

Systemx Corporation

**Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

We have audited the accompanying financial statements of Systex Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Corporation's financial statements for the year ended December 31, 2022 is stated as follows:

Valuation of Receivables

As of December 31, 2022, notes receivable and accounts receivable amounted to \$1,907,811 thousand. When assessing the impairment of receivables, the management of the Corporation uses the expected credit loss model based on the lifetime expected credit loss. The valuation of receivables involves significant accounting estimates and judgements of the management. Therefore, we considered the valuation of receivables as a key audit matter. For the disclosures related to receivables, refer to Notes 5 and 9 to the financial statements.

Our audit procedures performed in respect of the abovementioned key audit matter included the following:

1. We obtained the reports of impairment of receivables and assessed the reasonableness of the expected credit loss model and data used in the reports.
2. We tested the aging schedule of receivables and reviewed the calculation of expected credit loss to confirm the accuracy of the expected credit loss recognized on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer credit control and tracking of overdue receivables.

Other Matter

We did not audit the financial statements of Collaboration Co., Ltd., which is investee of the Corporation and is accounted for using the equity method, Genesis Technology Inc., which is investee of the Corporation and Syscore Corporation and is accounted for using the equity method, Systex Information (H.K.) Limited and Rainbow Tech Information (HK) Limited, which are investees of Kimo.com (BVI) Corporation and are accounted for using the equity method, Dawning Technology Inc., which is investee of Syslink Corporation and is accounted for using the equity method for the year ended December 31, 2022, the financial statements of Collaboration Co., Ltd., which is investee of the Corporation and is accounted for using the equity method, Genesis Technology Inc., which is investee of the Corporation and Syscore Corporation and is accounted for using the equity method, Systex Information (H.K.) Limited and Rainbow Tech Information (HK) Limited, which are investees of Kimo.com (BVI) Corporation and are accounted for using the equity method, Dawning Technology Inc. and CKmates International Co., Ltd, which are investees of Syslink Corporation and are accounted for using the equity method for the year ended December 31, 2021, but such financial statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of other auditors. The aggregate amounts of aforementioned investments accounted for using the equity method were \$2,713,520 thousand and \$2,246,244 thousand, respectively, representing 12.44% and 11.15%, respectively, of the Corporation's total assets as of December 31, 2022 and 2021. The aggregate comprehensive income (loss) of these investees were \$242,433 thousand and \$(7,243) thousand, respectively, representing 15.36% and (0.58%), respectively, of the Corporation's comprehensive income for the years ended December 31, 2022 and 2021.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shu-Wan Lin and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2023

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance 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 audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

SYSTEX CORPORATION

BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| ASSETS | 2022 | | 2021 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash (Notes 4 and 6) | \$ 395,174 | 2 | \$ 338,114 | 2 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 855,498 | 4 | 1,372,250 | 7 |
| Notes receivable, net (Notes 4, 5, 9 and 18) | 18,031 | - | 18,964 | - |
| Accounts receivable, net (Notes 4, 5, 9 and 18) | 1,889,780 | 9 | 1,330,805 | 7 |
| Receivables from related parties (Note 25) | 121,707 | 1 | 413,757 | 2 |
| Other receivables | 46,524 | - | 38,047 | - |
| Inventories (Notes 4 and 10) | 1,409,706 | 7 | 890,281 | 4 |
| Prepayments | 747,266 | 3 | 603,874 | 3 |
| Other financial assets - current (Notes 26 and 27) | 226,017 | 1 | 87,411 | - |
| Refundable deposits - current | 95,223 | - | 89,608 | 1 |
| Other current assets (Note 20) | 25,820 | - | 28,904 | - |
| Total current assets | <u>5,830,746</u> | <u>27</u> | <u>5,212,015</u> | <u>26</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | 1,729,941 | 8 | 1,397,540 | 7 |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 48,670 | - | 25,549 | - |
| Investments accounted for using equity method (Notes 4 and 11) | 12,122,981 | 56 | 11,524,464 | 57 |
| Property, plant and equipment (Notes 4 and 12) | 1,619,463 | 7 | 1,612,071 | 8 |
| Right-of-use assets (Notes 4 and 13) | 177,653 | 1 | 129,062 | 1 |
| Computer software (Note 4) | 101,300 | 1 | 62,347 | - |
| Deferred tax assets (Notes 4 and 20) | 19,408 | - | 16,916 | - |
| Refundable deposits - non-current | 92,077 | - | 88,390 | 1 |
| Long-term receivables (Notes 4 and 9) | 6,773 | - | 9,150 | - |
| Other financial assets - non-current (Notes 26 and 27) | 35,549 | - | 49,653 | - |
| Other non-current assets | 25,337 | - | 21,489 | - |
| Total non-current assets | <u>15,979,152</u> | <u>73</u> | <u>14,936,631</u> | <u>74</u> |
| TOTAL | <u>\$ 21,809,898</u> | <u>100</u> | <u>\$ 20,148,646</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term loans (Notes 4 and 14) | \$ 380,000 | 2 | \$ - | - |
| Contract liabilities (Notes 4 and 18) | 896,590 | 4 | 656,142 | 3 |
| Notes and accounts payable | 1,267,784 | 6 | 1,306,461 | 7 |
| Payables to related parties (Note 25) | 889,935 | 4 | 417,286 | 2 |
| Other payables | 796,132 | 4 | 734,774 | 4 |
| Lease liabilities - current (Notes 4 and 13) | 71,404 | - | 79,975 | - |
| Current tax liabilities (Notes 4 and 20) | 1,715 | - | 14,219 | - |
| Other current liabilities | 218,931 | 1 | 180,737 | 1 |
| Total current liabilities | <u>4,522,491</u> | <u>21</u> | <u>3,389,594</u> | <u>17</u> |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable (Notes 4 and 15) | 2,995,420 | 14 | 2,994,442 | 15 |
| Deferred tax liabilities (Notes 4 and 20) | 5,909 | - | 5,931 | - |
| Lease liabilities - non-current (Notes 4 and 13) | 109,180 | 1 | 50,871 | - |
| Net defined benefit liabilities - non-current (Notes 4 and 16) | 103,737 | - | 199,283 | 1 |
| Other non-current liabilities | 5,000 | - | 5,186 | - |
| Total non-current liabilities | <u>3,219,246</u> | <u>15</u> | <u>3,255,713</u> | <u>16</u> |
| Total liabilities | <u>7,741,737</u> | <u>36</u> | <u>6,645,307</u> | <u>33</u> |
| EQUITY (Notes 4, 17 and 22) | | | | |
| Share capital | 2,723,333 | 12 | 2,693,933 | 13 |
| Capital surplus | 6,874,231 | 31 | 6,606,321 | 33 |
| Retained earnings | | | | |
| Legal reserve | 1,576,153 | 7 | 1,457,250 | 7 |
| Special reserve | 729,124 | 3 | 768,711 | 4 |
| Unappropriated earnings | 3,573,220 | 17 | 3,634,691 | 18 |
| Total retained earnings | 5,878,497 | 27 | 5,860,652 | 29 |
| Other equity | (479,457) | (2) | (729,124) | (4) |
| Treasury shares | (928,443) | (4) | (928,443) | (4) |
| Total equity | <u>14,068,161</u> | <u>64</u> | <u>13,503,339</u> | <u>67</u> |
| TOTAL | <u>\$ 21,809,898</u> | <u>100</u> | <u>\$ 20,148,646</u> | <u>100</u> |

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated February 22, 2023)

SYSTEX CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|--|------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 18 and 25) | | | | |
| Sales | \$ 5,741,280 | 63 | \$ 5,061,725 | 61 |
| Less: Sales returns and allowances | <u>13,251</u> | - | <u>13,567</u> | - |
| Net sales | 5,728,029 | 63 | 5,048,158 | 61 |
| Service revenue | 3,351,694 | 37 | 3,199,837 | 39 |
| Other operating revenue | <u>46,853</u> | - | <u>37,392</u> | - |
| Total operating revenue | <u>9,126,576</u> | <u>100</u> | <u>8,285,387</u> | <u>100</u> |
| OPERATING COSTS (Notes 4, 10, 19 and 25) | | | | |
| Cost of goods sold | 4,892,642 | 54 | 4,312,140 | 52 |
| Service costs | 1,414,215 | 15 | 1,414,674 | 17 |
| Other operating costs | <u>5,971</u> | - | <u>3,915</u> | - |
| Total operating costs | <u>6,312,828</u> | <u>69</u> | <u>5,730,729</u> | <u>69</u> |
| GROSS PROFIT | <u>2,813,748</u> | <u>31</u> | <u>2,554,658</u> | <u>31</u> |
| OPERATING EXPENSES (Notes 9, 19 and 25) | | | | |
| Selling expenses | 2,056,277 | 23 | 1,809,515 | 22 |
| General and administrative expenses | 307,755 | 3 | 302,188 | 4 |
| Research and development expenses | 380,658 | 4 | 339,824 | 4 |
| Expected credit (gain) loss | <u>(6,724)</u> | - | <u>7,828</u> | - |
| Total operating expenses | <u>2,737,966</u> | <u>30</u> | <u>2,459,355</u> | <u>30</u> |
| PROFIT FROM OPERATIONS | <u>75,782</u> | <u>1</u> | <u>95,303</u> | <u>1</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Share of profit of subsidiaries and associates (Notes 4 and 11) | 657,800 | 7 | 1,144,248 | 14 |
| Interest income (Notes 4 and 25) | 6,196 | - | 795 | - |
| Dividend income (Note 4) | 49,828 | - | 43,412 | - |
| Other income, net (Note 25) | 32,978 | - | 17,758 | - |
| Gain on sale of property, plant and equipment | 3,069 | - | 5,737 | - |
| Gain on sale of investments, net (Note 19) | 1,785 | - | 592 | - |
| Foreign exchange gain, net (Note 4) | 2,146 | - | 2,596 | - |
| Gain on financial assets at fair value through profit or loss, net (Note 4) | 332,952 | 4 | 45,780 | 1 |
| Interest expense | (33,133) | - | (12,467) | - |
| Other expenses | (8,508) | - | (19,176) | - |

(Continued)

SYSTEX CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2022 | | 2021 | |
|---|---------------------|-----------|---------------------|------------|
| | Amount | % | Amount | % |
| Loss on sale of intangible assets | \$ - | - | \$ (2,116) | - |
| Impairment loss on assets (Notes 4 and 19) | <u>(25,927)</u> | - | <u>(99,034)</u> | <u>(1)</u> |
| Total non-operating income and expenses | <u>1,019,186</u> | <u>11</u> | <u>1,128,125</u> | <u>14</u> |
| INCOME BEFORE INCOME TAX | 1,094,968 | 12 | 1,223,428 | 15 |
| INCOME TAX EXPENSE (Notes 4 and 20) | <u>3,739</u> | - | <u>9,512</u> | - |
| NET INCOME | <u>1,091,229</u> | <u>12</u> | <u>1,213,916</u> | <u>15</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Notes 4 and 16) | 44,108 | 1 | (20,813) | - |
| Unrealized (loss) gain on equity instruments at fair value through other comprehensive income | (940) | - | 113,958 | 1 |
| Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method | <u>23,976</u> | - | <u>46,747</u> | <u>1</u> |
| | <u>67,144</u> | <u>1</u> | <u>139,892</u> | <u>2</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method | <u>419,893</u> | <u>4</u> | <u>(110,531)</u> | <u>(2)</u> |
| Other comprehensive income for the year, net of income tax | <u>487,037</u> | <u>5</u> | <u>29,361</u> | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 1,578,266</u> | <u>17</u> | <u>\$ 1,243,277</u> | <u>15</u> |
| EARNINGS PER SHARE (Note 21) | | | | |
| Basic | <u>\$ 4.40</u> | | <u>\$ 4.90</u> | |
| Diluted | <u>\$ 4.39</u> | | <u>\$ 4.88</u> | |

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated February 22, 2023)

(Concluded)

SYSTEX CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

| | Share Capital | Capital Surplus | Retained Earnings | | | | Total | Exchange Differences on Translating Foreign Operations | Other Equity | | | Total Equity |
|---|---------------|-----------------|-------------------|-----------------|-------------------------|---|--------------|--|----------------------------|-----------------|---------------|--------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income | | | Unearned Employee Benefits | Treasury Shares | | |
| BALANCE AT JANUARY 1, 2021 | \$ 2,693,933 | \$ 6,493,756 | \$ 1,300,634 | \$ 579,466 | \$ 4,138,488 | \$ 6,018,588 | \$ (581,485) | \$ (187,226) | \$ - | \$ (928,443) | \$ 13,509,123 | |
| Appropriation of 2020 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | 156,616 | - | (156,616) | - | - | - | - | - | - | |
| Special reserve | - | - | - | 189,245 | (189,245) | - | - | - | - | - | - | |
| Cash dividends - NT\$5 per share | - | - | - | - | (1,346,967) | (1,346,967) | - | - | - | - | (1,346,967) | |
| Changes in investments in subsidiaries and associates accounted for using equity method | - | 5,516 | - | - | (14,659) | (14,659) | - | - | - | - | (9,143) | |
| Net income for 2021 | - | - | - | - | 1,213,916 | 1,213,916 | - | - | - | - | 1,213,916 | |
| Other comprehensive (loss) income for 2021 | - | - | - | - | (32,075) | (32,075) | (110,531) | 171,967 | - | - | 29,361 | |
| Total comprehensive income (loss) for 2021 | - | - | - | - | 1,181,841 | 1,181,841 | (110,531) | 171,967 | - | - | 1,243,277 | |
| Cash dividends received by subsidiaries from the Corporation | - | 107,049 | - | - | - | - | - | - | - | - | 107,049 | |
| Disposal of investments by subsidiaries in equity instruments at fair value through other comprehensive income | - | - | - | - | 21,849 | 21,849 | - | (21,849) | - | - | - | |
| BALANCE AT DECEMBER 31, 2021 | 2,693,933 | 6,606,321 | 1,457,250 | 768,711 | 3,634,691 | 5,860,652 | (692,016) | (37,108) | - | (928,443) | 13,503,339 | |
| Appropriation of 2021 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | 118,903 | - | (118,903) | - | - | - | - | - | - | |
| Cash dividends - NT\$4.2 per share | - | - | - | - | (1,131,452) | (1,131,452) | - | - | - | - | (1,131,452) | |
| Reversal of special reserve | - | - | - | (39,587) | 39,587 | - | - | - | - | - | - | |
| Changes in investments in subsidiaries and associates accounted for using equity method | - | (924) | - | - | - | - | - | - | - | - | (924) | |
| Distribution in cash of the capital surplus - NT\$0.8 per share | - | (215,515) | - | - | - | - | - | - | - | - | (215,515) | |
| Net income for 2022 | - | - | - | - | 1,091,229 | 1,091,229 | - | - | - | - | 1,091,229 | |
| Other comprehensive income for 2022 | - | - | - | - | 56,217 | 56,217 | 419,893 | 10,927 | - | - | 487,037 | |
| Total comprehensive income for 2022 | - | - | - | - | 1,147,446 | 1,147,446 | 419,893 | 10,927 | - | - | 1,578,266 | |
| Share-based payment transaction - restricted shares for employees | 30,000 | 188,966 | - | - | - | - | - | - | (175,720) | - | 43,246 | |
| Share-based payment transaction - cancellation of restricted shares for employees | (600) | (3,786) | - | - | - | - | - | - | 4,386 | - | - | |
| Cash dividends received by subsidiaries from the Corporation | - | 107,049 | - | - | - | - | - | - | - | - | 107,049 | |
| Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries | - | 192,120 | - | - | (7,968) | (7,968) | - | - | - | - | 184,152 | |
| Disposal of investments by subsidiaries in equity instruments at fair value through other comprehensive income | - | - | - | - | 9,819 | 9,819 | - | (9,819) | - | - | - | |
| BALANCE AT DECEMBER 31, 2022 | \$ 2,723,333 | \$ 6,874,231 | \$ 1,576,153 | \$ 729,124 | \$ 3,573,220 | \$ 5,878,497 | \$ (272,123) | \$ (36,000) | \$ (171,334) | \$ (928,443) | \$ 14,068,161 | |

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated February 22, 2023)

SYSTEX CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|--|----------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 1,094,968 | \$ 1,223,428 |
| Adjustments for: | | |
| Depreciation expense | 223,533 | 185,389 |
| Amortization expense | 31,834 | 18,344 |
| Expected credit loss (reversed) recognized | (6,724) | 7,828 |
| Gain on financial assets at fair value through profit or loss, net | (332,952) | (45,780) |
| Interest expense | 33,133 | 12,467 |
| Interest income | (6,196) | (795) |
| Dividend income | (49,828) | (43,412) |
| Compensation cost of share-based payment | 36,687 | - |
| Share of profit of subsidiaries and associates accounted for using equity method | (657,800) | (1,144,248) |
| Gain on sale of property, plant and equipment | (3,069) | (5,737) |
| Loss on sale of intangible assets | - | 2,116 |
| Impairment loss on financial assets | - | 99,034 |
| Write-down of inventories | 839 | 21,445 |
| Impairment loss on non-financial assets | 25,927 | - |
| Unrealized gain on foreign currency exchange, net | (225) | (568) |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | 517,303 | (1,139,081) |
| Notes receivable | 933 | (479) |
| Accounts receivable | (552,798) | (345,725) |
| Receivables from related parties | 292,053 | (278,905) |
| Other receivables | (8,530) | (38,810) |
| Inventories | (515,780) | (114,490) |
| Prepayments | (143,392) | (63,194) |
| Other current assets | 4,066 | (1,620) |
| Notes and accounts payable | (37,908) | 459,339 |
| Payables to related parties | 472,649 | 170,911 |
| Other payables | 61,358 | (516) |
| Contract liabilities | 240,448 | 9,424 |
| Other current liabilities | 39,172 | 56,369 |
| Net defined benefit liabilities | (51,438) | (33,894) |
| Cash generated from (used in) operations | 708,263 | (991,160) |
| Interest paid | (33,073) | (12,535) |
| Income tax paid | (19,739) | (24,291) |
| Net cash generated from (used in) operating activities | <u>655,451</u> | <u>(1,027,986)</u> |

