XII) | $- | - | $150,000 | 2 | $- | - |
| 2130 | Contract liabilities - current | (VI).14 | 1,587,500 | 24 | 1,492,594 | 23 | 1,203,918 | 21 |
| 2150 | Notes payable | (XII) | 4,776 | - | 18,860 | - | 6,847 | - |
| 2170 | Accounts payable | (XII) | 995,749 | 15 | 1,038,247 | 16 | 769,373 | 13 |
| 2200 | Other payables | (XII) | 880,360 | 14 | 303,391 | 5 | 822,434 | 14 |
| 2230 | Current income tax liabilities | (IV) | 215,050 | 3 | 178,070 | 3 | 153,274 | 3 |
| 2250 | Provisions | (VI).11 | 7,819 | - | 7,427 | - | 14,803 | - |
| 2280 | Lease liabilities - current | (VI).16 and (XII) | 15,365 | - | 10,456 | - | 11,998 | - |
| 2399 | Other current liabilities | | 66,170 | 1 | 75,483 | 1 | 78,993 | 2 |
| 21xx | Total current liabilities | | 3,772,789 | 57 | 3,274,528 | 50 | 3,061,640 | 53 |
| | Non-current liabilities | | | | | | | |
| 2570 | Deferred income tax liabilities | (IV) | 60,593 | 1 | 60,098 | 1 | 53,625 | 1 |
| 2580 | Lease liabilities - non-current | (VI).16 and (XII) | 13,488 | - | 15,914 | - | 11,310 | - |
| 2640 | Net defined benefit liabilities - non-current | (IV) | 25,807 | 1 | 26,448 | 1 | 34,116 | 1 |
| 2645 | Guarantee deposits | (XII) | 5,934 | - | 5,983 | - | 3,484 | - |
| 25xx | Total non-current liabilities | | 105,822 | 2 | 108,443 | 2 | 102,535 | 2 |
| 2xxx | Total liabilities | | 3,878,611 | 59 | 3,382,971 | 52 | 3,164,175 | 55 |
| 31xx | Equity attributable to owners of the parent company | (VI).13 | | | | | | |
| 3100 | Share capital | | | | | | | |
| 3110 | Ordinary share | | 1,063,603 | 16 | 1,063,603 | 16 | 1,063,603 | 18 |
| 3200 | Capital surplus | | 166,514 | 3 | 166,514 | 3 | 166,514 | 3 |
| 3300 | Retained earnings | | | | | | | |
| 3310 | Legal reserve | | 943,184 | 14 | 943,184 | 14 | 879,312 | 15 |
| 3320 | Special reserve | | 144 | - | 144 | - | 144 | - |
| 3350 | Unappropriated retained earnings | | 497,283 | 8 | 950,400 | 15 | 457,819 | 8 |
| | Total retained earnings | | 1,440,611 | 22 | 1,893,728 | 29 | 1,337,275 | 23 |
| 3400 | Other equity interests | | 21,663 | - | 1,482 | - | 38,941 | 1 |
| 3xxx | Total equity | | 2,692,391 | 41 | 3,125,327 | 48 | 2,606,333 | 45 |
| | Total liabilities and equity | | $6,571,002 | 100 | $6,508,298 | 100 | $5,770,508 | 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 three months ended March 31, 2023 and 2022
(Reviewed only; not audited in accordance with audit principles)

Unit: NTD thousands

| Code | Item | Notes | For the three months ended March 31, 2023 Amount | % | For the three months ended March 31, 2022 Amount | % |
|---|---|---|---|---|---|---|
| 4000 | Net operating revenue | (VI).14 | $ 1,716,192 | 100 | $ 1,574,243 | 100 |
| 5000 | Operating cost | (VI).5 and (VI).17 | (1,272,073) | (74) | (1,170,326) | (74) |
| 5900 | Operating margin | | 444,119 | 26 | 403,917 | 26 |
| 6000 | Operating expenses | (VI).16 and (VI).17 | | | | |
| 6200 | Administrative expenses | | (184,553) | (11) | (178,824) | (12) |
| 6300 | Research and development expenses | | (21,248) | (1) | (20,763) | (1) |
| 6450 | Expected credit impairment (loss) reversal gain | (VI).15 | (271) | - | 1,444 | - |
| | Total operating expenses | | (206,072) | (12) | (198,143) | (13) |
| 6900 | Operating income | | 238,047 | 14 | 205,774 | 13 |
| 7000 | Non-operating income and expenses | (VI).18 | | | | |
| 7100 | Interest income | | 1,449 | - | 1,850 | - |
| 7010 | Other income | | 24,570 | 1 | 6,008 | - |
| 7020 | Other gains and losses | | (6,422) | - | 6,770 | 1 |
| 7050 | Finance costs | | (450) | - | (171) | - |
| | Total non-operating income and expenses | | 19,147 | 1 | 14,457 | 1 |
| 7900 | Income before income tax | | 257,194 | 15 | 220,231 | 14 |
| 7950 | Income tax expenses | (IV) and (VI).20 | (45,679) | (3) | (37,836) | (2) |
| 8200 | Net income | | 211,515 | 12 | 182,395 | 12 |
| 8300 | Other comprehensive income | | | | | |
| 8310 | Items not reclassified into profit or loss | (VI).19 | | | | |
| 8316 | Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income | | 19,764 | 1 | (11,469) | (1) |
| 8360 | Items likely to be reclassified into profit or loss | (VI).19 | | | | |
| 8361 | Exchange differences on translation of foreign operations | | 1,600 | - | 13,279 | 1 |
| | Other comprehensive income for the current period (net of income tax) | | 21,364 | 1 | 1,810 | - |
| 8500 | Total comprehensive income for the period | | $ 232,879 | 13 | $ 184,205 | 12 |
| 8600 | Net income attributable to: | (VI).21 | | | | |
| 8610 | Owners of the parent company | | $ 211,515 | | $ 182,395 | |
| 8620 | Non-controlling interest | | - | | - | |
| | | | $ 211,515 | | $ 182,395 | |
| 8700 | Comprehensive income attributable to: | | | | | |
| 8710 | Owners of the parent company | | $ 232,879 | | $ 184,205 | |
| 8720 | Non-controlling interest | | - | | - | |
| | | | $ 232,879 | | $ 184,205 | |
| | Earnings per share (NTD) | | | | | |
| 9750 | Basic earnings per share | | | | | |
| 9710 | Net income | (VI).21 | $ 1.99 | | $ 1.71 | |
| 9850 | Diluted earnings per share | | | | | |
| 9810 | Net income | (VI).21 | $ 1.98 | | $ 1.71 | |

(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 three months ended March 31, 2023 and 2022
(Reviewed only; not audited in accordance with audit principles)

Unit: NTD thousands

| Code | Item | Equity attributable to owners of the parent company: Share capital | Capital surplus | Retained earnings: Legal reserve | Retained earnings: Special reserve | Retained earnings: Unappropriated retained earnings | Other equity items: Exchange differences on translation of foreign operations | Other equity items: Unrealized gains (losses) on financial assets at fair value through other comprehensive income | Total | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Code | | 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3420 | 31XX | 3XXX |
| A1 | Balance as at January 1, 2022 | $ 1,063,603 | $ 166,514 | $ 879,312 | $ 144 | $ 873,169 | $ (24,222) | $ 61,353 | $ 3,019,873 | $ 3,019,873 |
| | Appropriation and distribution of 2021 earnings | | | | | | | | | |
| B5 | Cash dividends on ordinary shares | - | - | - | - | (597,745) | - | - | (597,745) | (597,745) |
| D1 | Net income for the three months ended March 31, 2022 | - | - | - | - | 182,395 | - | - | 182,395 | 182,395 |
| D3 | Other comprehensive income for the three months ended March 31, 2022 | - | - | - | - | - | 13,279 | (11,469) | 1,810 | 1,810 |
| D5 | Total comprehensive income for the period | - | - | - | - | 182,395 | 13,279 | (11,469) | 184,205 | 184,205 |
| Z1 | Balance as at March 31, 2022 | $ 1,063,603 | $ 166,514 | $ 879,312 | $ 144 | $ 457,819 | $ (10,943) | $ 49,884 | $ 2,606,333 | $ 2,606,333 |
| A1 | Balance as at January 1, 2023 | $ 1,063,603 | $ 166,514 | $ 943,184 | $ 144 | $ 950,400 | $ (17,935) | $ 19,417 | $ 3,125,327 | $ 3,125,327 |
| | Appropriation and distribution of 2022 earnings | | | | | | | | | |
| B5 | Cash dividends on ordinary shares | - | - | - | - | (665,815) | - | - | (665,815) | (665,815) |
| D1 | Net income for the three months ended March 31, 2023 | - | - | - | - | 211,515 | - | - | 211,515 | 211,515 |
| D3 | Other comprehensive income for the three months ended March 31, 2023 | - | - | - | - | - | 1,600 | 19,764 | 21,364 | 21,364 |
| D5 | Total comprehensive income for the period | - | - | - | - | 211,515 | 1,600 | 19,764 | 232,879 | 232,879 |
| Q1 | Disposal of equity instruments at fair value through other comprehensive income | - | - | - | - | 1,183 | - | (1,183) | - | - |
| Z1 | Balance as at March 31, 2023 | $ 1,063,603 | $ 166,514 | $ 943,184 | $ 144 | $ 497,283 | $ (16,335) | $ 37,998 | $ 2,692,391 | $ 2,692,391 |

(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 three months ended March 31, 2023 and 2022
(Reviewed only; not audited in accordance with audit principles)

Unit: NTD thousands

| Code | Item | For the three months ended March 31, 2023 Amount | For the three months ended March 31, 2022 Amount |
|---|---|---|---|
| AAAA | Cash flow from operating activities: | | |
| A10000 | Income before income tax | $ 257,194 | $ 220,231 |
| A20000 | Adjustments: | | |
| A20010 | Income, expenses and losses: | | |
| A20100 | Depreciation expenses | 8,321 | 7,815 |
| A20200 | Amortization expenses | 721 | 2,833 |
| A20300 | Expected credit impairment losses (reversal gains) | 271 | (1,444) |
| A20900 | Interest expense | 450 | 171 |
| A21200 | Interest income | (1,449) | (1,850) |
| A31000 | Changes in assets/liabilities that are related to operating activities: | | |
| A31125 | Contract assets | (132,596) | (6,025) |
| A31130 | Notes receivable | 7,708 | 3,406 |
| A31150 | Accounts receivable | 105,578 | 274,035 |
| A31180 | Other receivables | 1,944 | (243) |
| A31200 | Inventories | (11,186) | 192,003 |
| A31230 | Prepayments | (78,947) | (158,740) |
| A31240 | Other current assets | 130 | 160 |
| A32125 | Contract liabilities - current | 94,906 | 30,124 |
| A32130 | Notes payable | (14,084) | 5,884 |
| A32150 | Accounts payable | (42,498) | (159,439) |
| A32180 | Other payables | (88,801) | (37,021) |
| A32200 | Provisions | 392 | 83 |
| A32230 | Other current liabilities | (9,313) | 2,469 |
| A32240 | Net defined benefit liabilities | (641) | (121) |
| A33000 | Cash inflow from operations | 98,100 | 374,331 |
| A33100 | Interests received | 569 | 401 |
| A33300 | Interests paid | (346) | (63) |
| A33500 | Income tax paid | (2,231) | (8,333) |
| AAAA | Net cash inflow from operating activities | 96,092 | 366,336 |

| Code | Item | For the three months ended March 31, 2023 Amount | For the three months ended March 31, 2022 Amount |
|---|---|---|---|
| BBBB | Cash flow from investing activities: | | |
| B00010 | Acquisition of financial assets at fair value through other comprehensive income | - | (26,000) |
| B00020 | Disposal of financial assets at fair value through other comprehensive income | 2,720 | - |
| B02700 | Acquisition of property, plant and equipment | (1,877) | (716) |
| B03800 | Decrease in refundable deposits | 17,257 | 1,628 |
| B04500 | Acquisition of intangible assets | (15) | (292) |
| B06600 | Decrease (increase) in other financial assets | 80 | (834) |
| B06800 | Decrease (increase) in other non-current assets | 298 | (109) |
| BBBB | Net cash inflow (outflow) from investing activities | 18,463 | (26,323) |
| CCCC | Cash flow from financing activities: | | |
| C00200 | Decrease in short-term loans | (150,000) | (70,000) |
| C03100 | Increase (decrease) in guarantee deposits | (49) | 346 |
| C04020 | Repayment of lease principal | (4,476) | (3,584) |
| CCCC | Net cash outflow from financing activities | (154,525) | (73,238) |
| DDDD | Effect of exchange rate changes on cash and cash equivalents | 1,601 | 13,131 |
| EEEE | Net increase (decrease) in cash and cash equivalents for the current period | (38,369) | 279,906 |
| E00100 | Cash and cash equivalents, beginning of period | 1,534,624 | 1,450,910 |
| E00200 | Cash and cash equivalents, end of period | $ 1,496,255 | $ 1,730,816 |

(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 three months ended March 31, 2023 and 2022
(Reviewed only; not audited in accordance with audit principles)
(All amounts in NTD thousands unless otherwise specified)

## (I). Organization and Operations

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

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

## (II). Financial Statement Approval Date and Procedures

Consolidated financial statements of the Company and subsidiaries (collectively referred to as the "Group") for the three months ended March 31, 2023 and 2022, were approved by the board of directors on April 28, 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, 2023. First-time adoption of the new standards and amendments has had no material impact on the Group.