(Continued)

SYSTEX CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|--|--------------------|-------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at fair value through other comprehensive income | \$ (24,061) | \$ (250,777) |
| Capital reduction of financial assets at fair value through other comprehensive income | - | 889 |
| Acquisition of investments accounted for using the equity method | (564,967) | (757,663) |
| Proceeds from disposal of investments accounted for using the equity method | 477,457 | - |
| Capital reduction of investments accounted for using the equity method | 4,192 | - |
| Payments for property, plant and equipment | (131,975) | (66,692) |
| Proceeds from disposal of property, plant and equipment | 20,114 | 14,055 |
| Increase in refundable deposits | (9,302) | (32,813) |
| Payments for intangible assets | (88,270) | (54,604) |
| Proceeds from disposal of intangible assets | 277 | - |
| Decrease (increase) in long-term receivables | 2,377 | (8,179) |
| Increase in pledged time deposits | (124,503) | (25,614) |
| (Increase) decrease in other non-current assets | (3,847) | 18,328 |
| Interest received | 6,249 | 761 |
| Dividends received | 49,828 | 43,412 |
| Dividends received from subsidiaries and associates | <u>883,306</u> | <u>654,830</u> |
| Net cash generated from (used in) investing activities | <u>496,875</u> | <u>(464,067)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term loans | 380,000 | - |
| Proceeds from issuance of corporate bonds | - | 2,994,218 |
| Decrease in guarantee deposits received | (186) | (321) |
| Repayment of the principal portion of lease liabilities | (128,113) | (102,936) |
| Dividends paid | (1,131,452) | (1,346,967) |
| Distribution in cash from capital surplus | <u>(215,515)</u> | <u>-</u> |
| Net cash (used in) generated from financing activities | <u>(1,095,266)</u> | <u>1,543,994</u> |
| NET INCREASE IN CASH | 57,060 | 51,941 |
| CASH AT THE BEGINNING OF THE YEAR | <u>338,114</u> | <u>286,173</u> |
| CASH AT THE END OF THE YEAR | <u>\$ 395,174</u> | <u>\$ 338,114</u> |

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated February 22, 2023)

(Concluded)

SYSTEX CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Systex Corporation (the “Corporation”) was incorporated on January 7, 1997 under the provision of the Company Act of the Republic of China and other laws and regulations. The Corporation is mainly engaged in sales and leases of computer software and related equipment, transmission and security of value-added network, maintenance of database, and consultation.

The Corporation’s shares had been traded on Emerging Stock Market since April 10, 2002 and Taipei Exchange since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

The financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on February 22, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

| New, Amended or Revised Standards and Interpretations | Effective Date Announced by IASB |
|---|---|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 1) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 2) |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3) |

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| <u>New, Amended or Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the financial statements, the Corporation accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 2) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting the financial statements, the assets and liabilities of the Corporation's foreign operations (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Corporation directly disposed of the related assets or liabilities.

The Corporation disposes of a subsidiary and results in a loss of control over the business, no gain or loss is recognized for transactions under common control.

Profit or loss resulting from downstream transactions is eliminated in full only in the financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Investment in associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Corporation uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of equity of associates.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Corporation subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation's share of equity of associates. If the Corporation's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the financial statements only to the extent of interests in the associate that are not related to the Corporation.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets (computer software) with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

- j. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

- k. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

- a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income (“FVTOCI”).

- i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses (“ECLs”) on financial assets at amortized cost (including accounts receivable) and lease receivables.

The Corporation always recognizes lifetime ECLs for accounts receivable and lease receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Corporation recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt or equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

1. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized as revenue when the goods are delivered and the customers have full discretion over the price to sell the goods, rights to use the goods, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

Service revenue comes from maintenance of computer software and hardware, value-added network services and related consultation services. As the Corporation provides services, customers simultaneously receive and consume the benefits provided by the Corporation's performance. Consequently, the related revenue is recognized when services are rendered. Service revenue other than conditions stated above is recognized when services have been completed.

Other operating revenue is mainly comprised of rental revenue on leases of computer equipment, which is recognized over the term of the lease.

m. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Corporation allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Corporation's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost (the initial measurement of lease liabilities). Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments (fixed payments). The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Corporation remeasures the lease liability with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Corporation negotiates with the lessors for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, and no substantive change to other terms and conditions. The Corporation elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Corporation recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement (including actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets excluding interest) is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Share-based payment arrangements

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefits.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared, with a corresponding adjustment in retained earnings.

At the end of each reporting period, the Corporation revises its estimate of the number of restricted shares for employees that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

The grant by the Corporation of its equity instruments to the employees of a subsidiary under share-based payment arrangements is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - restricted shares for employees.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for investments to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Valuation of Receivables

The valuation of receivables is based on assumptions about rates of default and expected loss. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment valuation, based on the Corporation's historical experience, existing market conditions and forward-looking estimates. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---------------------------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Cash on hand | \$ 224 | \$ 224 |
| Checking accounts and demand deposits | <u>394,950</u> | <u>337,890</u> |
| | <u>\$ 395,174</u> | <u>\$ 338,114</u> |

7. FINANCIAL ASSETS AT FVTPL

| | <u>December 31</u> | |
|---|--------------------|--------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Mutual funds | \$ 855,498 | \$ 1,372,250 |
| <u>Non-current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Unlisted shares | \$ 1,729,941 | \$ 1,397,540 |

8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

| | <u>December 31</u> | |
|-----------------------------------|--------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Investments in Equity Instruments | | |
| Unlisted shares | \$ 47,653 | \$ 25,549 |
| Listed shares | <u>1,017</u> | <u>-</u> |
| | <u>\$ 48,670</u> | <u>\$ 25,549</u> |

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

In the first quarter of 2021, the Corporation increased its interests in Genesis Technology Inc. (Genesis) and achieved significant influence over Genesis; therefore, investment in Genesis was reclassified from financial assets at FVTOCI to investments accounted for using the equity method in the amount of \$533,006 thousand, and its related unrealized valuation gain of \$49,429 thousand was transferred from other equity to retained earnings.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND LONG-TERM RECEIVABLES, NET

| | <u>December 31</u> | |
|---------------------------------------|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Notes receivable | \$ 18,203 | \$ 19,136 |
| Less: Allowance for doubtful accounts | <u>(172)</u> | <u>(172)</u> |
| | <u>\$ 18,031</u> | <u>\$ 18,964</u> |
| Accounts receivable | \$ 1,899,854 | \$ 1,348,462 |
| Less: Allowance for doubtful accounts | <u>(10,074)</u> | <u>(17,657)</u> |
| | <u>\$ 1,889,780</u> | <u>\$ 1,330,805</u> |
| Long-term receivables | \$ 7,105 | \$ 9,827 |
| Less: Unrealized interest income | <u>(332)</u> | <u>(677)</u> |
| | <u>\$ 6,773</u> | <u>\$ 9,150</u> |

The average credit period of receivables was 60 to 90 days. The Corporation delegated a department responsible for managing receivables, establishing credit limits, credit approvals and other monitoring procedures to ensure the profitability of the Corporation.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all receivables. The expected credit losses on receivables are estimated using a provision matrix by reference to the past default records of the debtor, the debtor's current financial position, economic condition of the industry in which the debtor operates as well as the GDP forecasts and industry outlook. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of receivables based on the Corporation's provision matrix:

December 31, 2022

| | Not Past Due | 1 to 90 Days Past Due | 91 to 180 Days Past Due | 181 to 270 Days Past Due | Over 270 Days Past Due | Total |
|-------------------------------|---------------------|----------------------------------|--|---|---------------------------------------|---------------------|
| Gross carrying amount | \$ 1,815,017 | \$ 85,238 | \$ 4,980 | \$ 232 | \$ 12,590 | \$ 1,918,057 |
| Loss allowance (Lifetime ECL) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(10,246)</u> | <u>(10,246)</u> |
| Amortized cost | <u>\$ 1,815,017</u> | <u>\$ 85,238</u> | <u>\$ 4,980</u> | <u>\$ 232</u> | <u>\$ 2,344</u> | <u>\$ 1,907,811</u> |

December 31, 2021

| | Not Past Due | 1 to 90 Days Past Due | 91 to 180 Days Past Due | 181 to 270 Days Past Due | Over 270 Days Past Due | Total |
|----------------------------------|---------------------|----------------------------------|--|---|---------------------------------------|---------------------|
| Gross carrying amount | \$ 1,290,748 | \$ 39,641 | \$ 26,727 | \$ 2,639 | \$ 7,843 | \$ 1,367,598 |
| Loss allowance (Lifetime ECL) | <u>-</u> | <u>-</u> | <u>(7,347)</u> | <u>(2,639)</u> | <u>(7,843)</u> | <u>(17,829)</u> |
| Amortized cost | <u>\$ 1,290,748</u> | <u>\$ 39,641</u> | <u>\$ 19,380</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,349,769</u> |

The movements of the loss allowance of receivable were as follows:

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 17,829 | \$ 10,001 |
| Net remeasurement of loss allowance | (6,724) | 7,828 |
| Amount written off | <u>(859)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 10,246</u> | <u>\$ 17,829</u> |

10. INVENTORIES

| | December 31 | |
|-------------------|---------------------|-------------------|
| | 2022 | 2021 |
| Merchandise | \$ 1,402,918 | \$ 883,279 |
| Maintenance parts | <u>6,788</u> | <u>7,002</u> |
| | <u>\$ 1,409,706</u> | <u>\$ 890,281</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$4,892,642 thousand and \$4,312,140 thousand, respectively. The cost of goods sold included inventory write-downs of \$839 thousand and \$21,445 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | |
|-----------------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Investments in subsidiaries | \$ 10,681,599 | \$ 10,153,103 |
| Investments in associates | <u>1,441,382</u> | <u>1,371,361</u> |
| | <u>\$ 12,122,981</u> | <u>\$ 11,524,464</u> |

a. Investments in subsidiaries

| | December 31 | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Unlisted Corporation | | |
| Kimo.com (BVI) Corporation (Kimo BVI) | \$ 4,144,305 | \$ 3,958,167 |
| System Capital Group, Inc. (SCGI) | 2,458,889 | 2,521,909 |
| System Software & Service Corporation (SSSC) | 1,249,158 | 1,161,042 |
| Ching Pu Investment Corporation (Ching Pu) (Notes 4 and 17) | 587,013 | 583,088 |
| Concord System Management Corporation (CSMC) | 413,179 | 439,296 |
| Taifon Computer Co., Ltd. (Taifon) | 319,583 | 297,290 |
| System Solutions Corporation (System Solutions) | 317,688 | 320,382 |
| Golden Bridge Corporation (GBC) | 309,089 | 285,928 |
| Docutek Solutions, Inc. (Docutek Solutions) | 274,150 | - |
| Nexsys Corporation (Nexsys) | 268,672 | 343,685 |
| MISYS Corporation (MISYS) | 99,737 | - |
| E-service Information Corporation (E-service) | 95,969 | 87,017 |
| uniXecure Corporation (uniXecure) | 42,141 | 49,915 |
| Taiwan Information Service Technology Corporation (TIST) | 38,437 | 40,356 |
| Naturint Corporation (Naturint) | 21,162 | 21,234 |
| Syspower Corporation (Syspower) | 22,136 | 20,028 |
| Hanmore Investment Corporation (Hanmore) (Notes 4 and 17) | 20,291 | 19,574 |
| Etu Corporation (Etu) | - | 4,192 |
| | <u>\$ 10,681,599</u> | <u>\$ 10,153,103</u> |

The Corporation's proportion of ownership and voting rights of its subsidiaries as of the balance sheet date were 100%, except for:

| Name of Associate | Proportion of Ownership and Voting Rights | |
|--------------------------|--|-------------|
| | December 31 | |
| | 2022 | 2021 |
| Syspower | 4.50% | 4.50% |
| Etu | - | 84.19% |
| Hanmore | 48.92% | 48.92% |
| TIST | 67.38% | 67.38% |
| Nexsys | 70.00% | 100.00% |
| Docutek Solutions | 54.92% | - |

Refer to Note 30 for the details of the subsidiaries indirectly held by the Corporation.

Refer to Note 26 to the consolidated financial statements for the disclosure of the Corporation's acquisition of Docutek Solutions.

The Corporation and its subsidiaries, collectively, hold more than 50% of the ownership and voting rights of Syspower; therefore, the Corporation has control over Syspower, which is accounted for as subsidiary.

Etu had been under dissolution and liquidation processes after the approval of shareholders in their meeting in December 2020. The Corporation received the refund from the liquidation of Etu in June 2022.

The Corporation holds 48.92% interest in Hanmore. The directors of the Corporation considered that the Corporation has the practical ability to direct the relevant activities of Hanmore and, therefore, has control over Hanmore.

The Corporation disposed of 30% of interest in Nexsys in May 2022 and decreased its interest in Nexsys to 70%.

The Corporation purchased 20.11% interest of Dawning in May 2022 (Syslink Corporation, a subsidiary of the Corporation, held 74.43% interest of Dawning) and the Corporation transferred all of its equity of Dawning to Syslink at the original acquisition price. As the transaction was under common control, no gain or loss on disposal was recognized.

The impairment losses on the subsidiaries amounted to \$37,509 thousand for the year ended December 31, 2021.

The Corporation's share of profit (loss) and other comprehensive income (loss) from subsidiaries using the equity method was recognized based on each subsidiary's audited financial statements for the years ended December 31, 2022 and 2021.

b. Investments in associates

Aggregate information of associates was as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2022 | 2021 |
| The Corporation's share of: | | |
| Net profit for the year | \$ 105,279 | \$ 39,189 |
| Other comprehensive income (loss) | <u>10,650</u> | <u>(24,788)</u> |
| Total comprehensive income for the year | <u>\$ 115,929</u> | <u>\$ 14,401</u> |

The impairment losses on the associates amounted to \$61,525 thousand for the year ended December 31, 2021.

Except for Bao Ruh Electronic Co., Ltd., Systemweb Technologies Co., Ltd., Sanfran Technologies Inc., Retail System Co., Ltd., Mohist Web Technology Co., Ltd., Frog-jump Information Co., Ltd., Shengsen Cloud Technology, FinRobo Advisor Securities Investment Consulting Co., Ltd., GenSys Technology (International) Ltd. and Systex Infopro Co., Ltd. for the year ended December 31, 2022, Systemweb Technologies Co., Ltd., Sanfran Technologies Inc., Retail System Co., Ltd., Mohist Web Technology Co., Ltd., Frog-jump Information Co., Ltd., Shengsen Cloud Technology, FinRobo Advisor Securities Investment Consulting Co., Ltd., GenSys Technology (International) Ltd. and Systex Infopro Co., Ltd. for the year ended December 31, 2021, the Corporation's share of profit and other comprehensive income (loss) from associates using the equity method were recognized based on each associate's audited financial statements. Management believes the financial statements that have not been audited would not have material impact on the investments accounted for using the equity method or the Corporation's share of profit and other comprehensive income (loss) in the financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Computer Equipment | Transportation Equipment | Lease Equipment | Leasehold Improvements | Other Equipment | Total |
|--|-------------------|---------------------|--------------------|--------------------------|------------------|------------------------|-------------------|---------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ 795,378 | \$ 1,161,115 | \$ 158,111 | \$ 10,677 | \$ 14,060 | \$ 26,712 | \$ 65,383 | \$ 2,231,436 |
| Additions | - | - | 41,784 | - | 2,729 | 5,463 | 16,716 | 66,692 |
| Disposals | (4,585) | (2,973) | (21,599) | (10,677) | (2,930) | (1,581) | (3,536) | (47,881) |
| Reclassifications | - | - | 18 | - | (18) | - | - | - |
| Balance at December 31, 2021 | <u>\$ 790,793</u> | <u>\$ 1,158,142</u> | <u>\$ 178,314</u> | <u>\$ -</u> | <u>\$ 13,841</u> | <u>\$ 30,594</u> | <u>\$ 78,563</u> | <u>\$ 2,250,247</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ 7,693 | \$ 478,955 | \$ 65,238 | \$ 7,341 | \$ 7,617 | \$ 10,963 | \$ 17,336 | \$ 595,143 |
| Depreciation expense | - | 16,594 | 42,202 | 890 | 3,654 | 5,626 | 13,630 | 82,596 |
| Disposals | - | (1,926) | (21,520) | (8,231) | (2,930) | (1,581) | (3,375) | (39,563) |
| Reclassifications | - | - | 15 | - | (15) | - | - | - |
| Balance at December 31, 2021 | <u>\$ 7,693</u> | <u>\$ 493,623</u> | <u>\$ 85,935</u> | <u>\$ -</u> | <u>\$ 8,326</u> | <u>\$ 15,008</u> | <u>\$ 27,591</u> | <u>\$ 638,176</u> |
| Carrying amount at December 31, 2021 | <u>\$ 783,100</u> | <u>\$ 664,519</u> | <u>\$ 92,379</u> | <u>\$ -</u> | <u>\$ 5,515</u> | <u>\$ 15,586</u> | <u>\$ 50,972</u> | <u>\$ 1,612,071</u> |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 790,793 | \$ 1,158,142 | \$ 178,314 | \$ - | \$ 13,841 | \$ 30,594 | \$ 78,563 | \$ 2,250,247 |
| Additions | - | - | 75,695 | - | 14,018 | 17,158 | 25,104 | 131,975 |
| Disposals | (12,666) | (7,240) | (22,050) | - | (3,046) | (1,037) | (1,124) | (47,163) |
| Reclassifications | - | - | (4,553) | - | (46) | - | - | (4,599) |
| Balance at December 31, 2022 | <u>\$ 778,127</u> | <u>\$ 1,150,902</u> | <u>\$ 227,406</u> | <u>\$ -</u> | <u>\$ 24,767</u> | <u>\$ 46,715</u> | <u>\$ 102,543</u> | <u>\$ 2,330,460</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 7,693 | \$ 493,623 | \$ 85,935 | \$ - | \$ 8,326 | \$ 15,008 | \$ 27,591 | \$ 638,176 |
| Depreciation expense | - | 16,503 | 46,642 | - | 5,892 | 7,578 | 17,718 | 94,333 |
| Disposals | - | (3,373) | (21,773) | - | (3,046) | (802) | (1,124) | (30,118) |
| Impairment loss | - | - | 5,410 | - | - | - | 3,311 | 8,721 |
| Reclassifications | - | - | (107) | - | (8) | - | - | (115) |
| Balance at December 31, 2022 | <u>\$ 7,693</u> | <u>\$ 506,753</u> | <u>\$ 116,107</u> | <u>\$ -</u> | <u>\$ 11,164</u> | <u>\$ 21,784</u> | <u>\$ 47,496</u> | <u>\$ 710,997</u> |
| Carrying amount at December 31, 2022 | <u>\$ 770,434</u> | <u>\$ 644,149</u> | <u>\$ 111,299</u> | <u>\$ -</u> | <u>\$ 13,603</u> | <u>\$ 24,931</u> | <u>\$ 55,047</u> | <u>\$ 1,619,463</u> |