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

(All amounts in NTD thousands unless otherwise specified)

| Item No. | New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|---|
| 1 | Amendments to IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | To be determined by International Accounting Standards Board |
| 2 | IFRS 17, "Insurance Contracts" | January 1, 2023 |
| 3 | 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 period.

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

## (IV). Summary of Significant Accounting Policies

### 1. Compliance statement

The consolidated financial statements for the three months ended March 31, 2023 and 2022, have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and FSC-approved IAS 34 - "Interim Financial Reporting."

### 2. Basis of Preparation

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

### 3. Consolidation overview

Basis of preparation for consolidated financial statements

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

(1) Power over the investee (e.g., existing rights that give the current ability to direct the relevant activities of the investee)
(2) Exposure or entitlement to variable returns due to involvement in the investee's operation, and
(3) Ability to influence returns by exercising authority over the investee

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

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

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

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

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

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

When the Company loses control in a subsidiary

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

(All amounts in NTD thousands unless otherwise specified)

The entities of consolidated financial statements are as follows:

| | | | Ownership percentage | | |
|---|---|---|---|---|---|
| Name of the investor | Name of subsidiary | Main business activities | March 31, 2023 | December 31, 2022 | March 31, 2022 |
| The Company | Stark Technology Inc. (USA) | Trading of computer-related products | 100% | 100% | 100% |
| The Company | Pacific Ace Holding International Ltd. | General investment | 100% | 100% | 100% |
| The Company | SRAIN Investment Co., Ltd. | General investment | 100% | 100% | 100% |
| The Company | Stark Information (Hong Kong) Limited | Trading of computer equipment and software | 100% | 100% | 100% |
| SRAIN Investment Co., Ltd. | S-Rain Investment Ltd. | General investment | 100% | 100% | 100% |
| SRAIN Investment Co., Ltd. | Stark Inforcom Inc. | Trading of computer-related products | 100% | 100% | 100% |
| S-Rain Investment Ltd. | Shanghai Stark Technology Inc. | General electronics trading | 100% | 100% | 100% |
| Pacific Ace Holding International Ltd. | Profit Reap International Limited | General investment | 100% | 100% | 100% |
| Profit Reap International Limited | STARK (Ningbo) Technology Inc. | General electronics trading | 100% | 100% | 100% |

Subsidiaries listed above which are not considered significant were consolidated into consolidated financial statements while their financial statements were not reviewed by CPAs. As at March 31, 2023 and 2022, such subsidiaries aggregated reported total assets of NT$1,462,440 thousand and NT$409,842 thousand and total liabilities of NT$472,394 thousand and NT$41,932 thousand, respectively; whereas comprehensive income (loss) for the three months ended March 31, 2023 and 2022 totaled NT$20,760 thousand and NT$17,179 thousand, respectively.

4. Except for the accounting policies stated in Note (IV).5~6, consolidated financial statements for the three months ended March 31, 2023 are prepared using the same accounting policies as those of 2022. Please refer to the Group's 2022 consolidated financial statements for summary of other significant accounting policies.

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

(All amounts in NTD thousands unless otherwise specified)

place in the current period.

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

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

Consolidated financial statements for the three months ended March 31, 2023 and 2022 were prepared using the same significant accounting judgments, estimates, and assumptions as those of 2022. Please refer to the Group's 2022 consolidated financial statements for details.

## (VI). Notes to Major Accounts

### 1. Cash and cash equivalents

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Cash | $196 | $196 | $196 |
| Demand and check deposit | 1,227,283 | 1,300,263 | 1,492,294 |
| Time deposit | 268,776 | 234,165 | 238,326 |
| Total | $1,496,255 | $1,534,624 | $1,730,816 |

### 2. Financial assets at fair value through other comprehensive income

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Investments in equity instruments at fair value through other comprehensive income - non-current: | | | |
| TWSE/TPEX listed shares | $103,208 | $86,164 | $116,631 |
| Unlisted shares | 43,502 | 35,502 | 42,113 |
| Total | $146,710 | $121,666 | $158,744 |

(All amounts in NTD thousands unless otherwise specified)

(1) 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.

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

(3) The Group acquired 1 thousand shares dividend of Dimerco Data System Corporation, a TPEX listed company, in the fourth quarter of 2022.

(4) 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.

(5) The Group acquired 800 thousand shares of Azalea Technology Inc., an unlisted company, in the first quarter of 2023, at a cost of NT$8,000 thousand.

(6) The Group recognized NT$10,560 thousand of dividend income in 2022 from investments in equity instruments at fair value through other comprehensive income held by the Group. This income is related to investments still held on the balance sheet.

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

3. Notes receivable

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Notes receivable - arising from business activities | $2,634 | $10,342 | $2,353 |
| Less: loss provisions | - | - | - |
| Net amount | $2,634 | $10,342 | $2,353 |

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

The Group assesses impairment according to IFRS 9. Please see Note (VI).15 for information on loss provisions and Note (XII) for credit risk-related information.

4. Accounts receivable and installment accounts receivable

(All amounts in NTD thousands unless otherwise specified)

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Accounts receivable | $423,298 | $517,973 | $365,887 |
| Installment accounts receivable | 111,107 | 122,010 | 132,485 |
| Less: Unrealized interest income - Installment accounts receivable | (4,350) | (5,247) | (7,821) |
| Subtotal (total book value) | 530,055 | 634,736 | 490,551 |
| Less: loss provisions | (4,160) | (4,801) | (14,544) |
| Total | $525,895 | $629,935 | $476,007 |

Expected recovery of installment accounts receivable is as follows:

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| No more than 1 year | $84,134 | $82,403 | $69,703 |
| 1 to 2 years | 19,556 | 30,592 | 44,204 |
| 2 years and above | 7,417 | 9,015 | 18,578 |
| Total | $111,107 | $122,010 | $132,485 |

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$530,055 thousand on March 31, 2023, NT$634,736 thousand on December 31, 2022, and NT$490,551 thousand on March 31, 2022. See Note (VI).15 for information on loss provisions and Note (XII) for credit risk-related information.

5. Inventories

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Net inventory - merchandise | $2,541,604 | $2,530,729 | $1,799,001 |

(All amounts in NTD thousands unless otherwise specified)

(1) Cost of inventory, consultation, and maintenance recognized as expenses for the three months ended March 31, 2023 and 2022 were NT$1,272,073 thousand and NT$1,170,326 thousand respectively. These amounts included NT$841 thousand and NT$2,081 thousand of lost on inventory devaluation and obsolescence for the three months ended March 31, 2023 and 2022 respectively. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group had provisions on inventory devaluation outstanding at NT$5,958 thousand, NT$5,117 thousand and NT$5,971 thousand, respectively.

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

6. Prepayments

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Prepaid purchases | $637,697 | $586,943 | $582,995 |
| Prepayments for investments | - | 8,000 | - |
| Other prepaid expenses | 96,891 | 68,698 | 69,019 |
| Total | $734,588 | $663,641 | $652,014 |

7. Property, plant and equipment

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Owner-occupied property, plant and equipment | $438,319 | $440,151 | $442,925 |

(All amounts in NTD thousands unless otherwise specified)

| | Land | Buildings | Transportation equipment | Office equipment | Lease improvements | Other equipment | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| January 1, 2023 | $291,892 | $203,110 | $6,980 | $36,226 | $8,059 | $578 | $546,845 |
| Additions | - | 307 | - | 590 | 980 | - | 1,877 |
| Disposals | - | - | - | (3,767) | - | (209) | (3,976) |
| Reclassification | - | - | - | 312 | - | - | 312 |
| Effects of exchange rate changes | - | - | 2 | 1 | - | - | 3 |
| March 31, 2023 | $291,892 | $203,417 | $6,982 | $33,362 | $9,039 | $369 | $545,061 |
| January 1, 2022 | $291,892 | $202,009 | $6,813 | $43,891 | $5,830 | $578 | $551,013 |
| Additions | - | 36 | - | 613 | 67 | - | 716 |
| Disposals | - | (52) | - | (4,668) | - | - | (4,720) |
| Reclassification | - | - | - | 363 | - | - | 363 |
| Effects of exchange rate changes | - | - | 80 | 9 | - | - | 89 |
| March 31, 2022 | $291,892 | $201,993 | $6,893 | $40,208 | $5,897 | $578 | $547,461 |
| Depreciation and impairment: | | | | | | | |
| January 1, 2023 | $- | $78,976 | $4,073 | $18,879 | $4,317 | $449 | $106,694 |
| Depreciation | - | 1,404 | 197 | 2,044 | 349 | 27 | 4,021 |
| Disposals | - | - | - | (3,767) | - | (209) | (3,976) |
| Effects of exchange rate changes | - | - | 2 | 1 | - | - | 3 |
| March 31, 2023 | $- | $80,380 | $4,272 | $17,157 | $4,666 | $267 | $106,742 |
| January 1, 2022 | $- | $73,762 | $3,208 | $24,360 | $3,135 | $310 | $104,775 |
| Depreciation | - | 1,345 | 194 | 2,576 | 244 | 35 | 4,394 |
| Disposals | - | (52) | - | (4,668) | - | - | (4,720) |
| Effects of exchange rate changes | - | - | 79 | 8 | - | - | 87 |
| March 31, 2022 | $- | $75,055 | $3,481 | $22,276 | $3,379 | $345 | $104,536 |
| Net book value: | | | | | | | |
| March 31, 2023 | $291,892 | $123,037 | $2,710 | $16,205 | $4,373 | $102 | $438,319 |
| December 31, 2022 | $291,892 | $124,134 | $2,907 | $17,347 | $3,742 | $129 | $440,151 |
| March 31, 2022 | $291,892 | $126,938 | $3,412 | $17,932 | $2,518 | $233 | $442,925 |

(All amounts in NTD thousands unless otherwise specified)

The Group did not capitalize any interest for the three months ended March 31, 2023 and 2022.

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.

8. Intangible asset

| | Computer software |
|---|---|
| Cost: | |
| January 1, 2023 | $8,753 |
| Addition - acquisition by separate purchase | 15 |
| Reduction - removal in the current period | (1,511) |
| March 31, 2023 | $7,257 |
| | |
| January 1, 2022 | $16,887 |
| Addition - acquisition by separate purchase | 292 |
| Reduction - removal in the current period | (534) |
| March 31, 2022 | $16,645 |
| | |
| Amortization and impairment: | |
| January 1, 2023 | $5,842 |
| Reduction - removal in the current period | (1,511) |
| Amortization | 721 |
| March 31, 2023 | $5,052 |
| | |
| January 1, 2022 | $8,889 |
| Reduction - removal in the current period | (534) |
| Amortization | 2,833 |
| March 31, 2022 | $11,188 |
| | |
| Net book value: | |
| March 31, 2023 | $2,205 |
| December 31, 2022 | $2,911 |
| March 31, 2022 | $5,457 |

(All amounts in NTD thousands unless otherwise specified)

Amortization amount of intangible assets:

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Operating cost | $- | $- |
| Administrative expenses | $721 | $2,833 |
| Research and development expenses | $- | $- |

9. Other non-current assets

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Other non-current assets - others | $1,380 | $1,678 | $1,388 |

10. Short-term loans

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Unsecured bank loans | $- | $150,000 | $- |
| Interest rate range | -% | 1.65%~1.875% | -% |

The Group had undrawn short-term credit facilities of NT$2,298,332 thousand, NT$ 2,080,613 thousand, and NT$2,196,425 thousand as at March 31, 2023, December 31, 2022, and March 31, 2022, respectively.

11. Provisions

| | Warranty | |
|---|---|---|
| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
| Beginning of period | $ 7,427 | $14,720 |
| Additions in the current period | 2,684 | 4,307 |
| Utilization in the current period | (792) | (2,332) |
| Reversals in the current period | (1,500) | (1,892) |
| End of the period | $ 7,819 | $14,803 |

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.

12. Retirement benefit plans

Defined Contribution Plans

The Group recognized pension expenses related defined contribution plan for the three months ended March 31, 2023 and 2022 were NT$7,263 thousand and NT$6,872 thousand respectively.

Defined Benefit Plans

The Group recognized pension expenses related defined benefit plan for the three months ended March 31, 2023 and 2022 were NT$842 thousand and NT$1,792 thousand respectively.

13. Equity

(1) Ordinary share

The Company had authorized capital of NT$3,400,000 thousand (20,000 thousand shares of which were reserved for issuance of employee stock options) as at March 31, 2023, December 31, 2022, and March 31, 2022. Each share carries a face value of NT$10 and can be issued in multiple offerings. Paid-up capital amounted to NT$1,063,603 thousand and outstanding shares totaled 106,360 thousand on all three dates. Each share is entitled to one voting right and the right to receive dividends.

(All amounts in NTD thousands unless otherwise specified)

(2) Capital surplus

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Premium from consolidation | $148,259 | $148,259 | $148,259 |
| Premium from conversion of convertible bonds | 18,255 | 18,255 | 18,255 |
| Total | $166,514 | $166,514 | $166,514 |

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

(3) Earnings appropriation and dividend policy

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

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

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

The distribution of dividends and bonuses in whole or in part, if made in cash, shall be authorized by the 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. The distribution of the entire or partial legal reserves or capital reserves, if made in cash, shall be authorized by the 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.

(All amounts in NTD thousands unless otherwise specified)

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

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

As at March 31, 2023, the Company had NT$144 thousand of special reserve that were appropriated due to first-time adoption of IFRS.

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

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

Please refer to Note (VI).17 for the amount of employee remuneration and director remuneration recognized and the basis of estimation.

(All amounts in NTD thousands unless otherwise specified)

(4) Non-controlling interests: None.