As certain computer equipment and other equipment for operational use were unavailable, which resulted in a decrease in the estimated future cash flows, the Corporation recognized an impairment loss of \$8,721 thousand for the year ended December 31, 2022.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

| | |
|--|-----------|
| Buildings | 60 years |
| Computer equipment and other equipment | 3-5 years |
| Transportation equipment | 5 years |
| Lease equipment | 2-3 years |
| Leasehold improvements | 5 years |

13. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|---|---------------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Carrying amounts</u> | | |
| Buildings | \$ 145,749 | \$ 73,365 |
| Machinery | 30,898 | 53,592 |
| Transportation equipment | <u>1,006</u> | <u>2,105</u> |
| | <u>\$ 177,653</u> | <u>\$ 129,062</u> |
| | | |
| | <u>For the Year Ended December 31</u> | |
| | <u>2022</u> | <u>2021</u> |
| Additions to right-of-use assets | <u>\$ 177,791</u> | <u>\$ 34,891</u> |
| Depreciation charge for right-of-use assets | | |
| Buildings | \$ 95,099 | \$ 66,659 |
| Machinery | 33,003 | 36,042 |
| Transportation equipment | <u>1,098</u> | <u>92</u> |
| | <u>\$ 129,200</u> | <u>\$ 102,793</u> |

Except for the additions and depreciation charge listed above, the right-of-use assets of the Corporation had no material sublease agreement or impairment for the years ended December 31, 2022 and 2021.

b. Lease liabilities

| | <u>December 31</u> | |
|-------------------------|--------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Carrying amounts</u> | | |
| Current | <u>\$ 71,404</u> | <u>\$ 79,975</u> |
| Non-current | <u>\$ 109,180</u> | <u>\$ 50,871</u> |

Range of discount rate for lease liabilities was as follows:

| | <u>December 31</u> | |
|--------------------------|--------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| Buildings | 1.00%-1.25% | 1.00%-1.25% |
| Machinery | 1.00%-1.25% | 1.00%-1.25% |
| Transportation equipment | 1.00% | 1.00% |

c. Material leasing activities and terms

The Corporation leases buildings for the use of offices and equipment for the use of operation with lease terms of 1 to 7 years. The Corporation does not have bargain purchase options to acquire the leasehold buildings and equipment at the end of the lease terms.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Expenses relating to short-term leases and low-value asset leases | <u>\$ 17,590</u> | <u>\$ 40,721</u> |
| Total cash outflow for leases | <u>\$ 147,878</u> | <u>\$ 145,652</u> |

The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases, which qualify as short-term leases and low-value asset leases.

The amount of lease commitments for which the recognition exemption is applied were \$15,056 thousand and \$14,904 thousand, respectively, as of December 31, 2022 and 2021.

14. SHORT-TERM LOANS

| | December 31 | |
|----------------------|--------------------|-------------|
| | 2022 | 2021 |
| Bank unsecured loans | <u>\$ 380,000</u> | <u>\$ -</u> |
| Annual interest rate | 1.60%-1.85% | - |

15. BONDS PAYABLE

| | December 31 | |
|---------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Unsecured domestic bonds | \$ 3,000,000 | \$ 3,000,000 |
| Less: Discount on bonds payable | <u>(4,580)</u> | <u>(5,558)</u> |
| | <u>\$ 2,995,420</u> | <u>\$ 2,994,442</u> |

In September 2021, the Corporation issued 3,000 units (each unit at par value of \$1,000 thousand), 0.82% NTD-denominated unsecured bonds, in an aggregate principal amount of \$3,000,000 thousand. The five-year bonds will mature in September 2026. Interest is paid annually and the principal will be repaid in full on the maturity date. The funds raised by the issuance of bonds will be used to repay the bank loan and replenish the working capital.

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans were as follows:

| | December 31 | |
|---|--------------------|-------------------|
| | 2022 | 2021 |
| Present value of defined benefit obligation | \$ 449,662 | \$ 519,970 |
| Fair value of plan assets | <u>(345,925)</u> | <u>(320,687)</u> |
| Net defined benefit liability | <u>\$ 103,737</u> | <u>\$ 199,283</u> |

Movements in net defined benefit liability were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability |
|---|--|--|--|
| Balance at January 1, 2021 | <u>\$ 519,107</u> | <u>\$ (306,743)</u> | <u>\$ 212,364</u> |
| Service cost | | | |
| Current service cost | 763 | - | 763 |
| Net interest expense (income) | <u>1,801</u> | <u>(1,122)</u> | <u>679</u> |
| Recognized in profit or loss | <u>2,564</u> | <u>(1,122)</u> | <u>1,442</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (4,258) | (4,258) |
| Actuarial gain - changes in financial assumptions | (5,368) | - | (5,368) |
| Actuarial loss - experience adjustments | 17,812 | - | 17,812 |
| Actuarial loss - changes in demographic assumptions | <u>12,627</u> | <u>-</u> | <u>12,627</u> |
| Recognized in other comprehensive loss (income) | <u>25,071</u> | <u>(4,258)</u> | <u>20,813</u> |
| Contributions from the employer | - | (35,336) | (35,336) |
| Benefits paid | <u>(26,772)</u> | <u>26,772</u> | <u>-</u> |
| Balance at December 31, 2021 | <u>519,970</u> | <u>(320,687)</u> | <u>199,283</u> |
| Service cost | | | |
| Current service cost | 609 | - | 609 |
| Net interest expense (income) | <u>2,834</u> | <u>(1,862)</u> | <u>972</u> |
| Recognized in profit or loss | <u>3,443</u> | <u>(1,862)</u> | <u>1,581</u> |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability |
|--|--|--|--|
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | \$ - | \$ (25,629) | \$ (25,629) |
| Actuarial gain - changes in financial assumptions | (45,783) | - | (45,783) |
| Actuarial loss - experience adjustments | <u>27,304</u> | <u>-</u> | <u>27,304</u> |
| Recognized in other comprehensive income | <u>(18,479)</u> | <u>(25,629)</u> | <u>(44,108)</u> |
| Contributions from the employer | - | (53,019) | (53,019) |
| Benefits paid | <u>(55,272)</u> | <u>55,272</u> | <u>-</u> |
| Balance at December 31, 2022 | <u>\$ 449,662</u> | <u>\$ (345,925)</u> | <u>\$ 103,737</u> (Concluded) |

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31 | |
|-----------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Discount rates | 1.55% | 0.55% |
| Expected rates of salary increase | 1.20% | 1.20% |

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

| | December 31 | |
|-----------------------------------|--------------------|--------------------|
| | 2022 | 2021 |
| Discount rates | | |
| 0.5% increase | <u>\$ (20,704)</u> | <u>\$ (26,349)</u> |
| 0.5% decrease | <u>\$ 22,123</u> | <u>\$ 28,286</u> |
| Expected rates of salary increase | | |
| 0.5% increase | <u>\$ 22,089</u> | <u>\$ 27,955</u> |
| 0.5% decrease | <u>\$ (20,873)</u> | <u>\$ (26,311)</u> |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

| | December 31 | |
|--|--------------------|------------------|
| | 2022 | 2021 |
| The expected contributions to the plan for the next year | <u>\$ 26,614</u> | <u>\$ 44,959</u> |
| The average duration of the defined benefit obligation | 10 years | 10 years |

17. EQUITY

a. Share capital

| | December 31 | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| Number of shares authorized (in thousands) | <u>400,000</u> | <u>400,000</u> |
| Share capital authorized (par value of \$10 per share) | <u>\$ 4,000,000</u> | <u>\$ 4,000,000</u> |
| Number of shares issued (in thousands) | <u>272,333</u> | <u>269,393</u> |
| Share capital issued | <u>\$ 2,723,333</u> | <u>\$ 2,693,933</u> |

On May 26, 2022, the shareholders in their meeting approved to issue 3,000 thousand shares under a restricted share plan for employees with a total amount of \$30,000 thousand, which was approved by the FSC. On August 3, 2022, the board of directors resolved to issue all shares, please refer to Note 22 for details.

On December 21, 2022, the board of directors resolved to cancel 60 thousand shares that did not meet the vesting conditions (the portion allocated to employees of subsidiaries) with a par value of \$10 and amounting to a total of \$600 thousand, and set December 21, 2022 as the capital reduction record date.

b. Capital surplus

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>May be used to offset a deficit, distribute as cash dividends, or transfer to share capital (1)</u> | | |
| Issuance of shares | \$ 4,425,972 | \$ 4,641,487 |
| The difference between the consideration paid or received and the carrying amount of the subsidiaries' net assets during actual acquisition or disposal | 193,977 | 1,858 |
| Donations | 544 | 544 |
| Treasury share transactions | 2,052,062 | 1,945,013 |
| <u>May only be used to offset a deficit</u> | | |
| Changes in percentage of ownership interest in subsidiaries (2) | 6,854 | 10,666 |
| Share of changes in associates accounted for using the equity method | 4,815 | 2,260 |
| Gain on sale of property, plant and equipment | 4,493 | 4,493 |
| <u>May not be used for any purpose</u> | | |
| Employee restricted shares | <u>185,514</u> | <u>-</u> |
| | <u>\$ 6,874,231</u> | <u>\$ 6,606,321</u> |

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in subsidiary resulted from equity transactions other than actual disposal on acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles of Incorporation ("Articles"), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders, except that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

For the policies on distribution of compensation of employees and remuneration of directors, please refer to Note 19 c. for details.

For the goal of sustainable operation and development, the Corporation considers the overall environment and the nature of industry growth along with the long-term financial planning, and applies the dividend policy for residual earnings. The Corporation evaluates the annual funding requirements according to its future capital budget and retains the required fund from the earnings, and distributes the residual earnings as follows:

- 1) Determine the optimal capital budget.
- 2) Determine the funding requirements to meet the optimal capital budget.
- 3) Determine the funding requirements to be met by unappropriated earnings (the remaining may be met through capital increase by cash or issuance of bonds).
- 4) The residual earnings, less an appropriate portion for the operation requirements, may be distributed to shareholders.

The Corporation's dividends may be distributed in cash or shares. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, which should not exceed 50% of the total distributed earnings in principle. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget, etc. Further, the Corporation also takes into consideration shareholders' interests, balances of dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the shareholders' meeting.

For the distribution of dividends, if the distribution is in cash, the board of directors shall be authorized to resolve the proposal by the vote of at least half of the directors present, provided the number of directors present shall be at least two-thirds of the entire board of directors, and report the distribution to the shareholders' meeting. The Corporation may distribute all or part of the reserve in accordance with laws or the regulations of the competent authority. If it is distributed in cash, the Corporation authorizes the board of directors to make resolutions in accordance with Article 241 of the Company Act and report to the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the local regulations, an amount equals to the net debit balance of total other equity items shall be appropriated as a special reserve. The special reserve may be reversed to the extent of the decrease in the net debit balance.

If the Corporation's shares are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying amounts, the Corporation should appropriate a special reserve equal to the difference between the carrying amounts and market value multiplied by its percentages of ownership in the subsidiaries. The special reserve can be reversed in proportion to the percentages of ownership in the subsidiaries when the market value of the shares increased.

The appropriations of earnings for 2021 and 2020, were as follows:

| | Appropriation of Earnings | |
|---------------------------------|---|---------------------|
| | For the Year Ended December 31 | |
| | 2021 | 2020 |
| Legal reserve | <u>\$ 118,903</u> | <u>\$ 156,616</u> |
| (Reversal of) special reserve | <u>\$ (39,587)</u> | <u>\$ 189,245</u> |
| Cash dividends | <u>\$ 1,131,452</u> | <u>\$ 1,346,967</u> |
| Cash dividends per share (NT\$) | <u>\$ 4.2</u> | <u>\$ 5.0</u> |

The above cash dividends were approved by the board of directors on April 12, 2022 and April 14, 2021, respectively, and the remaining appropriations of earnings were approved by the shareholders in their meetings on May 26, 2022 and August 27, 2021, respectively.

The board of directors approved the cash distribution of capital surplus arising from issuance of shares in their meeting on April 12, 2022. The distribution amounted to \$215,515 thousand (NT\$0.8 per share).

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting in May 2023.

Information about the appropriations of earnings and distribution of capital surplus are available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

1) Exchange differences on translation of foreign operations

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ (692,016) | \$ (581,485) |
| Share of subsidiaries and associates accounted for using the equity method | <u>419,893</u> | <u>(110,531)</u> |
| Balance at December 31 | <u>\$ (272,123)</u> | <u>\$ (692,016)</u> |

2) Unrealized (loss) gain on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---------------------------------------|--------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ (37,108) | \$ (187,226) |
| Recognized for the year | | |
| Unrealized (loss) gain on equity investments | (940) | 113,958 |
| Share from subsidiaries and associates accounted for using the equity method | 11,867 | 58,009 |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | <u>(9,819)</u> | <u>(21,849)</u> |
| Balance at December 31 | <u>\$ (36,000)</u> | <u>\$ (37,108)</u> |

3) Unearned employee benefits

| | For the Year Ended December 31, 2022 |
|---|---|
| Balance at January 1 | \$ - |
| Issuance of shares | (219,300) |
| Cancellation of shares | 4,386 |
| Share-based payment expenses recognized | 36,687 |
| Share-based payment expenses recognized by subsidiaries | <u>6,893</u> |
| Balance at December 31 | <u>\$ (171,334)</u> |

Please refer to Note 22 for the issuance of restricted shares for employees.

e. Treasury shares (in thousands)

| Purpose of Treasury Share | Number of Shares at January 1 | Increase During the Year | Decrease During the Year | Number of Shares at December 31 |
|---|--|---|---|--|
| <u>2022 and 2021</u> | | | | |
| Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury shares | <u>21,410</u> | <u>-</u> | <u>-</u> | <u>21,410</u> |

The Corporation's shares held by subsidiaries at the end of reporting period were as follows:

| | <u>December 31</u> | |
|----------------------|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Hanmore</u> | | |
| Share (in thousands) | <u>21,317</u> | <u>21,317</u> |
| Investment cost | <u>\$ 738,426</u> | <u>\$ 755,480</u> |
| Market value | <u>\$ 1,481,509</u> | <u>\$ 1,807,654</u> |
| <u>Ching Pu</u> | | |
| Share (in thousands) | <u>10,982</u> | <u>10,982</u> |
| Investment cost | <u>\$ 237,308</u> | <u>\$ 246,093</u> |
| Market value | <u>\$ 763,213</u> | <u>\$ 931,229</u> |

For the Corporation's shares held by Hanmore, the investment cost at 48.92% (the ownership percentage owned by the Corporation) was transferred from investment accounted for using the equity method to treasury shares, amounting to \$515,617 thousand (10,428 thousand shares) as of December 31, 2022 and 2021.

The Corporation's shares held by its subsidiaries are recorded as treasury shares, with the subsidiaries having the same rights as other common shareholders on these shares, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

18. REVENUE

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |
| Revenue from the sale of goods | \$ 5,728,029 | \$ 5,048,158 |
| Revenue from the rendering of services | 3,351,694 | 3,199,837 |
| Other operating revenue | <u>46,853</u> | <u>37,392</u> |
| | <u>\$ 9,126,576</u> | <u>\$ 8,285,387</u> |

Contract Balances

| | December 31 | |
|-------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Notes and accounts receivable | <u>\$ 1,907,811</u> | <u>\$ 1,349,769</u> |
| Contract liabilities | <u>\$ 896,590</u> | <u>\$ 656,142</u> |

Please refer to Note 9 for information about notes and accounts receivable. The changes in the balance of contract liabilities primarily result from the timing difference between the Corporation's satisfaction of performance obligations and the respective customer's payment.

19. NET PROFIT

a. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Property, plant and equipment | \$ 94,333 | \$ 82,596 |
| Right-of-use assets | 129,200 | 102,793 |
| Intangible assets | <u>31,834</u> | <u>18,344</u> |
| | <u>\$ 255,367</u> | <u>\$ 203,733</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 79,166 | \$ 80,973 |
| Operating expenses | <u>144,367</u> | <u>104,416</u> |
| | <u>\$ 223,533</u> | <u>\$ 185,389</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 831 | \$ 938 |
| Operating expenses | <u>31,003</u> | <u>17,406</u> |
| | <u>\$ 31,834</u> | <u>\$ 18,344</u> |

b. Employee benefits expenses (recognized as operating expenses)

| | <u>For the Year Ended December 31</u> | |
|--|--|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Post-employment benefits | | |
| Defined contribution plans | \$ 92,621 | \$ 86,326 |
| Defined benefit plans (Note 16) | <u>1,581</u> | <u>1,442</u> |
| | 94,202 | 87,768 |
| Compensation cost of share-based payment | 36,687 | - |
| Payroll | 1,995,022 | 1,833,104 |
| Labor and health insurance | 175,296 | 165,958 |
| Remuneration of directors | 23,052 | 25,756 |
| Other employee benefits | <u>92,872</u> | <u>73,786</u> |
| Total employee benefits expenses | <u>\$ 2,417,131</u> | <u>\$ 2,186,372</u> |

For the years ended December 31, 2022 and 2021, the Corporation had 2,086 and 1,962 employees on average, respectively; the number of board of directors who did not serve concurrently as employees amounted to 10 and 11, respectively.

For the years ended December 31, 2022 and 2021, the average employee benefits expenses amounted to \$1,153 thousand and \$1,107 thousand, respectively, and the average payroll expenses amounted to \$961 thousand and \$940 thousand, respectively. The average payroll expenses increased by 2.23%.

The Corporation's policies for employee benefits expenses are as follows.

The directors are remunerated in accordance with the Corporation's current Articles. The Corporation has also established the "Regulations on Directors' Remuneration" to calculate their remuneration based on the base numbers established by directors' contribution to the Corporation and whether they are independent directors.

Directors' remuneration includes remuneration, salary, travel expenses, etc. Independent directors are paid in fixed amounts of remuneration every quarter in accordance with the resolutions in the board of directors' meetings. Travel expenses are paid each time directors attend board of directors or functional committee meetings in person.

Managerial officers' remuneration is paid in accordance with the Corporation's human resources policies. Their remuneration mainly includes basic salary, rewards, and employee remuneration. Rewards and bonuses are distributed based on the overall operating performance of the Corporation and shall be in accordance with the "Regulations on the Distribution of Year-End Bonuses".

The Corporation has established a remuneration committee to be in charge of the performance evaluation of directors and managerial officers, set and reviewing the remuneration policies, system standards and structure, and conduct periodic reviews on the accomplishment of performance targets in order to build a comprehensive remuneration system for the Corporation's directors and managerial officers.

The Corporation has set up a well-established performance management and remuneration system which connected the target of organization with personal performance. The Corporation ensures performance examination, feedback, and assessment are completed regularly. Bonuses are paid based on the overall performance of the Corporation, department performance, personal performance and contribution in order to achieve the Corporation's goal of high performance, high contribution, and high reward.

c. Compensation of employees and remuneration of directors

The Corporation accrues compensation of employees and remuneration of directors at rates of no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Corporation's board of directors on February 22, 2023 and February 23, 2022, respectively, are as follows:

| | <u>For the Year Ended December 31</u> | |
|---------------------------|--|--------------------|
| | <u>2022</u> | <u>2021</u> |
| | Cash | Cash |
| Compensation of employees | \$ 34,578 | \$ 38,635 |
| Remuneration of directors | 23,052 | 25,756 |

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2021.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain on sale of investments, net

| | <u>For the Year Ended December 31</u> | |
|---------------------------------------|--|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Disposal of financial assets at FVTPL | <u>\$ 1,785</u> | <u>\$ 592</u> |

e. Impairment losses recognized

| | <u>For the Year Ended December 31</u> | |
|---|--|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Property, plant and equipment | \$ 8,721 | \$ - |
| Intangible assets | 17,206 | - |
| Investments accounted for using the equity method | <u>-</u> | <u>99,034</u> |
| | <u>\$ 25,927</u> | <u>\$ 99,034</u> |

20. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expense are as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | \$ - | \$ 16,904 |
| Additional income tax under the Alternative Minimum Tax Act | 8,343 | - |
| Land value increment tax | 240 | 532 |
| Adjustments for prior years' tax | <u>(2,330)</u> | <u>(1,896)</u> |
| | <u>6,253</u> | <u>15,540</u> |
| Deferred tax | | |
| In respect of the current year | <u>(2,514)</u> | <u>(6,028)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 3,739</u> | <u>\$ 9,512</u> |

A reconciliation of accounting profit and income tax expense is as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Profit before tax | <u>\$ 1,094,968</u> | <u>\$ 1,223,428</u> |
| Income tax expense calculated at the statutory rate | \$ 218,994 | \$ 244,686 |
| Permanent difference | (221,508) | (233,810) |
| Additional income tax under the Alternative Minimum Tax Act | 8,343 | - |
| Land value incremental tax | 240 | 532 |
| Adjustments for prior years' tax | <u>(2,330)</u> | <u>(1,896)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 3,739</u> | <u>\$ 9,512</u> |

b. Current tax assets and liabilities

| | December 31 | |
|---|--------------------|------------------|
| | 2022 | 2021 |
| Current tax assets (included in other current assets) | | |
| Tax refund receivable | <u>\$ 982</u> | <u>\$ -</u> |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 1,715</u> | <u>\$ 14,219</u> |

Prepaid income tax of \$8,343 thousand and \$2,685 thousand have been deducted, respectively, from income tax payable as of December 31, 2022 and 2021.

c. The movements of deferred tax assets and liabilities

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|--|----------------------------|---|------------------------|
| <u>Deferred tax assets</u> | | | |
| Temporary differences | | | |
| Payable for annual leave | \$ 1,948 | \$ (92) | \$ 1,856 |
| Allowance for loss on inventories | 7,502 | (780) | 6,722 |
| Others | <u>7,466</u> | <u>3,364</u> | <u>10,830</u> |
| | <u>\$ 16,916</u> | <u>\$ 2,492</u> | <u>\$ 19,408</u> |
| <u>Deferred tax liabilities</u> | | | |
| Temporary differences | | | |
| Exchange differences on foreign operations | \$ 5,846 | \$ - | \$ 5,846 |
| Others | <u>85</u> | <u>(22)</u> | <u>63</u> |
| | <u>\$ 5,931</u> | <u>\$ (22)</u> | <u>\$ 5,909</u> |

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|--|----------------------------|---|------------------------|
| <u>Deferred tax assets</u> | | | |
| Temporary differences | | | |
| Payable for annual leave | \$ 1,651 | \$ 297 | \$ 1,948 |
| Allowance for loss on inventories | 3,767 | 3,735 | 7,502 |
| Others | <u>5,627</u> | <u>1,839</u> | <u>7,466</u> |
| | <u>\$ 11,045</u> | <u>\$ 5,871</u> | <u>\$ 16,916</u> |
| <u>Deferred tax liabilities</u> | | | |
| Temporary differences | | | |
| Exchange differences on foreign operations | \$ 5,846 | \$ - | \$ 5,846 |
| Others | <u>242</u> | <u>(157)</u> | <u>85</u> |
| | <u>\$ 6,088</u> | <u>\$ (157)</u> | <u>\$ 5,931</u> |

d. Income tax assessments

Income tax returns through 2020 and undistributed earnings through 2019 of the Corporation has been assessed by the tax authorities.

21. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Net income for the year | <u>\$ 1,091,229</u> | <u>\$ 1,213,916</u> |
| <u>Number of shares (in thousands)</u> | | |
| Weighted average number of ordinary shares in the computation of basic earnings per share | 247,983 | 247,983 |
| Effect of potentially dilutive ordinary shares: | | |
| Compensation of employees | <u>588</u> | <u>549</u> |
| Weighted average number of ordinary shares in the computation of diluted earnings per share | <u>248,571</u> | <u>248,532</u> |
| <u>Earnings per share (NT\$)</u> | | |
| Basic earnings per share | <u>\$4.40</u> | <u>\$4.90</u> |
| Diluted earnings per share | <u>\$4.39</u> | <u>\$4.88</u> |

If the Corporation can settle bonus to employees in cash or shares, the Corporation should assume the entire amount of the bonus will be settled in shares and the resulting potential shares, if dilutive, should be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The pro-forma net income and earnings per share, assuming the Corporation's share held by subsidiaries were treated as investment instead of treasury shares, were as follows:

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Net income for the year | <u>\$ 1,181,150</u> | <u>\$ 1,320,965</u> |
| <u>Number of shares (in thousands)</u> | | |
| Weighted average number of ordinary shares in the computation of pro forma basic earnings per share | 269,393 | 269,393 |
| Effect of potentially dilutive ordinary shares: | | |
| Compensation of employees | <u>588</u> | <u>549</u> |
| Weighted average number of ordinary shares in the computation of pro forma diluted earnings per share | <u>269,981</u> | <u>269,942</u> |
| <u>Earnings per share (NT\$)</u> | | |
| Basic earnings per share | <u>\$4.38</u> | <u>\$4.90</u> |
| Diluted earnings per share | <u>\$4.37</u> | <u>\$4.89</u> |

22. SHARE-BASED PAYMENT ARRANGEMENTS

On May 26, 2022, the shareholders in their meeting approved to issue 3,000 thousand shares under a restricted share plan for employees with a total amount of \$30,000 thousand, which was approved by the FSC. Vesting conditions of restricted stock awards (RSAs) are as follows:

- a. The employees remain employed by the Group on the last date of each vesting period, and the employees' performance metrics and the Group's operational goal are met at the same time, and during the vesting period, the employees may not breach labor contracts with the Group or be given a major demerit according to the Group's rewards and punishment regulations.
- b. The maximum percentage of granted RSAs that may be vested each year shall be as follows: one year anniversary of the grant: 33%; two-year anniversary of the grant: 33%; and three-year anniversary of the grant: 34%; or the maximum percentage of granted RSAs that may be vested for the three years from 2022 to 2024 will be set as 100%; provided that the actual percentage and number of the RSAs to be vested in each year will be calculated based on the achievement of the employees' performance metrics and the Group's operational goals.

Restrictions imposed on the employees' rights in the RSAs before the vesting conditions are fulfilled:

- a. During each vesting period, no employees granted RSAs may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, any shares under the unvested RSAs according to trust agreement.
- b. The attendance, proposal rights, speech rights, voting rights shall be exercised by the engaged trustee on the employees' behalf.
- c. The RSAs should be delivered to trust custodians upon the grant date. The employees cannot request for refund by all means before the vesting conditions are fulfilled.
- d. If the Group applies for non-statutory capital reduction, the RSAs should be cancelled in proportion to the capital reduction. The refund of cash shall be delivered to the engaged trustee before the vesting conditions are fulfilled. If the vesting conditions are not fulfilled, the Group will withdraw the refund of cash.
- e. Except for the aforementioned restrictions, before the vesting conditions are fulfilled, any other shareholders' rights including but not limited to the entitlement to any distribution regarding dividends, bonuses and capital reserve, and the subscription right of the new shares issued for any capital increase, are the same as those of holders of common shares of the Group. The operations will be executed under trust agreement.

On August 3, 2022, the board of directors approved to issue 3,000 thousand shares under a restricted share plan for employees with a par value of \$10 per share and a total amount of \$30,000 thousand. The grant date was September 1, 2022, and the closing price was \$73.10. As of December 31, 2022, the RSAs are not vested.

On December 21, 2022, the board of directors resolved to cancel 60 thousand shares that did not meet the vesting conditions (the portion allocated to employees of subsidiaries) with a par value of \$10 and amounting to a total of \$600 thousand, and set December 21, 2022 as the capital reduction record date.

For the year ended December 31, 2022, the compensation cost recognized on the RSAs was \$36,687 thousand.

23. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of debt and equity of the Corporation (comprising issued capital, capital surplus, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the Corporation considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|---------------------|-------------|---------------------|---------------------|
| <u>December 31, 2022</u> | | | | |
| Financial assets at FVTPL | | | | |
| Unlisted shares | \$ - | \$ - | \$ 1,729,941 | \$ 1,729,941 |
| Mutual funds | <u>855,498</u> | <u>-</u> | <u>-</u> | <u>855,498</u> |
| | <u>\$ 855,498</u> | <u>\$ -</u> | <u>\$ 1,729,941</u> | <u>\$ 2,585,439</u> |
| Financial assets at FVTOCI | | | | |
| Listed shares | \$ 1,017 | \$ - | \$ - | \$ 1,017 |
| Unlisted shares | <u>-</u> | <u>-</u> | <u>47,653</u> | <u>47,653</u> |
| | <u>\$ 1,017</u> | <u>\$ -</u> | <u>\$ 47,653</u> | <u>\$ 48,670</u> |
| <u>December 31, 2021</u> | | | | |
| Financial assets at FVTPL | | | | |
| Unlisted shares | \$ - | \$ - | \$ 1,397,540 | \$ 1,397,540 |
| Mutual funds | <u>1,372,250</u> | <u>-</u> | <u>-</u> | <u>1,372,250</u> |
| | <u>\$ 1,372,250</u> | <u>\$ -</u> | <u>\$ 1,397,540</u> | <u>\$ 2,769,790</u> |
| Financial assets at FVTOCI | | | | |
| Unlisted shares | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 25,549</u> | <u>\$ 25,549</u> |

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

| Financial Assets | Financial Assets at FVTPL | Financial Assets at FVTOCI | Total |
|--|--------------------------------------|---------------------------------------|---------------------|
| | Equity Instruments | Equity Instruments | |
| Balance at January 1 | \$ 1,397,540 | \$ 25,549 | \$ 1,423,089 |
| Recognized in profit or loss | 332,401 | - | 332,401 |
| Recognized in other comprehensive income | - | (926) | (926) |
| Purchases | <u>-</u> | <u>23,030</u> | <u>23,030</u> |
| Balance at December 31 | <u>\$ 1,729,941</u> | <u>\$ 47,653</u> | <u>\$ 1,777,594</u> |
| Unrealized gain for the current year included in profit or loss relating to assets held at the end of the year | <u>\$ 332,401</u> | | <u>\$ 332,401</u> |

For the year ended December 31, 2021

| Financial Assets | Financial Assets at FVTPL | Financial Assets at FVTOCI | Total |
|--|--------------------------------------|---------------------------------------|---------------------|
| | Equity Instruments | Equity Instruments | |
| Balance at January 1 | \$ 1,352,228 | \$ 1,001 | \$ 1,353,229 |
| Recognized in profit or loss | 45,534 | - | 45,534 |
| Recognized in other comprehensive income | - | 837 | 837 |
| Purchases | - | 24,600 | 24,600 |
| Capital reduction | - | (889) | (889) |
| Capital surplus distributed as cash dividends | <u>(222)</u> | <u>-</u> | <u>(222)</u> |
| Balance at December 31 | <u>\$ 1,397,540</u> | <u>\$ 25,549</u> | <u>\$ 1,423,089</u> |
| Unrealized gain for the current year included in profit or loss relating to assets held at the end of the year | <u>\$ 45,534</u> | | <u>\$ 45,534</u> |

3) Valuation techniques and inputs applied for Level 3 fair value measurement

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|------------------------------|---|
| Taiwan Futures Exchange | The market approach is used to arrive at their fair values for which the recent financial activities of investees, the market transaction prices of the similar companies and market conditions are considered. Significant unobservable inputs are discounted considering marketability. |
| Unlisted shares and others | The assets approach is used to the individual assets and individual liabilities to reflect the overall value of the investment target. Significant unobservable inputs are discounted considering marketability. |

c. Categories of financial instruments

| | <u>December 31</u> | |
|------------------------------|--------------------|--------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Financial assets</u> | | |
| FVTPL | \$ 2,585,439 | \$ 2,769,790 |
| Amortized cost (1) | 2,945,617 | 2,490,219 |
| FVTOCI | 48,670 | 25,549 |
| <u>Financial liabilities</u> | | |
| Amortized cost (2) | 6,334,271 | 5,458,149 |

- 1) The balances include financial assets at amortized cost, which comprise cash, notes receivable, accounts receivable, receivables from related parties, refundable deposits - current, refundable deposits - non-current, other receivables, lease receivables - current (included in other current assets), lease receivables - non-current (included in other non-current assets), long-term receivables, pledged time deposits - current (included in other current financial assets) and pledged time deposits - non-current (included in other non-current financial assets).
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, payables to related parties, other payables, guarantee deposits received (included in other non-current liabilities) and bonds payable.

d. Financial risk management objectives and policies

The Corporation's main target of financial risk management is to manage the market risk related to operating activity (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Corporation's financial performance, the Corporation endeavors to identify, estimate and hedge the uncertainties of the market.

The Corporation's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures.

1) Market risk

a) Foreign currency risk

The Corporation has foreign currency sales, purchases and borrowings, which were exposed to foreign currency risk. The Corporation designated a department to monitor exchange rate fluctuations in timely manner and change foreign currency position to control and mitigate such risks as soon as possible.