14. Operating revenue

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Revenues from sale of merchandise | $1,161,818 | $1,092,518 |
| Revenues from rendering of service | 553,137 | 480,990 |
| Other operating revenues | 1,237 | 735 |
| Total | $1,716,192 | $1,574,243 |

Information relating to revenue from contracts with customers for the three months ended March 31, 2023 and 2022 were as below:

(1) Breakdown of revenue

| | Operating segment | |
|---|---|---|
| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
| Sales of merchandise | $1,161,818 | $1,092,518 |
| Rendering of service | 553,137 | 480,990 |
| Others | 1,237 | 735 |
| Total | $1,716,192 | $1,574,243 |
| | | |
| Timing of revenue recognition: | | |
| At a point in time | $1,163,055 | $1,093,253 |
| Over time | 553,137 | 480,990 |
| Total | $1,716,192 | $1,574,243 |

(All amounts in NTD thousands unless otherwise specified)

(2) Contract balance

A. Contract assets - current

| | March 31, 2023 | December 31, 2022 | March 31, 2022 | January 1, 2022 |
|---|---|---|---|---|
| Sales of merchandise and rendering of service | $385,408 | $252,812 | $221,664 | $215,639 |
| Less: loss provisions | (4,773) | (3,859) | (11,320) | (11,248) |
| Total | $380,635 | $248,953 | $210,344 | $204,391 |

Major changes in the balance of contract assets for the three months ended March 31, 2023 and 2022 are explained below:

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Amount of beginning balance reclassified into accounts receivable in the current period | $(132,036) | $(94,192) |
| Changes were measured based on level of completion | $264,632 | $100,217 |

The Group assesses impairment according to IFRS 9. Please see Note (VI).15 for information on loss provisions and Note (XII) for credit risk-related information.

B. Contract liabilities - current

| | March 31, 2023 | December 31, 2022 | March 31, 2022 | January 1, 2022 |
|---|---|---|---|---|
| Sales of merchandise and rendering of service | $1,587,500 | $1,492,594 | $1,203,918 | $1,173,794 |

(All amounts in NTD thousands unless otherwise specified)

Major changes in the balance of contract liabilities for the three months ended March 31, 2023 and 2022 are explained below:

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Amount of beginning balance reclassified into revenue in the current period | $(661,528) | $(567,307) |
| Increase in advanced receipt in the current period (less amounts incurred and reclassified into revenue in the current period) | $756,434 | $597,431 |

(3) Allocation of transaction price into unfulfilled contractual obligations

As at March 31, 2023, the Group had allocated NT$6,231,780 thousand of transaction price into unfulfilled (including partially fulfilled) contractual obligations; 81.33% 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.

15. <u>Expected credit impairment (loss) reversal gain</u>

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Operating expenses - expected credit impairment (loss) reversal gain | | |
| Contract assets | $(1,169) | $126 |
| Accounts receivable | 898 | 1,318 |
| Installment accounts receivable | - | - |
| Total | $(271) | $1,444 |

(All amounts in NTD thousands unless otherwise specified)

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

All of the Group's contract assets and receivables (including notes receivable, accounts receivable, and installment accounts receivable) have loss provisions measured based on Lifetime expected credit losses. Credit loss is recognized as the difference between the book value of contract assets/accounts receivable and the present value of expected cash flow (prospective information). For short-term receivables, however, credit loss is not measured using present value difference as the effect of discounting is insignificant. Loss provisions as at March 31, 2023, December 31, 2022, and March 31, 2022 are explained below:

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

March 31, 2023

| Group 1 | Not past due | Past due | | | | | |
|---|---|---|---|---|---|---|---|
| | (Note 1) | Within 30 days | 31-60 days | 61-90 days | 91-120 days | 121 days and above | Total |
| Total book value | $698,942 | $137,354 | $15,526 | $49,727 | $1,354 | $13,806 | $916,709 |
| Loss ratio | 0.9% | 0.5% | 0.6% | 0.6% | 0.7% | 1.8% | |
| Lifetime expected credit losses | (6,162) | (738) | (88) | (304) | (10) | (243) | (7,545) |
| Net amount | $692,780 | $136,616 | $15,438 | $49,423 | $1,344 | $13,563 | $909,164 |

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

(All amounts in NTD thousands unless otherwise specified)

December 31, 2022

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

(All amounts in NTD thousands unless otherwise specified)

March 31, 2022

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

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

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

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

(All amounts in NTD thousands unless otherwise specified)

Changes in loss provisions on contract assets, accounts receivable, and installment accounts receivable for the three months ended March 31, 2023 and 2022 are explained below:

| | Contract assets | Accounts receivable | Installment accounts receivable |
|---|---|---|---|
| January 1, 2023 | $3,859 | $4,801 | $- |
| Net recognitions (reversals) for the current period | 1,169 | (898) | - |
| Reclassification | (255) | 255 | - |
| Actual write-offs | - | - | - |
| Effect of exchange rate changes | - | 2 | - |
| March 31, 2023 | $4,773 | $4,160 | $- |
| | | | |
| January 1, 2022 | $11,248 | $8,163 | $8,094 |
| Net recognitions (reversals) for the current period | (126) | (1,318) | - |
| Reclassification | 198 | (198) | - |
| Actual write-offs | - | (209) | - |
| Effect of exchange rate changes | - | 12 | - |
| March 31, 2022 | $11,320 | $6,450 | $8,094 |

16. Lease

(1) The Group as lessee

The Group leases several types of assets, including buildings, transportation equipment, and office equipment. Lease tenor of each contract is from 1 to 10 years.

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

(All amounts in NTD thousands unless otherwise specified)

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Book value of right-of-use assets

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Buildings | $16,614 | $12,449 | $19,046 |
| Transportation equipment | 10,968 | 12,434 | 2,105 |
| Office equipment | 946 | 1,135 | 1,547 |
| Total | $28,528 | $26,018 | $22,698 |

Right-of-use assets increased by NT$6,805 thousand and NT$2,267 thousand for the three months ended March 31, 2023 and 2022, respectively.

(b) Lease liabilities

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Lease liabilities | $28,853 | $26,370 | $23,308 |
| | | | |
| Current | $15,365 | $10,456 | $11,998 |
| Non-current | 13,488 | 15,914 | 11,310 |
| Total | $28,853 | $26,370 | $23,308 |

Please see Note (VI).18(4) - Finance cost for interest on lease liabilities for the three months ended March 31, 2023 and 2022; and note (XII).5 - Liquidity risk management for maturity analysis of lease liability as at March 31, 2023, December 31, 2022 and March 31, 2022.

(All amounts in NTD thousands unless otherwise specified)

B. Amount recognized in statement of comprehensive income

Depreciation of right-of-use assets

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Buildings | $2,645 | $2,438 |
| Transportation equipment | 1,467 | 798 |
| Office equipment | 188 | 185 |
| Total | $4,300 | $3,421 |

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

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Short-term lease expense | $974 | $863 |

D. Cash outflow relating to lease activities as a lessee

The Group incurred NT$5,450 thousand and NT$4,447 thousand of lease-related cash outflow for the three months ended March 31, 2023 and 2022.