The sensitivity analysis focused on outstanding foreign currency denominated monetary assets and monetary liabilities (mainly USD) at the end of the reporting period. A positive number below indicates an increase/decrease in pre-tax net income associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------|
| | 2022 | 2021 |
| (Decrease) increase/(Increase) decrease | \$ (313) | \$ 1,649 |

b) Interest rate risk

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Fair value interest rate risk | | |
| Financial assets | \$ 261,566 | \$ 137,063 |
| Financial liabilities | 3,556,004 | 3,125,288 |
| Cash flow interest rate risk | | |
| Financial assets | 394,950 | 337,890 |

The Corporation acquires better interest rate through long-term cooperation with banks; therefore, the effect of interest rate fluctuations is immaterial.

The sensitivity analyses below were determined based on financial assets and financial liabilities with floating interest rates at the end of reporting period. If interest rates had been 10 basis points (0.1%) higher/lower, the Corporation's pre-tax net income effect would have been as follows:

| | For the Year Ended December 31 | |
|-------------------|---------------------------------------|-------------|
| | 2022 | 2021 |
| Increase/decrease | \$ 395 | \$ 338 |

c) Other price risk

The Corporation was exposed to price risk through its investments in shares, corporate bonds and mutual funds. The Corporation established a real-time control system for the price risk, and management does not anticipate any material loss due to this risk.

The sensitivity analyses of the above investment were determined based on financial assets which were measured at fair value at the end of reporting period. If market prices had been 5% higher/lower, the effects on the Corporation's pre-tax net income and other comprehensive income would have been as follows:

| | <u>For the Year Ended December 31</u> | |
|----------------------------|--|-------------|
| | 2022 | 2021 |
| Pre-tax net income | | |
| Increase/decrease | \$ 129,272 | \$ 138,490 |
| Other comprehensive income | | |
| Increase/decrease | 2,434 | 1,277 |

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Corporation if the counterparties breached contracts. Generally, the maximum exposures to credit risk for financial assets at the balance sheet date are their carrying amounts.

The Corporation designated a department to manage accounts receivable, establish management policies and develop credit limit management procedures to ensure its benefit. The corporation also choose creditworthy financial institutions with good credit rating as counterparties to reduce credit risk.

Since the counterparties are creditworthy financial institutions and enterprises and the concentration of credit risk is not significant, the credit risk is anticipated to be immaterial.

3) Liquidity risk

The Corporation puts in place inventory management system, procedures for collections and payments, and develops cash flow forecast to ensure the liquidity of operating capital. In addition, the Corporation invests idle funds in short-term investments under consideration of liquidity, security and profitability. The Corporation also maintains banking facilities to ensure the liquidity of cash.

The Corporation has sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated.

In addition, the Corporation's investments in mutual funds and listed shares are traded in active markets and can readily be sold in the market at their approximate fair values. However, the Corporation also invested in unlisted stocks without quoted market prices in an active market, and higher liquidity risk is anticipated.

25. TRANSACTIONS WITH RELATED PARTIES

Except for those disclosed in other notes, transactions between the Corporation and related parties are disclosed below.

a. Related parties and their relationship with the Corporation

| <u>Related Parties</u> | <u>Relationship with the Corporation</u> |
|--|--|
| Taifon Computer Co., Ltd. (Taifon) | Subsidiary |
| System Solutions Corporation (System Solutions) | Subsidiary |
| Syspower Corporation (Syspower) | Subsidiary |
| Concord System Management Corporation (CSMC) | Subsidiary |
| Nexsys Corporation (Nexsys) | Subsidiary |
| Ching Pu Investment Corporation (Ching Pu) | Subsidiary |
| Golden Bridge Corporation (GBC) | Subsidiary |
| Hanmore Investment Corporation (Hanmore) | Subsidiary |
| Kimo.com (BVI) Corporation (Kimo BVI) | Subsidiary |
| Naturint Corporation (Naturint) | Subsidiary |
| System Software & Service Corporation (SSSC) | Subsidiary |
| Softmobile Technology Corporation (Softmobile) | Subsidiary |
| Syscore Corporation (Syscore) | Subsidiary |
| Syslink Corporation (Syslink) | Subsidiary |
| Syswiser Technology Corporation (Syswiser) | Subsidiary |
| Smartsys Technology Corporation (Smartsys) | Subsidiary |
| Top Information Technologies Co., Ltd. (Top Information) | Subsidiary |
| E-service Information Corporation (E-service) | Subsidiary |
| Taiwan Information Service Technology Corporation (TIST) | Subsidiary |
| Palsys Digital Technology Corporation (Palsys) | Subsidiary |
| uniXecure Corporation (uniXecure) | Subsidiary |
| Docutek Solutions, Inc. (Docutek Solutions) | Subsidiary |
| MISYS Corporation (MISYS) | Subsidiary |
| System Information (HK) Ltd. (System HK) | Subsidiary |
| System Information (Shanghai) Ltd. (System) | Subsidiary |
| Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong) | Subsidiary |
| System Rainbow Tech Inc. (System Rainbow) | Subsidiary |
| System Group (China) Limited (System China) | Subsidiary |
| Dawning Technology Inc. (Dawning) | Subsidiary |
| Investment Media Ltd. (IM) | Associate |
| Sanfran Technologies Inc. (Sanfran) | Associate |
| Systemweb Technologies Co., Ltd. (Systemweb) | Associate |
| Shengsen Cloud Technology (Shengsen) | Associate |
| Frog-jump Information Co., Ltd. (Frog-jump) | Associate |
| Retail System Co., Ltd. (Retail System) | Associate |
| Neweb Information Co., Ltd. (Neweb) | Associate |
| Fuco Technology Co., Ltd. (Fuco) | Associate |
| AIWin Technology Co., Ltd. (AIWin) | Associate |
| Genesis Technology Inc. (Genesis) | Associate |
| FinRobo Advisor Securities Investment Consulting Co., Ltd. (FinRobo) | Associate |
| Bao Ruh Electronic Co., Ltd. (Bao Ruh) | Associate |
| CKmates International Co., Ltd. (CKmates) | Associate |
| Teamplus Technology Inc. (Teamplus) | Associate |
| Asiavest Capital Co., Ltd. (Asiavest) | Other related party |
| Green World FinTech Service Co., Ltd. (Green World) | Director of subsidiary |

b. Operating revenue

| Line Items | Related Party Categories | For the Year Ended December 31 | |
|-----------------|--------------------------|--------------------------------|-------------------|
| | | 2022 | 2021 |
| Sales | Subsidiary | \$ 124,855 | \$ 104,456 |
| | Associate | <u>28,085</u> | <u>27,506</u> |
| | | <u>\$ 152,940</u> | <u>\$ 131,962</u> |
| Service revenue | Subsidiary | \$ 147,285 | \$ 137,847 |
| | Associate | <u>6,342</u> | <u>5,560</u> |
| | | <u>\$ 153,627</u> | <u>\$ 143,407</u> |

c. Purchases

| Related Party Categories | For the Year Ended December 31 | |
|--------------------------|--------------------------------|---------------------|
| | 2022 | 2021 |
| Subsidiary | | |
| SSSC | \$ 1,022,212 | \$ 1,252,017 |
| Others | 882,953 | 344,636 |
| Associate | <u>18,973</u> | <u>44,000</u> |
| | <u>\$ 1,924,138</u> | <u>\$ 1,640,653</u> |

d. Receivables from related parties

| Line Items | Related Party Categories | December 31 | |
|--|--------------------------|-------------------|-------------------|
| | | 2022 | 2021 |
| Receivables from related parties | Subsidiary | \$ 113,974 | \$ 109,917 |
| | Associate | <u>7,733</u> | <u>3,686</u> |
| | | <u>121,707</u> | <u>113,603</u> |
| Loans and interest receivables from related parties | Subsidiary | | |
| | CSMC | - | 140,072 |
| | SSSC | - | 80,041 |
| | System Solutions | <u>-</u> | <u>80,041</u> |
| | | <u>-</u> | <u>300,154</u> |
| | | <u>\$ 121,707</u> | <u>\$ 413,757</u> |

The Corporation provided short-term loans to CSMC, SSSC and System Solutions. Such loans are due in December 2022, with a fixed interest rate of 1.25%, and the principal and interest will be repaid in full on the maturity date.

e. Payables to related parties

| Line Items | Related Party Categories | December 31 | |
|-----------------------------|--------------------------|-------------------|-------------------|
| | | 2022 | 2021 |
| Payables to related parties | Subsidiary | | |
| | SSSC | \$ 678,472 | \$ 222,466 |
| | Others | 201,499 | 176,067 |
| | Associate | <u>9,964</u> | <u>18,753</u> |
| | | <u>\$ 889,935</u> | <u>\$ 417,286</u> |

The product/service sales and purchase transactions with related parties were conducted underpricing terms similar to those with third parties, i.e., for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

f. Acquisition of property, plant and equipment and computer software

| Related Party Categories | For the Year Ended December 31 | |
|--------------------------|--------------------------------|-----------------|
| | 2022 | 2021 |
| Subsidiary | | |
| Dawning | \$ 24,143 | \$ 744 |
| Others | 20,978 | 8,439 |
| Associate | <u>240</u> | <u>-</u> |
| | <u>\$ 45,361</u> | <u>\$ 9,183</u> |

g. Disposal of property, plant and equipment and computer software

| Related Party Categories | Proceeds | | Gain on Disposal | |
|--------------------------|--------------------------------|-----------------|--------------------------------|--------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2022 | 2021 | 2022 | 2021 |
| Subsidiary | \$ 276 | \$ 79 | \$ - | \$ - |
| Other related parties | <u>-</u> | <u>1,619</u> | <u>-</u> | <u>62</u> |
| | <u>\$ 276</u> | <u>\$ 1,698</u> | <u>\$ -</u> | <u>\$ 62</u> |

h. Other transactions with related parties

| Line Items | Related Party Categories | For the Year Ended December 31 | |
|---|--------------------------|--------------------------------|-------------------|
| | | 2022 | 2021 |
| Service cost | Subsidiary | \$ 61,702 | \$ 63,006 |
| | Associate | <u>19,785</u> | <u>19,813</u> |
| | | <u>\$ 81,487</u> | <u>\$ 82,819</u> |
| Operating expenses | Subsidiary | \$ 22,261 | \$ 14,439 |
| | Associate | <u>4,068</u> | <u>1,265</u> |
| | | <u>\$ 26,329</u> | <u>\$ 15,704</u> |
| Revenue of management fee (recognized as deduction of operating expenses) | Subsidiary | <u>\$ 122,941</u> | <u>\$ 104,402</u> |
| Other income | Subsidiary | | |
| | Nexsys | \$ 3,484 | \$ 3,484 |
| | Others | 1,777 | 1,751 |
| | Associate | <u>-</u> | <u>204</u> |
| | | <u>\$ 5,261</u> | <u>\$ 5,439</u> |
| Interest income | Subsidiary | | |
| | CSMC | \$ 2,243 | \$ 72 |
| | SSSC | 1,653 | 41 |
| | System Solutions | <u>959</u> | <u>41</u> |
| | | <u>\$ 4,855</u> | <u>\$ 154</u> |

i. Remuneration of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|--------------------------------|-------------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 138,151 | \$ 132,274 |
| Post-employment benefits | 1,860 | 2,782 |
| Termination benefits | 3,460 | - |
| Share-based payment | <u>31,054</u> | <u>-</u> |
| | <u>\$ 174,525</u> | <u>\$ 135,056</u> |

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

26. PLEDGED ASSETS

The following assets were pledged as the Corporation's collateral for contract guarantees, guarantees for gift certificates and gift cards issued and import duty guarantee:

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Pledged time deposits - current (included in other financial assets - current) | \$ 226,017 | \$ 87,411 |
| Pledged time deposits - non-current (included in other financial assets - non-current) | <u>35,549</u> | <u>49,653</u> |
| | <u>\$ 261,566</u> | <u>\$ 137,064</u> |

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2022 and 2021 were as follows:

- a. Unused letters of credit of the Corporation in aggregate amount were as follows:

| | <u>December 31</u> | |
|--|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| | <u>\$ 658</u> | <u>\$ 695</u> |

- b. Outstanding sales contracts of the Corporation in the amount were as follows:

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| | <u>\$ 3,541,429</u> | <u>\$ 3,586,874</u> |

- c. Please refer to Table 2 for information that the Corporation provided endorsements for others.
- d. The Corporation issues gift certificates and gift cards. For the handling of advance receipts from customers for sold gift certificates and gift cards, the Corporation entered into a trust agreement with E.SUN Commercial Bank according to the "Provision to be Included in Standard Form Contract of All Sorts of Gift Certificates of Retail Companies" issued by the Ministry of Economic Affairs. According to the trust agreement, the Corporation opened a trust account in E.SUN Commercial Bank. Advance receipts from customers for sold gift certificates are deposited in the trust account and amounts for services already provided to customers are paid to the Corporation on a monthly basis. The balance in the trust account should be not lower than the amount of outstanding gift certificates and gift cards. As of December 31, 2022, the Corporation's assets in the trust account amounted to \$107,896 thousand (included in other financial assets).

28. OTHER ITEMS

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, some of the Corporation's subsidiaries, clients and suppliers in certain locations are subject to quarantine and traveling restriction policies. The Corporation has considered the overall operating and financial impacts to be immaterial. There is no doubt on the Corporation's ability to continue as a going concern, and there is no impairment of assets or financing risk recognized.

29. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount |
|--|-----------------------------|--------------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 1,985 | 30.71 | \$ 60,967 |
| Non-monetary item | | | |
| Investment accounted for using equity method | | | |
| USD | 215,018 | 30.71 | 6,603,194 |
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | 2,189 | 30.71 | 67,226 |

December 31, 2021

| | Foreign Currency | Exchange Rate | Carrying Amount |
|--|-----------------------------|--------------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 3,376 | 27.68 | \$ 93,456 |
| Non-monetary item | | | |
| Investment accounted for using equity method | | | |
| USD | 234,107 | 27.68 | 6,480,076 |
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | 2,185 | 27.68 | 60,471 |

The significant unrealized foreign exchange gains (losses) were as follows:

| | For the Year Ended December 31 | | | |
|-------------------------|---------------------------------------|--|----------------------|--|
| | 2022 | | 2021 | |
| Foreign Currency | Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) |
| USD | 30.71 | \$ <u>290</u> | 27.68 | \$ <u>(38)</u> |

30. SEPARATELY DISCLOSED ITEMS

- a. Information on significant transactions and b. information on investees:
- 1) Financing provided to others (Table 1)
 - 2) Endorsements/guarantees provided (Table 2)
 - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments (None)
 - 10) Information on investees (Table 7)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 5):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

SYSTEX CORPORATION

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Amount Borrowed (Note 21) | Interest Rate (%) | Nature of Financing | Business Transaction Amount | Reasons for Short-term financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 1) | Aggregate Financing Limit (Note 2) | Note |
|-----|---|---|----------------------------------|---------------|--------------------------------|----------------|----------------------------------|-------------------|----------------------|-----------------------------|----------------------------------|-------------------------------|------------|-------|--|------------------------------------|-----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | Systex Corporation | Systex Software & Service Corporation | Receivables from related parties | Y | \$ 800,000 | \$ - | \$ - | - | Short-term financing | \$ - | Operating capital | \$ - | - | \$ - | \$ 2,813,632 | \$ 5,627,264 | (Note 3) |
| | | Systex Solutions Corporation | Receivables from related parties | Y | 300,000 | - | - | - | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 4) |
| | | Concord System Management Corporation | Receivables from related parties | Y | 500,000 | 500,000 | - | 2.00 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 5) |
| 1 | Systex Group (China) Ltd. | Systek Information (Shanghai) Ltd. | Receivables from related parties | Y | 135,276 | 132,282 | 13,228 | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 6) |
| | | Systex Rainbow Tech Inc. | Receivables from related parties | Y | 225,460 | 220,470 | 88,188 | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 7) |
| | | Sysware Shenglong Information Systems Co., Ltd. | Receivables from related parties | Y | 22,546 | 22,047 | - | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 8) |
| | | Systex Ucom (Shanghai) Information Ltd. Co. | Receivables from related parties | Y | 225,460 | 220,470 | - | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 9) |
| 2 | Systek Information (Shanghai) Ltd. | Systex Group (China) Ltd. | Receivables from related parties | Y | 270,552 | 264,564 | - | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 10) |
| | | Systex Rainbow Tech Inc. | Receivables from related parties | Y | 45,092 | 44,094 | - | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 11) |
| | | Sysware Shenglong Information Systems Co., Ltd. | Receivables from related parties | Y | 45,092 | 44,094 | - | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 12) |
| 3 | Systex Rainbow Tech Inc. | Systex Group (China) Ltd. | Receivables from related parties | Y | 90,184 | 88,188 | - | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 13) |
| | | Systek Information (Shanghai) Ltd. | Receivables from related parties | Y | 45,092 | 44,094 | - | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 14) |
| 4 | Sysware Shenglong Information Systems Co., Ltd. | Systex Group (China) Ltd. | Receivables from related parties | Y | 45,092 | 44,094 | - | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 15) |
| | | Systek Information (Shanghai) Ltd. | Receivables from related parties | Y | 45,092 | 44,094 | 44,094 | 1-6.16 | Short-term financing | - | Operating capital | - | - | - | 2,813,632 | 5,627,264 | (Note 16) |
| 5 | Syspower Corporation | Palsys Digital Technology Corporation | Receivables from related parties | Y | 160,000 | 160,000 | 160,000 | 2.00 | Short-term financing | - | Operating capital | - | - | - | 197,749 | 197,749 | (Note 17) |
| 6 | Concord System Management Corporation | Palsys Digital Technology Corporation | Receivables from related parties | Y | 70,000 | 70,000 | - | 2.00 | Business Relations | 233,321 | Operating capital | - | - | - | 233,321 | 165,928 | (Note 18) |
| 7 | Syscore Corporation | Concord System Management Corporation | Receivables from related parties | Y | 150,000 | 150,000 | 150,000 | 2.00 | Short-term financing | - | Operating capital | - | - | - | 1,267,435 | 1,267,435 | (Note 19) |
| 8 | Syslink Corporation | Concord System Management Corporation | Receivables from related parties | Y | 150,000 | 150,000 | 150,000 | 2.00 | Short-term financing | - | Operating capital | - | - | - | 481,248 | 481,248 | (Note 20) |

Note 1: Loans to individual company shall not exceed 20% of the lender's net equity, except for 40% net equity of Syspower Corporation, Syscore Corporation and Syslink Corporation and the amount of business relations between the company and Concord System Management Corporation. If it is for short-term financing between foreign companies in which the Corporation holds a 100% interest, the financing limit is not subject to the prior limitation but shall not exceed 20% of the Corporation's net equity.