(All amounts in NTD thousands unless otherwise specified)

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

| By function / By nature, | Three months ended March 31, 2023 | | | Three months ended March 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Classified as operating costs | Classified as operating expenses | Total | Classified as operating costs | Classified as operating expenses | Total |
| Employee benefit expenses | $19,937 | $170,245 | $190,182 | $19,346 | $163,129 | $182,475 |
| Wages and salaries | 17,047 | 145,189 | 162,236 | 16,649 | 138,914 | 155,563 |
| Labor insurance expenses and national health insurance expenses | 1,561 | 12,783 | 14,344 | 1,416 | 12,148 | 13,564 |
| Pension expenses | 879 | 7,226 | 8,105 | 843 | 7,821 | 8,664 |
| Other employee benefit expenses | 450 | 5,047 | 5,497 | 438 | 4,246 | 4,684 |
| Depreciation expenses | - | 8,321 | 8,321 | - | 7,816 | 7,816 |
| Amortization expenses | - | 721 | 721 | - | 2,833 | 2,833 |

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

Employee remuneration and director remuneration for the three months ended March 31, 2023 were estimated and recognized at NT$10,500 thousand and NT$900 thousand, respectively, based on the Company's profitability and the percentages stated in the Articles of Incorporation, and employee remuneration and director remuneration for the three months ended March 31, 2022 were estimated and recognized at NT$10,500 thousand and NT$0 thousand, respectively. The basis of estimation is the profitability of the particular year. The above-mentioned amounts were included under salary expense; if the actual amount resolved by the board of directors differs from the estimate, the difference will be recognized as gain or loss for the next year.

The board of directors passed a resolution on February 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 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.

(All amounts in NTD thousands unless otherwise specified)

18. Non-operating income and expenses

(1) Interest income

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Financial assets at amortized costs | $1,449 | $1,850 |

(2) Other income

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Rental income | $3 | $3 |
| Other income - others | 24,567 | 6,005 |
| Total | $24,570 | $6,008 |

(3) Other gains and losses

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Net gains (losses) on currency exchange | $(6,722) | $6,470 |
| Others | 300 | 300 |
| Total | $(6,422) | $6,770 |

(4) Finance costs

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Interest expenses on bank loans | $301 | $43 |
| Interest expenses on lease liabilities | 149 | 128 |
| Total | $450 | $171 |

(All amounts in NTD thousands unless otherwise specified)

19. Composition of other comprehensive income

Composition of other comprehensive income for the three months ended March 31, 2023 is explained below:

| | Arising in the current period | Reclassification in the current period | Other comprehensive income | Income tax benefits (expenses) | Amount after tax |
|---|---|---|---|---|---|
| Items not reclassified into profit or loss: | | | | | |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | $ 2,068 | $- | $ 2,068 | $- | $ 2,068 |
| Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method | 17,696 | - | 17,696 | - | 17,696 |
| Items likely to be reclassified into profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | 1,600 | - | 1,600 | - | 1,600 |
| Total other comprehensive income for the current period | $21,364 | $- | $21,364 | $- | $21,364 |

(All amounts in NTD thousands unless otherwise specified)

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

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

(All amounts in NTD thousands unless otherwise specified)

20. Income tax

Compositions of income tax expenses (benefits) for the three months ended March 31, 2023 and 2022 are explained below:

Income tax recognized in profit or loss

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Income tax expenses (benefits) for the current period: | | |
| Current income tax payable | $49,100 | $42,635 |
| Adjustment of current income tax of previous years | (9,954) | (7,865) |
| Deferred income tax expenses (benefits): | | |
| Deferred income tax expenses (benefits) relating to the origination and reversal of temporary differences | 5,768 | 2,423 |
| Deferred income tax relating to the origination and reversal of tax losses and income tax credits | | (331) |
| Offset (reversal of previous offset) of deferred income tax asset | 765 | 974 |
| Income tax expenses | $45,679 | $37,836 |

Assessment of income tax return

Assessment of income tax filings submitted by the Company and domestic subsidiaries as at March 31, 2023 is explained below:

| | Assessment of income tax return |
|---|---|
| The Company | Certified up to 2021 |
| Subsidiary - SRAIN Investment Co., Ltd. | Certified up to 2021 |
| Subsidiary - Stark Inforcom Inc. | Certified up to 2021 |

21. Earnings per share (EPS)

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

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

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| (1) Basic earnings per share | | |
| Net income attributable to parent company's ordinary shareholders (NTD thousands) | $211,515 | $182,395 |
| Weighted average outstanding ordinary shares for basic earnings per share (shares) | 106,360,291 | 106,360,291 |
| Basic earnings per share (NTD) | $1.99 | $1.71 |
| (2) Diluted earnings per share | | |
| Net income attributable to parent company's ordinary shareholders (NTD thousands) | $211,515 | $182,395 |
| Weighted average outstanding ordinary shares for basic earnings per share (shares) | 106,360,291 | 106,360,291 |
| Dilutive effect: | | |
| Employee remuneration (shares) | 586,360 | 402,283 |
| Weighted average outstanding ordinary shares after adjustment for dilutive effect (shares) | 106,946,651 | 106,762,574 |
| Diluted earnings per share (NTD) | $1.98 | $1.71 |

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

(All amounts in NTD thousands unless otherwise specified)

(VII). Related party transactions

Compensation for key management of the Group

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Short-term employee benefits | $32,623 | $28,080 |
| Post-employment benefits - pension | 703 | 678 |
| Total | $33,326 | $28,758 |

(VIII). Pledged assets

The Group had placed the following assets as collaterals:

| | Book value | | | |
|---|---|---|---|---|
| Item | March 31, 2023 | December 31, 2022 | March 31, 2022 | Details of debts secured |
| Other financial assets – current | $15,292 | $15,372 | $10,015 | Performance guarantee |
| Other financial assets – non-current | 4,796 | 4,796 | 6,674 | Performance guarantee |
| Total | $20,088 | $20,168 | $16,689 | |

(IX). Significant contingent liabilities and unrecognized contract commitments

Unrecognized contract commitments

1. The Company had engaged financial institutions to provide NT$101,668 thousand of performance and customs guarantee for various projects.

2. The Company had issued NT$14,803 thousand of guaranteed notes to customers and banks to secure sales and borrowing limits.

Contingency

1. FUJIFILM Business Innovation Taiwan Co., Ltd. (hereinafter referred to as Fujifilm)

filed a complaint against the Company's vice president surnamed Gao and other individuals for violating the Securities and Exchange Act, which is currently in the judiciary proceedings as a criminal case by the Taiwan Taipei District Court.

2. The Company received a complaint of criminal incidental civil lawsuit to the above-mentioned criminal case filed by the Taiwan Taipei District Court. Fujifilm filed a criminal incidental civil lawsuit against other companies, individuals, the Company and the Company's vice president surnamed Gao, a total of 15 defendants, requesting if one of the 15 defendants pays all or part of the damages, the other defendants are exempted from the obligation to pay within the scope of the payment. For the above-mentioned criminal incidental civil lawsuit filed by Fujifilm against the Company,  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 March 31, 2023, 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

The board of directors passed the resolution on April 28, 2023 to purchase the real estate. The subject property is located in Taoyuan and is intended for office use. As of the date of approval of the resolution of the board of directors, the transaction has not yet been completed.

## (XII).Others

1. Types of financial instrument

(All amounts in NTD thousands unless otherwise specified)

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---|---|---|
| Financial assets | | | |
| Financial assets at fair value through other comprehensive income | $146,710 | $121,666 | $158,744 |
| Financial assets at amortized costs: | | | |
| Cash and cash equivalents (excluding cash on hand) | 1,496,059 | 1,534,428 | 1,730,620 |
| Receivables | 505,599 | 607,285 | 424,222 |
| Long-term receivables | 25,688 | 37,711 | 59,759 |
| Other financial assets | 20,088 | 20,168 | 16,689 |
| Refundable deposits | 238,205 | 255,462 | 228,958 |
| Subtotal | 2,285,639 | 2,455,054 | 2,460,248 |
| Total | $2,432,349 | $2,576,720 | $2,618,992 |
| | | | |
| Financial liabilities | | | |
| Financial liabilities at amortized costs: | | | |
| Short-term loans | $- | $150,000 | $- |
| Payables | 1,880,885 | 1,360,498 | 1,598,654 |
| Lease liabilities | 28,853 | 26,370 | 23,308 |
| Guarantee deposits | 5,934 | 5,983 | 3,484 |
| Total | $1,915,672 | $1,542,851 | $1,625,446 |

2. Purpose and policy of financial risk management

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

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

3. Market risk

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

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

Exchange rate risk

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

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

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

If NTD strengthened/weakened against USD by 1%, profits for the three months ended March 31, 2023 and 2022 would have increased/decreased by NT$303 thousand and NT$374 thousand, respectively, whereas equity would have decreased/increased NT$132 thousand and NT$137 thousand, respectively.

If NTD strengthened/weakened against RMB by 1%, profits for the three months ended March 31, 2023 and 2022 would have increased/decreased by NT$406 thousand and

NT$255 thousand, respectively, whereas there would be no effect whatsoever on equity.

Interest rate risk

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

Equity price risk

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

A 10% rise/fall in the price of TWSE/TPEX listed shares held as equity instruments at fair value through other comprehensive income would have affected the Group's equity by NT$ 10,321 thousand and NT$11,663 thousand for the three months ended March 31, 2023 and 2022, respectively.

4. Credit risk management

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

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

The Group's top 10 customers accounted for 24%, 20%, and 18% of total contract assets and accounts receivable balance as at March 31, 2023, December 31, 2022, and March 31, 2022, respectively. Judging by the above, there was no concentration of credit risk in the Group's contract assets and accounts receivable.

(All amounts in NTD thousands unless otherwise specified)

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

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

| | | | Total book value | | |
|---|---|---|---|---|---|
| Credit risk grade | Indicator | Method of measuring expected credit loss | March 31, 2023 | December 31, 2022 | March 31, 2022 |
| Simplified Approach (Note) | (Note) | Lifetime Expected Credit Losses | $918,097 | $897,890 | $714,568 |

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.

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

(All amounts in NTD thousands unless otherwise specified)

| | Less than 1 year | 2 to 3 years | 4 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| March 31, 2023 | | | | | |
| Payables | $1,880,885 | $- | $- | $- | $1,880,885 |
| Lease liabilities | 15,798 | 11,317 | 2,486 | - | 29,601 |
| | | | | | |
| 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 |
| | | | | | |
| March 31, 2022 | | | | | |
| Payables | $1,598,654 | $- | $- | $- | $1,598,654 |
| Lease liabilities | 12,371 | 10,636 | 852 | - | 23,859 |

6. Reconciliation of liabilities relating to financing activities

Reconciliation of liabilities for the three months ended March 31, 2023:

| | Short-term loans | Guarantee deposits | Lease liabilities | Total |
|---|---|---|---|---|
| January 1, 2023 | $150,000 | $5,983 | $26,370 | $182,353 |
| Non-cash movement | - | - | 6,954 | 6,954 |
| Cash flow | (150,000) | (49) | (4,476) | (154,525) |
| Effect of exchange rate changes | - | - | 5 | 5 |
| March 31, 2023 | $- | $5,934 | $28,853 | $34,787 |

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

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

7. Fair value of financial instruments

(1) Fair value assessment techniques and assumptions

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

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

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

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

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

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

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

(3) Fair value hierarchy for financial instruments

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

8. Fair value hierarchy

(1) Definition of fair value hierarchy

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

Level 1 input: Quotations that can be obtained from an active market (unadjusted) on the measurement date for asset or liability of equivalent nature.
Level 2 input: Inputs that can be observed directly or indirectly on an asset or liability, except for quotations covered in level 1 input.
Level 3 input: Inputs that cannot be observed for an asset or liability.

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

(2) Information on fair value hierarchy

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

March 31, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets measured at fair value: | | | | |
| Financial assets at fair value through other comprehensive income | | | | |

(All amounts in NTD thousands unless otherwise specified)

| | | | | |
|---|---|---|---|---|
| Stock | $103,208 | $- | $43,502 | $146,710 |

December 31, 2022:

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

March 31, 2022:

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

Transfer of fair value input between level 1 and level 2

There had been no transfer of fair value input between level 1 and level 2 for the three months ended March 31, 2023 and 2022 that involved assets or liabilities with recurring fair value measurement.

Transfer of level 3 input for recurring fair value measurements

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

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

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

(All amounts in NTD thousands unless otherwise specified)

March 31, 2023:

| | Valuation technique | Significant unobservable input | Quantitative information | Relationship between input and fair value | Sensitivity analysis on relationship between input and fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stock | Asset Approach | Discount for lack of liquidity | 20% | The higher the lack of liquidity, the lower the fair value estimate | If P/E ratio of a similar share rises(falls) by 10%, the Group's profits would increase(decrease) by NT$950 thousand. |

December 31, 2022:

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

March 31, 2022:

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

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

9. <u>Significant foreign currency-denominated financial assets and liabilities</u>

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

Unit: thousand

| | March 31, 2023 | | |
|---|---|---|---|
| | Foreign currency | Exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $ 4,820 | 30.39 | $146,468 |
| CNY (RMB) | 90,750 | 4.401 | 399,392 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | 1,151 | 30.39 | 34,967 |
| CNY (RMB) | 2,026 | 4.401 | 8,916 |

(All amounts in NTD thousands unless otherwise specified)

| | December 31, 2022 | | |
|---|---|---|---|
| | Foreign currency | Exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $13,895 | 30.67 | $426,173 |
| CNY (RMB) | 93,001 | 4.381 | 407,435 |
| JPY | 647 | 0.2299 | 149 |
| SGD | 51 | 22.75 | 1,164 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | 234 | 30.67 | 7,176 |
| CNY (RMB) | 4,946 | 4.381 | 21,669 |

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

Due to the broad diversity of functional currencies used for transactions by members of the Group, the Group was unable to disclose exchange gains/losses on monetary financial assets and liabilities separately for each significant foreign currency. The Group's foreign currency exchange (losses) gains for the three months ended March 31, 2023 and 2022 were NT$(6,722) thousand and NT$6,470 thousand, respectively.