Note 2: Total loans shall not exceed 40% of the lender's net equity. If it is for short-term financing between foreign companies in which the Corporation holds a 100% interest, the total loans are not subject to the prior limitation but shall not exceed 40% of the Corporation's net equity.

Note 3: The highest balance for the period is NT\$800,000 thousand.

Note 4: The highest balance for the period is NT\$300,000 thousand.

Note 5: The highest balance for the period is NT\$500,000 thousand. The ending balance is NT\$500,000 thousand, which has not been withdrawn.

(Continued)

- Note 6: The highest balance for the period is NT\$135,276 thousand (RMB30,000 thousand). The ending balance is NT\$132,282 thousand (RMB30,000 thousand), including NT\$119,054 thousand (RMB27,000 thousand) which has not been withdrawn.
- Note 7: The highest balance for the period is NT\$225,460 thousand (RMB50,000 thousand). The ending balance is NT\$220,470 thousand (RMB50,000 thousand), including NT\$132,282 thousand (RMB30,000 thousand) which has not been withdrawn.
- Note 8: The highest balance for the period is NT\$22,546 thousand (RMB5,000 thousand). The ending balance is NT\$22,047 thousand (RMB5,000 thousand) which has not been withdrawn.
- Note 9: The highest balance for the period is NT\$225,460 thousand (RMB50,000 thousand). The ending balance is NT\$220,470 thousand (RMB50,000 thousand) which has not been withdrawn.
- Note 10: The highest balance for the period is NT\$270,552 thousand (RMB60,000 thousand). The ending balance is NT\$264,564 thousand (RMB60,000 thousand) which has not been withdrawn.
- Note 11: The highest balance for the period is NT\$45,092 thousand (RMB10,000 thousand). The ending balance is NT\$44,094 thousand (RMB10,000 thousand) which has not been withdrawn.
- Note 12: The highest balance for the period is NT\$45,092 thousand (RMB10,000 thousand). The ending balance is NT\$44,094 thousand (RMB10,000 thousand) which has not been withdrawn.
- Note 13: The highest balance for the period is NT\$90,184 thousand (RMB20,000 thousand). The ending balance is NT\$88,188 thousand (RMB20,000 thousand) which has not been withdrawn.
- Note 14: The highest balance for the period is NT\$45,092 thousand (RMB10,000 thousand). The ending balance is NT\$44,094 thousand (RMB10,000 thousand) which has not been withdrawn.
- Note 15: The highest balance for the period is NT\$45,092 thousand (RMB10,000 thousand). The ending balance is NT\$44,094 thousand (RMB10,000 thousand) which has not been withdrawn.
- Note 16: The highest balance for the period is NT\$45,092 thousand (RMB10,000 thousand). The ending balance is NT\$44,094 thousand (RMB10,000 thousand) which has been withdrawn.
- Note 17: The highest balance for the period is NT\$160,000 thousand. The ending balance is NT\$160,000 thousand which has been withdrawn.
- Note 18: The highest balance for the period is NT\$70,000 thousand. The ending balance is NT\$70,000 thousand which has not been withdrawn.
- Note 19: The highest balance for the period is NT\$150,000 thousand. The ending balance is NT\$150,000 thousand which has been withdrawn.
- Note 20: The highest balance for the period is NT\$150,000 thousand. The ending balance is NT\$150,000 thousand which has been withdrawn.
- Note 21: The ending balance of actual amount borrowed has been eliminated in the consolidated financial statements.

(Concluded)

SYSTEX CORPORATION

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022**
(In Thousands of New Taiwan Dollars)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|-----|------------------------------------|---|-----------------------|--|--|--|-------------------------|--|---|---|---|---|--|-----------------|
| | | Name | Relationship (Note 1) | | | | | | | | | | | |
| 0 | Systex Corporation | Systex Information (HK) Ltd. | b | \$ 3,517,040 | \$ 402,688 | \$ 383,875 | \$ 85,619 | \$ - | 2.73 | \$ 7,034,080 | Y | N | N | (Notes 2 and 3) |
| | | Systex Group (China) Ltd. | b | 3,517,040 | 1,819,322 | 1,759,086 | 643,493 | - | 12.50 | 7,034,080 | Y | N | Y | (Notes 2 and 3) |
| | | System Information (Shanghai) Ltd. | b | 3,517,040 | 16,108 | 15,355 | - | - | 0.11 | 7,034,080 | Y | N | Y | (Notes 2 and 3) |
| | | Systex Rainbow Tech Inc. | b | 3,517,040 | 48,323 | 46,065 | - | - | 0.33 | 7,034,080 | Y | N | Y | (Notes 2 and 3) |
| | | Systex Ucom (Shanghai) Information Ltd. Co. | b | 3,517,040 | 135,276 | 132,282 | 39,949 | - | 0.94 | 7,034,080 | Y | N | Y | (Notes 2 and 3) |
| | | Systex Software & Service Corporation | b | 3,517,040 | 1,000,000 | 1,000,000 | 572,603 | - | 7.11 | 7,034,080 | Y | N | N | (Notes 2 and 3) |
| 1 | Systek Information (Shanghai) Ltd. | Systex Group (China) Ltd. | d | 862,647 | 225,460 | 220,470 | 65,603 | 220,470 | 51.11 | 862,647 | N | N | Y | (Notes 4 and 5) |

Note 1: There are seven types of relationships between the endorser and the endorsed party.

- a. Companies that have business dealings.
- b. A company in which the company directly or indirectly holds more than 50% of the voting shares.
- c. Companies in which the company directly or indirectly holds more than 50% of the voting shares.
- d. Companies in which the company directly or indirectly holds more than 90% of the voting shares.
- e. A company that is mutually insured under a contract between peers or co-founders for the purpose of contracting for work.
- f. A company whose joint investment is guaranteed by all contributing shareholders in proportion to their shareholdings.
- g. Inter-industry companies that engage in performance guarantee and joint guarantee for pre-sale contracts in accordance with the Consumer Protection Act.

Note 2: Limits on endorsements/guarantees amount shall not exceed 25% of the net worth of the provider.

Note 3: The maximum balance for the period shall not exceed 50% of the net worth of the provider.

Note 4: Limits on endorsements/guarantees amount shall not exceed 200% of the net worth in previous year end of the provider.

Note 5: The maximum balance for the period shall not exceed 200% of the net worth in previous year end of the provider.

TABLE 3

SYSTEX CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Holding Company Name | Type and Name of Marketable Securities (Note 1) | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note | |
|---|--|--|---|--|--------------------|--------------------------------------|------------|---------|--|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | | |
| Controlling company - Systex Corporation | <u>Ordinary shares</u> | | | | | | | | |
| | GCH Systems | | Financial assets at FVTPL - non-current | 56,226 | \$ - | 0.74 | \$ - | | |
| | Taiwan Futures Exchange Corporation | | " | 15,718,664 | 1,475,146 | 3.28 | 1,475,146 | | |
| | Saho Corporation | | " | 795,895 | - | 1.79 | - | | |
| | Far Eastern Electronic Toll Collection Co., Ltd. | | " | 25,263,076 | 221,039 | 8.42 | 221,039 | | |
| | Sysjust Co., Ltd. | | " | 1,108,592 | 20,819 | 4.22 | 20,819 | | |
| | 3Probe Technologies Co., Ltd. | | " | 300,000 | 1,956 | 6.42 | 1,956 | | |
| | Da Ho Marketing Co., Ltd. | | " | 1,260,000 | 10,981 | 14.63 | 10,981 | | |
| | Princo Co., Ltd. | | " | 808,415 | - | 0.20 | - | | |
| | Wegoluck Co., Ltd. | | " | 471,700 | - | 3.20 | - | | |
| | Yankey Inc. | | " | 150,000 | - | 3.57 | - | | |
| | Germini Data Inc. | | " | 3,404,000 | - | 1.54 | - | | |
| | Prudence Capital Management Co., Ltd. | | | Financial assets at FVTOCI - non-current | 52,184 | 743 | 0.50 | 743 | |
| | Alpha Core Philosophy Co., Ltd. | | | " | 555,560 | 15,000 | 1.75 | 15,000 | |
| | iSpan International Inc. | | | " | 600,000 | 8,880 | 6.12 | 8,880 | |
| | Firstweb Limited. | | | " | 164,500 | 23,030 | 2.58 | 23,030 | |
| | Ennoconn Corporation | | | " | 5,000 | 1,017 | - | 1,017 | |
| | <u>Preference shares</u> | | | | | | | | |
| | Gemini Data, Inc. | | | Financial assets at FVTOCI - non-current | 7,720,167 | - | 3.50 | - | |
| | <u>Mutual funds</u> | | | | | | | | |
| | Capital Money Market Fund | | | Financial assets at FVTPL - current | 11,600,930 | 190,080 | - | 190,080 | |
| | Taishin Ta Chong Money Market Fund | | | " | 13,174,412 | 190,121 | - | 190,121 | |
| | Yuanta De-Li Money Market Fund | | | " | 5,735,295 | 95,030 | - | 95,030 | |
| FSITC Money Market Fund | | | " | 525,123 | 95,073 | - | 95,073 | | |
| Fubon Chi-Hsiang Money Market Fund | | | " | 5,976,083 | 95,076 | - | 95,076 | | |
| UPAMC James Bond Money Market Fund | | | " | 11,218,908 | 190,118 | - | 190,118 | | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities (Note 1) | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|---|---|--|--|---------------------|--------------------|--------------------------------------|------------|----------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Subordinate company - Ching Pu Investment Corporation | <u>Ordinary shares</u> System Corporation Castles Technology Co., Ltd. Enova Technology Corp. Princo Co., Ltd. Sysjust Co., Ltd. Jasper Display Corp. Axtronics Inc. Universal EC Inc. Taiwan Electronic Packaging Co., Ltd. <u>Mutual funds</u> Fuh Hwa Legend Fund VI PGIM Prudential Financial Money Market Fund Yuanta 0-2 Year Investment Grade Corporate Bond Fund-TWD (A) Yuanta Wan Tai Money Market Fund Pinebridge Taiwan Money Market Fund | Parent company | Financial assets at FVTOCI - non-current | 10,981,476 | \$ 763,213 | 4.03 | \$ 763,213 | (Note 2) |
| | | | Financial assets at FVTPL - current | 2,634,148 | 165,951 | 2.65 | 165,951 | |
| | | | Financial assets at FVTPL - non-current | 1,177,629 | - | 6.57 | - | |
| | | | " | 8,558,064 | - | 2.08 | - | |
| | | | " | 1,276,448 | 23,971 | 4.85 | 23,971 | |
| | | | " | 28,964 | - | 0.04 | - | |
| | | | " | 64,063 | - | 0.37 | - | |
| | | | " | 111,829 | - | 0.22 | - | |
| | | | " | 326,000 | - | 0.54 | - | |
| | | | Financial assets at FVTPL - current | 3,000,000 | 63,930 | - | 63,930 | |
| | | | " | 2,048,677 | 32,915 | - | 32,915 | |
| | | | " | 1,000,000 | 9,958 | - | 9,958 | |
| | | | " | 875,918 | 13,462 | - | 13,462 | |
| | | | " | 581,717 | 8,056 | - | 8,056 | |
| Subordinate company - Taiwan Information Service | <u>Ordinary shares</u> Changzhou Xinguotai Information Equipment Co., Ltd. Taione International Ltd. Drpacific-Greater China, Inc. | | Financial assets at FVTPL - non-current | 80,000 | - | 13.11 | - | |
| | | | " | 630,000 | - | 4.50 | - | |
| | | | " | - | - | 5.06 | - | |
| Subordinate company - Golden Bridge Corporation | <u>Mutual funds</u> FSITC Money Market Fund | | Financial assets at FVTPL - current | 168,522 | 30,511 | - | 30,511 | |
| Subordinate company - Taifon Computer Co., Ltd. | <u>Mutual funds</u> FSITC Money Market Fund Taishin Ta-Chong Money Market Fund Hua Nan Phoenix Money Market Fund PGIM Prudential Financial Money Market Fund | | Financial assets at FVTPL - current | 332,040 | 60,116 | - | 60,116 | |
| | | | " | 2,798,735 | 40,389 | - | 40,389 | |
| | | | " | 2,578,672 | 42,598 | - | 42,598 | |
| | | | " | 1,557,186 | 25,019 | - | 25,019 | |
| Subordinate company - Softmobile Technology Corporation | <u>Mutual funds</u> Capital Money Market Fund | | Financial assets at FVTPL - current | 2,875,982 | 47,123 | - | 47,123 | |
| Subordinate company - Nexsys Corporation | <u>Mutual funds</u> Yuanta Wan Tai Money Market Fund Jih Sun Money Market Fund Yuanta De-Bao Money Market Fund Yuanta De-Li Money Market Fund | | Financial assets at FVTPL - current | 1,961,598 | 30,150 | - | 30,150 | |
| | | | " | 2,009,489 | 30,285 | - | 30,285 | |
| | | | " | 2,880,287 | 35,144 | - | 35,144 | |
| | | | " | 5,574,867 | 92,372 | - | 92,372 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities (Note 1) | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|---|---|--|--|---------------------|--------------------|--------------------------------------|--------------|----------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Subordinate company - Hanmore Investment Corporation | <u>Ordinary shares</u> Systemex Corporation Monterey International Corp. Enova Technology Corp. NITS Technology Inc. <u>Mutual funds</u> PineBridge Taiwan Market Fund PineBridge Global ESG Quantitative Bond Fund A. | Parent company | Financial assets at FVTOCI - non-current | 21,316,678 | \$ 1,481,509 | 7.83 | \$ 1,481,509 | (Note 2) |
| | | | Financial assets at FVTPL - non-current | 1,196,371 | 10,610 | 4.68 | 10,610 | |
| | | | " | 1,840,046 | - | 9.87 | - | |
| | | | " | 3,910,646 | - | 5.83 | - | |
| | | | Financial assets at FVTPL - current | 1,163,323 | 16,110 | - | 16,110 | |
| | | | " | 968,720 | 8,615 | - | 8,615 | |
| | | | Financial assets at FVTPL - non-current | 1,000,000 | - | 2.22 | - | |
| | | | " | 1,500,000 | - | 4.41 | - | |
| | | | " | 1,109,468 | - | 3.30 | - | |
| | | | " | 279,919 | - | 0.24 | - | |
| Subordinate company - Systemex Capital Group, Inc. | <u>Ordinary shares</u> Com2B Corp. Techgains International Corp. Tradetrek.com Inc. Sipix Technology Limited Falcon Stor Software Inc. MagiCapital Fund II, L.P. <u>Preference shares</u> Techgains Pan-Pacific Corporation CipherMax Tonbu Inc. Gemini Data, Inc. <u>Other</u> Current Ventures II Limited <u>Mutual funds</u> GS Japan Equity Partners Portfolio Class P (ACC) (USD-HEDGED) GS US Core SM Equity Portfolio P (ACC) (SNAP) Shares GS GMS Global Equity Portfolio Mutual Fund Wellington Strategic European Equity Portfolio D USD Acc (Hedged) Unit Nomura Funds Ireland PLC A/US High Yield Bond | | Financial assets at FVTPL - current | 4,000 | 101 | 0.07 | 101 | |
| | | | Financial assets at FVTOCI - non-current | - | 162,624 | 2.91 | 162,624 | |
| | | | Financial assets at FVTPL - non-current | 3,000,000 | - | 4.96 | - | |
| | | | " | 73,703 | - | 0.74 | - | |
| | | | " | 333,333 | - | 1.38 | - | |
| | | | Financial assets at FVTOCI - non-current | 25,611,876 | 46,065 | 16.11 | 46,065 | |
| | | | Financial assets at FVTOCI - non-current | 2,500,000 | - | 4.20 | - | |
| | | | Financial assets at FVTPL - current | 34,096 | 21,466 | - | 21,466 | |
| | | | " | 30,284 | 25,445 | - | 25,445 | |
| | | | " | 44,408 | 26,662 | - | 26,662 | |
| " | 33,745 | 24,647 | - | 24,647 | | | | |
| " | 13,450 | 73,787 | - | 73,787 | | | | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities (Note 1) | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|---|---|--|--|---------------------|--------------------|--------------------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| | PIMCO Global High Yield Bond | | Financial assets at FVTPL - current | 145,719 | \$ 111,473 | - | \$ 111,473 | |
| | RBC Funds (LUX) Global Equity Focus Fund A USD ACC | | " | 4,416 | 24,368 | - | 24,368 | |
| | JSS USD HIGH YIELD FUND | | " | 9,589 | 35,719 | - | 35,719 | |
| | BLACKROCK BGF CHINA A-SHARE OPPORTUNITIES CLASS A SHARES | | " | 32,816 | 11,317 | - | 11,317 | |
| | GS Emerging Markets Broad Equity Portfolio (ACC) Shares | | " | 22,011 | 10,586 | - | 10,586 | |
| | GS Multi-manager US Equity Mutual Fund | | " | 28,786 | 25,097 | - | 25,097 | |
| | Goldman Sachs High Yield Floating Rate Portfolio Fund | | " | 7,257 | 29,821 | - | 29,821 | |
| | BLACKROCK BGF CONTINENTAL EUROPEAN FLEXIBLE FUND | | " | 22,116 | 13,054 | - | 13,054 | |
| | GS Multi-manager US Small Cap Equity Fund | | " | 30,427 | 12,054 | - | 12,054 | |
| | GS Asia Equity Portfolio Fund | | " | 21,027 | 11,559 | - | 11,559 | |
| | Vulcan Value Equity Fund USD Accumulating Class | | " | 1,719 | 7,939 | - | 7,939 | |
| Subordinate company - Naturint Corporation | <u>Mutual funds</u> Union Money Market Fund | | Financial assets at FVTPL - current | 1,147,614 | 15,396 | - | 15,396 | |
| Subordinate company - Syscore Corporation | <u>Ordinary shares</u> Far Eastern Electronic Toll Collection Co., Ltd. Jetwell Computer Co., Ltd. GrandTech C.G. Systems Inc. | | Financial assets at FVTPL - non-current | 7,716,831 | 67,518 | 2.57 | 67,518 | |
| | | | Financial assets at FVTPL - current | 72,000 | 3,730 | 0.18 | 3,730 | |
| | | | Financial assets at FVTOCI - non-current | 600,000 | 32,160 | 0.97 | 32,160 | |
| | <u>Preference shares</u> Taiwania Capital Buffalo Fund Preference Shares - Class A | | Financial assets at FVTPL - non-current | 92,600,000 | 85,734 | 2.15 | 85,734 | |
| | <u>Limited partnership</u> Digital-Economy limited partnership | | Financial assets at FVTPL - non-current | - | 39,703 | 6.29 | 39,703 | |
| | <u>Mutual funds</u> Allianz Global Investors Taiwan Money Market Fund | | Financial assets at FVTPL - current | 4,200,734 | 53,498 | - | 53,498 | |
| | Allianz Global Investors US Short Duration High Income Bond Fund | | " | 3,000,000 | 30,944 | - | 30,944 | |
| | Fuh Hwa Legend Fund VI | | " | 19,702,970 | 419,870 | - | 419,870 | |
| | Fuh Hwa Money Market Fund | | " | 3,429,207 | 50,160 | - | 50,160 | |
| | Yuanta 0-2 Year Investment Grade Corporate Bond Fund-TWD (A) | | " | 2,000,000 | 19,916 | - | 19,916 | |
| | Yuanta Wan Tai Money Market Fund | | " | 729,523 | 11,212 | - | 11,212 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities (Note 1) | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|---|---|---|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|----------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Subordinate company - Syslink Corporation | <u>Corporate bond</u> Nan Shan Life Insurance Company, Ltd. 1st Perpetual Unsecured Subordinate Corporate Bond Issue in 2016 | | Financial assets at amortized cost - non-current | - | \$ 503,684 | - | \$ 503,684 | (Note 3) |
| | <u>Ordinary shares</u> Onward Security Corporation Caloudi Corporation | | Financial assets at FVTPL - non-current Financial assets at FVTOCI - non-current | 6,630,000 1,225,000 | 8,364 26,342 | 11.02 19.68 | 8,364 26,342 | |
| Subordinate company - Syswiser Technology Corporation | <u>Mutual funds</u> Yuanta Wan Tai Money Market Fund | | Financial assets at FVTPL - current | 145,905 | 2,242 | - | 2,242 | |
| | <u>Mutual funds</u> UPAMC James Bond Money Market Fund TCB Money Market Fund | | Financial assets at FVTPL - current " | 654,135 1,365,015 | 11,085 14,060 | - - | 11,085 14,060 | |
| Subordinate company - Smartsys Technology Corporation | <u>Mutual funds</u> UPAMC James Bond Money Market Fund | | Financial assets at FVTPL - current | 100,612 | 1,705 | - | 1,705 | |
| Subordinate company - Top Information Co., Ltd. | <u>Mutual funds</u> Mega Diamond Money Market Fund Taishin 1699 Money Market Fund | | Financial assets at FVTPL - current " | 4,346,934 3,664,883 | 55,405 50,448 | - - | 55,405 50,448 | |
| | Subordinate company - Kimo.com (BVI) Corporation | <u>Ordinary shares</u> ISHARES A50 (2823.HK) CSOP A50 (2822.HK) | Financial assets at FVTPL - current " | 392,000 397,000 | 21,627 20,950 | - - | 21,627 20,950 | |
| <u>Mutual funds</u> ALLIANZ INCOME AND GROWTH-CLASS AT ACC (USD) ALLIANZ GLOBAL ARTIFICIAL INTELLIGENCE-CLASS AT ACC (USD) ALLIANZ TOTAL RETURN ASIAN EQUITY-CLASS A DIS (USD) ALLIANZ CHINA A SHARES SHS-AT (USD) | | | Financial assets at FVTPL - current " " Financial assets at FVTPL - current | 41,771 15,768 10,167 75,810 | 26,182 8,237 10,107 28,496 | - - - - | 26,182 8,237 10,107 28,496 | |
| | <u>Other</u> New Economy Ventures L.P | | Financial assets at FVTPL - non-current | - | 75,087 | 14.73 | 75,087 | |
| | <u>Preference shares</u> XREX Inc. | | Financial assets at FVTOCI - non-current | 254,148 | 11,056 | 0.96 | 11,056 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities (Note 1) | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|---|--|--|--|---------------------|--------------------|--------------------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Subordinate company - Syslong Corporation | <u>Ordinary shares</u> SMY Internet of Package Co., Ltd. | | Financial assets at FVTOCI - non-current | 234,568 | \$ 15,716 | 19.00 | \$ 15,716 | |
| | <u>Mutual funds</u> Fubon Chi-Hsiang Money Market Fund | | Financial assets at FVTPL - current | 15,589,282 | 248,016 | - | 248,016 | |
| Subordinate company - System Solutions Corporation | <u>Mutual funds</u> FSITC Money Market Fund Union Money Market Fund SinoPac TWD Money Market Fund Yuanta Wan Tai Money Market Fund | | Financial assets at FVTPL - current | 331,657 | 60,046 | - | 60,046 | |
| | | | " | 752,483 | 10,095 | - | 10,095 | |
| | | | " | 2,832,099 | 40,002 | - | 40,002 | |
| | | | " | 1,632,088 | 25,084 | - | 25,084 | |
| Subordinate company - MISYS Corporation | <u>Mutual funds</u> TCB Taiwan Money Market Fund | | Financial assets at FVTPL - current | 9,238,549 | 95,155 | - | 95,155 | |
| Subordinate company - Docutek Solutions, Inc. | <u>Mutual funds</u> JPMorgan Funds - US Technology Fund A (ACC) - USD | | Financial assets at FVTPL - current | 906 | 1,526 | - | 1,526 | |
| Subordinate company - System Software & Service Corporation | <u>Mutual funds</u> SinoPac TWD Money Market Fund | | Financial assets at FVTPL - current | 5,664,038 | 80,002 | - | 80,002 | |
| Subordinate company - Concord System Management Corporation | <u>Mutual funds</u> UPAMC James Bond Money Market Fund | | Financial assets at FVTPL - current | 4,130,720 | 70,000 | - | 70,000 | |

Note 1: The securities mentioned in this table above are those classified as financial instruments under IFRS 9, including shares, bonds, mutual funds, and all other securities derived from those items.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

Note 3: The carrying amount includes the unamortized bond premium of \$3,684 thousand generated from acquiring the bonds from the Corporation and Ching Pu Investment Corporation. In preparing the consolidated financial statements, the amount has been eliminated.

Note 4: Refer to Tables 7 and 8 for information on investment in subsidiaries and associates.

(Concluded)

SYSTEX CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|---|--|---|--------------|--------------|-------------------|-----------------|------------------|------------|------------------|------------|-----------------|------------------|------------------|--------------------|
| | | | | | Number of Shares | Amount (Note 1) | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain on Disposal | Number of Shares | Amount (Note 1) |
| Controlling company - Systex Corporation | <u>Mutual funds</u> | | | | | | | | | | | | | |
| | Fuh Hwa Money Market Fund | Financial assets at FVTPL - current | - | - | 13,185,153 | \$ 192,010 | 29,851,462 | \$ 435,000 | 43,036,615 | \$ 627,170 | \$ 627,010 | \$ 160 | - | \$ - |
| | Capital Money Market Fund | Financial assets at FVTPL - current | - | - | 9,210,164 | 150,049 | 23,214,480 | 380,000 | 20,823,714 | 340,397 | 340,049 | 348 | 11,600,930 | 190,000 |
| | Taishin Ta-Chong Money Market Fund | Financial assets at FVTPL - current | - | - | 13,387,966 | 192,068 | 26,378,818 | 380,000 | 26,592,372 | 382,447 | 382,068 | 379 | 13,174,412 | 190,000 |
| | Yuanta De-Li Money Market Fund | Financial assets at FVTPL - current | - | - | 14,578,709 | 240,034 | 16,962,141 | 280,000 | 25,805,555 | 425,311 | 425,034 | 277 | 5,735,295 | 95,000 |
| | FSITC Money Market Fund | Financial assets at FVTPL - current | - | - | 527,166 | 95,000 | 3,351,448 | 605,000 | 3,353,491 | 605,197 | 605,000 | 197 | 525,123 | 95,000 |
| | UPAMC James Bond Money Market Fund | Financial assets at FVTPL - current | - | - | 8,896,596 | 150,053 | 22,468,574 | 380,000 | 20,146,262 | 340,485 | 340,053 | 432 | 11,218,908 | 190,000 |
| Subordinate company - Systex Software & Service Corporation | <u>Mutual funds</u> | | | | | | | | | | | | | |
| | Taishin Ta-Chong Money Market Fund | Financial assets at FVTPL - current | - | - | 4,878,151 | 70,000 | 29,198,263 | 420,000 | 34,076,414 | 490,415 | 490,000 | 415 | - | - |
| | Mega Diamond Money Market Fund | Financial assets at FVTPL - current | - | - | 8,678,700 | 109,997 | 32,319,004 | 410,000 | 40,997,704 | 520,158 | 519,997 | 161 | - | - |
| | SinoPac TWD Money Market Fund | Financial assets at FVTPL - current | - | - | 7,120,833 | 100,000 | 46,883,021 | 660,000 | 48,339,816 | 680,475 | 680,000 | 475 | 5,664,038 | 80,000 |
| Subordinate company - Kimo.com (BVI) Corporation | <u>Ordinary shares</u> | | | | | | | | | | | | | |
| | Syscore Corporation | Investments accounted for using equity method | - | Subsidiary | 100,000,000 | 1,000,000 | 60,000,000 | 600,000 | - | - | - | - | 160,000,000 | 1,600,000 (Note 2) |
| Subordinate company - Systex Capital Group, Inc. | <u>Ordinary shares</u> | | | | | | | | | | | | | |
| | Syscore Corporation | Investments accounted for using equity method | - | Subsidiary | 100,000,000 | 1,000,000 | 30,000,000 | 300,000 | - | - | - | - | 130,000,000 | 1,300,000 (Note 2) |
| Subordinate company - Syscore Corporation | <u>Ordinary shares</u> | | | | | | | | | | | | | |
| | Syslink Corporation | Investments accounted for using equity method | - | Subsidiary | 65,000,000 | 650,000 | 75,000,000 | 750,000 | - | - | - | - | 140,000,000 | 1,400,000 (Note 2) |

Note 1: Financial assets at fair value through profit or loss and investments accounted for using equity method are measured at acquisition costs.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

SYSTEX CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

| Buyer/Seller | Related Party | Relationship (Note) | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | |
|---|--|------------------------|--|------------------|------------|---------------------------------|----------------------|---------------------------------|--|------------|
| | | | Purchase/ Sale | Amount (Note) | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance (Note) | % of Total |
| Controlling company - Systex Corporation | Systex Software & Service Corporation | Subsidiary | Sale | \$ (111,376) | 2 | 78 days after transaction month | \$ - | - | \$ 28,568 | 1 |
| | | | Purchase | 1,022,212 | 19 | 78 days after transaction month | - | - | (675,288) | 32 |
| | | | Purchase | 109,568 | 2 | 78 days after transaction month | - | - | (10,080) | - |
| | | | Purchase | 155,016 | 3 | 78 days after transaction month | - | - | (41,175) | 2 |
| | | | Purchase | 138,212 | 3 | 78 days after transaction month | - | - | (27,009) | 1 |
| | | | Purchase | 222,665 | 4 | 78 days after transaction month | - | - | (5,503) | - |
| Subordinate company - Systex Software & Service Corporation | Systex Corporation | Parent company | Purchase | 111,376 | 1 | 78 days after transaction month | - | - | (28,568) | 3 |
| | | | Sale | (1,022,212) | 11 | 78 days after transaction month | - | - | 675,288 | 40 |
| Subordinate company - Concord System Management Corporation | Palsys Digital Technology Corporation | Associate | Purchase | 190,488 | 12 | 78 days after transaction month | - | - | (9,968) | 4 |
| Subordinate company - Syspower Corporation | Systex Corporation | Parent company | Sale | (109,568) | 46 | 78 days after transaction month | - | - | 10,080 | 17 |
| Subordinate company - Dawning Technology Inc. | Systex Corporation | Parent company | Sale | (155,016) | 4 | 78 days after transaction month | - | - | 41,175 | 4 |
| Subordinate company - Palsys Digital Technology Corporation | Systex Corporation | Parent company | Sale | (138,212) | 10 | 78 days after transaction month | - | - | 27,009 | 11 |
| | | | Concord System Management Corporation | Associate | Sale | (190,488) | 14 | 78 days after transaction month | - | - |
| Subordinate company - Docutek Solutions, Inc. | Systex Corporation | Parent company | Sale | (222,665) | 72 | 78 days after transaction month | - | - | 5,503 | 18 |

(Continued)

| Buyer/Seller | Related Party | Relationship (Note) | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | |
|---|---|---------------------|---------------------|---------------|------------|----------------------------------|----------------------|---------------|-------------------------------------|------------|
| | | | Purchase/Sale | Amount (Note) | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance (Note) | % of Total |
| Subordinate company - Systex Group (China) Ltd. | System Ucom (Shanghai) Information Ltd. Co. | Associate | Purchase | \$ 295,692 | 12 | 120 days after transaction month | \$ - | - | \$ (21,743) | 3 |
| Subordinate company - System Ucom (Shanghai) Information Ltd. Co. | Systex Group (China) Ltd. | Associate | Sale | (295,692) | 86 | 120 days after transaction month | - | - | 21,743 | 34 |
| Subordinate company - Rainbow Tech Information (HK) Ltd. | Systex Information (HK) Ltd. | Associate | Purchase | 176,706 | 79 | 30 days after transaction month | - | - | (21,153) | 77 |
| Subordinate company - Systex Information (HK) Ltd. | Rainbow Tech Information (HK) Ltd. | Associate | Sale | (176,706) | 15 | 30 days after transaction month | - | - | 21,153 | 8 |

Note: In preparing the consolidated financial statements, the transaction has been eliminated.

(Concluded)

SYSTEX CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Ending Balance (Note) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|---|--------------------|-----------------------|--------------------------|---------------|---------|---------------|--|-------------------------------------|
| | | | | | Amount | Actions Taken | | |
| <u>Subordinate company</u> System Software & Service Corporation | System Corporation | Parent company (Note) | \$ 678,472 | 2.27 | \$ - | - | \$ 25,034 | \$ - |

Note: In preparing the consolidated financial statements, the transaction has been eliminated.