10. Capital management

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

## (XIII). Other Disclosures

### 1. Information related to significant transactions:

(1) Loans to external parties: None.

(2) Endorsements/guarantees provided for others: None.

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

(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 |
| Stark Technology Inc. | TWSE listed stock | ITEQ Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 362,829 | $28,410 | 0.10% | $28,410 |
| | Stock | DWINS Digital Service Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 1,151 | - | 0.04% | - |
| | Stock | Cloud Intelligent Operation Technology CO., Inc | Stark Technology Inc. is the director of Cloud Intelligent Operation Technology CO., Inc | Financial assets at fair value through other comprehensive income - non-current | 195,000 | 1,950 | 19.50% | 1,950 |
| | Stock | Ausenior Information Co., Ltd. | Stark Technology Inc. is the director of Ausenior Information Co., Ltd. | Financial assets at fair value through other comprehensive income - non-current | 2,000,000 | 26,000 | 13.33% | 26,000 |
| SRAIN Investment Co., Ltd. | TWSE listed stock | ITEQ Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 187,614 | $14,690 | 0.05% | $14,690 |
| | TWSE listed stock | Zero One Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 1,054,422 | 58,099 | 0.69% | 58,099 |
| | TPEX listed stock | Genesis Technology Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 32,197 | 1,980 | 0.04% | 1,980 |

(All amounts in NTD thousands unless otherwise specified)

| Name of the investor | Type of marketable security | Name of marketable security | Relationship between the securities issuer and the Company | Financial statement account | End of the period | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Shares / units | Book value | Percentage of shareholding | Fair value |
| SRAIN Investment Co., Ltd. | TPEX listed stock | Dimerco Data System Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 340 | 29 | -% | 29 |
| | Stock | Hua Chih Venture Capital Corp. | SRAIN Investment Co., Ltd. is the director of Hua Chih Venture Capital Corp. | Financial assets at fair value through other comprehensive income - non-current | 16,304 | 163 | 3.26% | 163 |
| | Stock | Incomm Technologies Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 30 | - | 0.01% | - |
| | Stock | LOLA Technology Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 788,901 | 7,389 | 15.78% | 7,389 |
| | Stock | Azalea Technology Inc. | - | Financial assets at fair value through other comprehensive income - non-current | 800,000 | 8,000 | 13.68% | 8,000 |

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

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

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

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

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

(9) Trading of derivatives: None.

(All amounts in NTD thousands unless otherwise specified)

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

For the three months ended March 31, 2023:

| 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 | $ 530 | Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery. | 0.03% |
| | | | | Accounts payable | 46 | | -% |
| 0 | Stark Technology Inc. | Stark Inforcom Inc. | 1 | Sales revenue | 2,589 | Selling price is determined at 90%-99% of general selling price or through negotiation. Collection term is 30-120 days after acceptance inspection. | 0.15% |
| | | | | Accounts receivable | 371 | | 0.01% |
| | | | | Rental income | 240 | - | 0.01% |
| | | | | Other expense | 8 | - | -% |
| 0 | Stark Technology Inc. | SRAIN Investment Co., Ltd. | 1 | Rental income | 29 | - | -% |
| 1 | Stark Inforcom Inc. | Stark Technology Inc. (USA) | 3 | Purchase | 686 | Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery. | 0.04% |

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

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

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

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

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

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

2. Information on business investments:

Supplementary disclosure of investees in which the Company has significant influence or control for the three months ended March 31, 2023 (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 | $1,520 (USD50,000) | $1,520 (USD50,000) | 500,000 | 100.00% | $11,191 | $(297) | $(277) | - |
| Stark Technology Inc. | SRAIN Investment Co., Ltd. | Note 3 | General investment | 410,967 | 410,967 | - | 100.00% | 536,378 | 16,579 | 16,579 | - |
| Stark Technology Inc. | Pacific Ace Holding International Ltd. | Note 4 | General investment | 91,170 (USD3,000,000) | 91,170 (USD3,000,000) | 3,000,000 | 100.00% | 373,142 | 2,754 | 2,754 | - |
| Stark Technology Inc. | Stark Information (Hong Kong) Limited | Note 5 | Trading of computer equipment and software | 2,127 (USD70,000) | 2,127 (USD70,000) | 70,000 | 100.00% | 1,993 | - | - | - |
| SRAIN Investment Co., Ltd. | S-Rain Investment Ltd. | Note 6 | General investment | 24,312 (USD800,000) | 24,312 (USD800,000) | 800,000 | 100.00% | 11,273 | (1,039) | - | - |
| SRAIN Investment Co., Ltd. | Stark Inforcom Inc. | Note 7 | Trading of computer-related products | 370,000 | 370,000 | 37,000,000 | 100.00% | 429,551 | 17,713 | - | - |
| Pacific Ace Holding International Ltd. | Profit Reap International Limited | Note 4 | General investment | 91,170 (USD3,000,000) (Note 8) | 91,170 (USD3,000,000) (Note 8) | 3,000,000 | 100.00% | 373,465 | 2,754 | - | - |

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

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

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

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

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

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

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

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

Note 9: Amount of initial investment at the ends of the current and previous periods were converted using exchange rate as at March 31, 2023.

(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) | $91,170 (USD3,000,000) | - | - | $91,170 (USD3,000,000) (Note 1) | $2,754 (Note 4. (II).3) | 100.00% | $2,754 (Note 4. (II).3) | $373,737 | - |
| 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) | 35,252 (USD1,160,000) | - | - | 35,252 (USD1,160,000) | (1,039) (Note 4. (II).3) | 100.00% | (1,039) (Note 4. (II).3) | 11,262 | - |
| 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) | 91,170 (USD3,000,000) | - | - | 91,170 (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 |
|---|---|---|
| $217,592 (USD7,160,000) (Note 3) | $217,592 (USD7,160,000) (Note 3) | $1,615,435 (Note 5) |

Note 1: As at March 31, 2023, the Company had invested USD 906,243 into STARK (Ningbo) Technology Inc. including technology in lieu of capital.

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

Note 3: Converting the original foreign currency amount using exchange rate as at March 31, 2023.

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: None.

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

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

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

## (XIV). Segment Information

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