SYSTEX CORPORATION

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Name of Investee | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---------------------------|--|--|--|----------------------------|----------------------|-------------------------|-----------|-----------------|--------------------------------------|---------------------------|-------------------|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares | Ratio (%) | Carrying Amount | | | |
| Systex Corporation | Systex Infopro Co., Ltd. | Thailand | Sale of computer and peripheral equipment | \$ 2,200 | \$ 2,200 | 20,000 | 20.00 | \$ 3,655 | \$ 25,031 | \$ 3,498 | - |
| | Hanmore Investment Corporation | Taiwan | General investment activities | 47,125 | 47,125 | 9,640,680 | 48.92 | 20,291 | 88,857 | (329) | Subsidiary (1, 3) |
| | Ching Pu Investment Corporation | Taiwan | General investment activities | 50,472 | 50,472 | 38,437,500 | 100.00 | 587,013 | 76,054 | 30,654 | Subsidiary (2, 3) |
| | Concord System Management Corporation | Taiwan | Design, assessment and planning of computer system and application software and data-processing system, sale and lease of computer hardware, peripheral equipment and spare parts, and repairs and maintenance services | 485,393 | 485,393 | 23,113,372 | 100.00 | 413,179 | 72,548 | 71,849 | Subsidiary (3) |
| | Systemweb Technologies Co. | Taiwan | Data storage media units manufacturing, installation of computer, and sale and development of computer software | 86,950 | 86,950 | 3,245,000 | 32.45 | 54,756 | 6,391 | 2,094 | - |
| | Taifon Computer Co., Ltd. | Taiwan | Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation | 220,310 | 220,310 | 20,000,000 | 100.00 | 319,583 | 53,623 | 53,739 | Subsidiary (3) |
| | Sanfran Technologies Inc. | Taiwan | Maintenance and warranty of equipment of internet and information security, and consultation on network infrastructure and information security | 20,067 | 20,067 | 2,518,989 | 12.26 | 54,313 | 122,849 | 16,426 | - |
| | Golden Bridge Corporation | Taiwan | General investment activities | 230,000 | 230,000 | 23,000,000 | 100.00 | 309,089 | 52,441 | 52,441 | Subsidiary (3) |
| | Systex Software & Service Corporation | Taiwan | Sale and development of computer software, data-processing services | 450,000 | 450,000 | 54,450,000 | 100.00 | 1,249,158 | 506,500 | 506,201 | Subsidiary (3) |
| | Syspower Corporation | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 15,195 | 15,195 | 1,096,200 | 4.50 | 22,136 | 80,962 | 3,781 | Subsidiary (3) |
| | Systex Solutions Corporation | Taiwan | Design, construction and sale of telecom instrument, electronic calculator and computer | 260,000 | 260,000 | 26,000,000 | 100.00 | 317,688 | 37,968 | 37,606 | Subsidiary (3) |
| | Nexsys Corporation | Taiwan | Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment | 290,500 | 415,000 | 13,996,500 | 70.00 | 268,672 | 78,957 | 68,583 | Subsidiary (3) |
| | Systex Capital Group, Inc. | British Virgin Island | Investment activities including financial trust and holding | 91,695 | 91,695 | 550 | 100.00 | 2,458,889 | (194,681) | (194,441) | Subsidiary (3) |
| | Kimo.com (BVI) Corporation | British Virgin Island | Investment activities including financial trust and holding | 13,185 | 13,185 | 500,000 | 100.00 | 4,144,305 | (98,840) | (97,831) | Subsidiary (3) |
| | Naturint Corporation | Taiwan | Installation, sale, information software, data processing and other consultation on computer software and related equipment, network certification and software publication | 20,000 | 20,000 | 2,000,000 | 100.00 | 21,162 | (72) | (72) | Subsidiary (3) |
| | FinRobo Advisor Securities Investment Consulting Co., Ltd. | Taiwan | Securities investment advisor | 16,500 | 16,500 | 1,016,293 | 30.00 | - | (2,256) | (202) | - |
| | Mohist Web Technology Co. | Taiwan | Merchandise gift certificate automatic distribution system, in-time trust electronic (paper) ticket automated sales system, and integrated mobile payment platform | 25,600 | 25,600 | 400,000 | 40.00 | 11,107 | 2,092 | (141) | - |
| Shengsen Cloud Technology | Taiwan | Information software service | 10,800 | 10,800 | 905,084 | 30.00 | 3,505 | (21,160) | (7,002) | - | |
| Retail System Co. | Taiwan | Manufacturing, processing, assembling and sale of business machinery equipment | 24,000 | 24,000 | 780,000 | 30.00 | 26,649 | 336 | (197) | - | |

(Continued)

| Investor Company | Name of Investee | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---------------------------------|---|-----------|--|----------------------------|-------------------|-------------------------|-----------|-----------------|-----------------------------------|------------------------|----------------|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares | Ratio (%) | Carrying Amount | | | |
| Ching Pu Investment Corporation | Frog-jump Information Co., Ltd. | Taiwan | Information software service | \$ 18,969 | \$ 18,969 | 783,202 | 10.00 | \$ 13,071 | \$ 21,881 | \$ 2,737 | - |
| | GenSys Technology (International) Ltd. | Hong Kong | Design, assessment and planning of computer system and application software and data-processing system | 31,640 | 31,640 | 8,000,000 | 33.60 | - | (1,112) | - | - |
| | Genesis Technology Inc. | Taiwan | Wholesale of electronic apparatus, electronic equipment, computer and computer peripheral equipment, planning, analyzing and design of system, data processing, co-location and internet hosting services | 798,172 | 798,172 | 23,081,693 | 27.97 | 992,878 | 321,740 | 63,033 | - |
| | E-Service Information Corporation | Taiwan | Information software service, intellectual property rights, printing and data storage media manufacturing and copying | 89,500 | 89,500 | 8,000,000 | 100.00 | 95,969 | 9,772 | 8,952 | Subsidiary (3) |
| | Bao Ruh Electronic Co., Ltd. | Taiwan | Manufacturing and sale of ticket system equipment, e-payment machine, IC electronic card, vehicle trip recorder, satellite position system, access control system | 128,363 | 128,363 | 4,339,500 | 29.72 | 74,347 | 38,685 | 11,475 | - |
| | Taiwan Information Service Technology Corporation | Taiwan | Installation, sale, information software, data processing and other consultation on computer software and related equipment | 89,965 | 89,965 | 16,630 | 67.38 | 38,437 | 1,693 | 1,141 | Subsidiary (3) |
| | Collaboration Co., Ltd. | Taiwan | General investment activities | 200,015 | 200,015 | 6,160,000 | 44.55 | 207,101 | 36,799 | 13,558 | - |
| | UniXecure Corporation | Taiwan | Design, construction and sale of telecom instrument, electronic calculator and computer | 50,000 | 50,000 | 5,000,000 | 100.00 | 42,141 | (6,707) | (7,774) | Subsidiary (3) |
| | Dawning Technology Inc. | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | - | - | - | - | - | 41,184 | 10,519 | Subsidiary (3) |
| | Docutek Solutions, Inc. | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 286,000 | - | 7,568,413 | 54.92 | 274,150 | 64,240 | 7,765 | Subsidiary (3) |
| Golden Bridge Corporation | MISYS Corporation | Taiwan | Information software service | 100,000 | - | 10,000,000 | 100.00 | 99,737 | (263) | (263) | Subsidiary (3) |
| | Taiwan Electronic Data Processing Corporation | Taiwan | Design, installation, maintenance, lease and consultation on computer software and hardware equipment system, computer room engineering, network equipment system integration, and wholesale and retailing of medical appliances | 155,131 | 169,049 | 2,698,643 | 69.59 | 25,008 | 44 | - | Subsidiary (3) |
| | Investment Media Ltd. | Taiwan | Magazine and book publishing | 95,600 | 95,600 | 4,000,000 | 40.00 | 72,721 | (105,665) | - | - |
| Golden Bridge Corporation | Syspower Corporation | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 162,789 | 162,789 | 9,052,889 | 37.16 | 183,723 | 80,962 | - | Subsidiary (3) |
| | Syspower Corporation | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 189,023 | 189,023 | 10,331,022 | 42.41 | 209,662 | 80,962 | - | Subsidiary (3) |
| | Softmobile Technology Corporation | Taiwan | Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment | 80,000 | 80,000 | 3,661,875 | 100.00 | 62,876 | 18,085 | - | Subsidiary (3) |

(Continued)

| Investor Company | Name of Investee | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---------------------------------------|--|-----------|---|----------------------------|-------------------|-------------------------|-----------|-----------------|-----------------------------------|------------------------|----------------|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares | Ratio (%) | Carrying Amount | | | |
| Syscore Corporation | Syslink Corporation | Taiwan | General investment activities | \$ 1,400,000 | \$ 650,000 | 140,000,000 | 100.00 | \$ 1,203,121 | \$ (7,580) | \$ - | Subsidiary (3) |
| | Syslong Corporation | Taiwan | General investment activities | 250,000 | 250,000 | 25,000,000 | 100.00 | 266,012 | 6,785 | - | Subsidiary (3) |
| | Neweb Information Co., Ltd. | Taiwan | Setup and maintenance of computer room, maintenance and setup of system integration, cloud system integration service, management and maintenance of system and database, backup storage service, setup and consultation of internet and information security | 93,000 | 93,000 | 3,100,000 | 30.22 | 54,695 | 37,980 | - | - |
| | Fuco Technology Co., Ltd. | Taiwan | Printing, printed matter binding and processing, and wholesale of computers and peripheral equipment | 43,460 | 43,460 | 1,640,000 | 40.00 | 25,748 | 14,767 | - | - |
| | Genesis Technology Inc. | Taiwan | Wholesale of electronic apparatus, electronic equipment, computer and computer peripheral equipment, planning, analyzing and design of system, other data processing, co-location and internet hosting services | 71,994 | 71,994 | 3,256,388 | 3.95 | 136,801 | 321,740 | - | - |
| Syslink Corporation | Smartsys Technology Corporation | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 15,000 | 15,000 | 1,500,000 | 50.00 | 12,522 | (2,993) | - | Subsidiary (3) |
| | Syswiser Technology Corporation | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 10,000 | 10,000 | 1,000,000 | 100.00 | 6,386 | (2,312) | - | Subsidiary (3) |
| | Dawning Technology Inc. | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 743,963 | 446,595 | 32,608,896 | 91.60 | 632,155 | 41,184 | - | Subsidiary (3) |
| | AIWin Technology Co., Ltd. | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 12,000 | 12,000 | 300,000 | 20.00 | - | (5,150) | - | - |
| | CKmates International Co., Ltd. | Taiwan | Type II telecommunications business, internet certificates service, and retail sale of computer software | 60,002 | 60,002 | 3,117,000 | 25.00 | 11,709 | (41,526) | - | - |
| Concord System Management Corporation | Top Information Technologies Co., Ltd. | Taiwan | Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services | 152,608 | 152,608 | 18,000,000 | 100.00 | 212,700 | 13,715 | - | Subsidiary (3) |
| Kimo.com (BVI) Corporation | Systex Information (HK) Ltd. | Hong Kong | Sale of computer and peripheral equipment, retailing and processing of information of software | 860,852 | 860,852 | 207,736,600 | 100.00 | 683,368 | 64,889 | - | Subsidiary (3) |
| | Systex Solutions (HK) Limited | Hong Kong | Investment activities including financial trust and holding | 316,050 | 529,907 | 10,400,000 | 100.00 | 339,188 | 5,021 | - | Subsidiary (3) |
| | Rainbow Tech Information (HK) Ltd. | Hong Kong | Sale of computer and peripheral equipment, retailing and processing of information of software | 58,384 | 58,384 | 14,607,765 | 49.00 | 61,217 | (5,023) | - | Subsidiary (3) |
| | Syscore Corporation | Taiwan | General investment activities | 1,600,000 | 1,000,000 | 160,000,000 | 55.17 | 1,748,187 | (182,355) | - | Subsidiary (3) |
| | Gemini Data | Japan | IT services, software development, wholesale and retail of computers and related equipment, electronic data processing and related services | 24,485 | - | 11,000 | 100.00 | 23,715 | (1,810) | - | Subsidiary (3) |
| | QFPay Haojin FinTech Limited | Hong Kong | Online and offline mobile payment, one-stop smart collection and trade, Information Technology Services | 95,574 | - | 45,834 | 22.92 | 92,410 | (63,892) | - | - |
| | Aillumission Co., Ltd. | Japan | Mobile Network Construction, ICT infrastructure Construction, DX/ICT solution services, AI consultations | 106,435 | - | 200 | 20.00 | 114,624 | 44,164 | - | - |

(Continued)

| Investor Company | Name of Investee | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---------------------------------------|---------------------------------------|----------|---|----------------------------|-------------------|-------------------------|-----------|-----------------|-----------------------------------|------------------------|----------------|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares | Ratio (%) | Carrying Amount | | | |
| System Capital Group, Inc. | Syscore Corporation | Taiwan | General investment activities | \$ 1,300,000 | \$ 1,000,000 | 130,000,000 | 44.83 | \$ 1,420,402 | \$ (182,355) | \$ - | Subsidiary (3) |
| Dawning Technology Inc. | Neo Trend Tech Corporation | Taiwan | Cable installation engineering, other computer-related service, circuit engineering, and wireless communication service | 20,000 | 20,000 | 2,000,000 | 25.00 | 13,824 | 3,982 | - | - |
| Syspower Corporation | Palsys Digital Technology Corporation | Taiwan | Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services | 193,500 | 193,500 | 21,788,100 | 79.26 | 261,301 | 42,204 | - | Subsidiary (3) |
| System Software & Service Corporation | Smartsys Technology Corporation | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 15,000 | 15,000 | 1,500,000 | 50.00 | 12,522 | (2,993) | - | Subsidiary (3) |
| Docutek Solutions, Inc. | ANSecurity Inc. | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 10,000 | 10,000 | 2,674,443 | 100.00 | 48,192 | 9,801 | - | Subsidiary (3) |
| ANSecurity Inc. | Docutek Services Corporation | Taiwan | Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software | 5,800 | 5,800 | 3,432,551 | 100.00 | 45,542 | 10,352 | - | Subsidiary (3) |

Note 1: The carrying amount deducts the reclassification of the Corporation's shares held by the subsidiary from equity-method investments into treasury share of \$515,617 thousand, which is calculated by the investment cost amounting to \$1,076,171 thousand at 48.92% (the ownership percentage owned by the Corporation).

Note 2: The carrying amount deducts the reclassification of the Corporation's shares held by the subsidiary from equity-method investments into treasury share of \$412,826 thousand, which is calculated by the investment cost amounting to \$412,826 thousand at 100.00% (the ownership percentage owned by the Corporation).

Note 3: In preparing the consolidated financial statements, the transaction has been eliminated.

Note 4: Refer to Table 8 for information on investments in Mainland China.

(Concluded)

SYSTEX CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2022 | Accumulated Repatriation of Investment Income as of December 31, 2022 | Note |
|--|---|-----------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|------------------------|---|---|---------------------|
| | | | | | Outward | Inward | | | | | | | |
| Changzhou Xinguotai Information Equipment Co., Ltd. | Manufacture, service and sales of software and computer-related products | \$ 21,198 | a | \$ 2,780 | \$ - | \$ - | \$ 2,780 | \$ - | 9.10 | \$ - | \$ - | \$ - | |
| Systek Information (Shanghai) Ltd. | Sale of computer and peripheral equipment, retailing and processing of information software | 998,503 | b | 998,503 | - | - | 998,503 | 4,374 | 100.00 | 4,374 | 442,422 | - | Subsidiary (Note 2) |
| Sysware Shenglong Information Systems Co., Ltd. | Design of computer system, information processing service provider, retailing of computer and peripheral equipment | 181,489 | b | 181,489 | - | - | 181,489 | (45,566) | 100.00 | (45,566) | 58,803 | - | Subsidiary (Note 2) |
| Systex Group (China) Ltd. | Management consultation, marketing and sale, and capital and operation financial management | 292,700 | b | 292,700 | - | - | 292,700 | 18,908 | 100.00 | 18,908 | 103,538 | - | Subsidiary (Note 2) |
| Systex Rainbow Tech Inc. | Research, development, installation and wholesale of software and hardware technique and internet system | - | b | - | - | - | - | 20,276 | 100.00 | 20,276 | 300,337 | - | Subsidiary (Note 2) |
| Systex Ucom (Shanghai) Information Ltd. Co. | Software design and data processing, retailing and service of software | - | b | - | - | - | - | 2,451 | 100.00 | 2,451 | 40,546 | - | Subsidiary (Note 2) |
| Sunlight-tech Inc. | Manufacture of Internet-related software and hardware systems, video service systems, audio and video on-demand systems, multimedia and network video equipment | 551,210 | b | 220,484 | - | - | 220,484 | - | 40.00 | - | - | - | |
| Shanghai Mudao Financial Information Service Co., Ltd. | Financial information services, computer software development and technology development, technology transfer, technology consulting, technical services, consulting and research in market information, asset management, supply chain management, investment management, investment consulting, business information consulting, financial consulting in the fields of computer technology, information technology and data technology. | 14,504 | b | - | - | - | - | (1,119) | 29.62 | (612) | - | - | |
| Systex Rainbow (Guangzhou) Tech Inc. | Research, development, installation and wholesale of software and hardware technique and internet system | - | b | - | - | - | - | (368) | 100.00 | (368) | 3,301 | - | Subsidiary (Note 2) |

| Accumulated Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| \$1,695,956 | \$1,695,956 | \$8,440,896 |

(Continued)

Note 1: The methods of investment are as follows:

- a. Investment in China through remittances from third regions.
- b. Reinvestment in China through the third region investment companies.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

(Concluded)

SYSTEX CORPORATION**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

| Name of Major Shareholder | Shares | |
|--|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Hanmore Investment Corporation (Hanmore) | 21,316,678 | 7.83 |
| Joray Co., Ltd. | 21,072,559 | 7.74 |

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

SYSTEX CORPORATION

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SYSTEX CORPORATION**STATEMENT OF CASH****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Item | Amount |
|--|-------------------|
| Cash on hand | \$ 224 |
| Cash in banks | |
| Checking accounts and demand deposits | 363,222 |
| Foreign currency deposits (including US\$1,008,451.79 exchanged at US\$1:NT\$30.71, JPY169,876 exchanged at JPY1:NT\$0.23, HK\$7,336.36 exchanged at HK\$1:NT\$3.94, EUR7,108.83 exchanged at EUR1:NT\$32.72, SGD1,370.69 exchanged at SGD1:NT\$22.88 and RMB96,762 exchanged at RMB1:NT\$4.41) | <u>31,728</u> |
| | <u>\$ 395,174</u> |

SYSTEX CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Client Name | Amount |
|---|---------------------|
| A | \$ 852,843 |
| Others (Note) | 1,053,784 |
| Less: Long-term receivables (less unrealized interest income of \$332 thousand) | 6,773 |
| Less: Loss allowance | <u>10,074</u> |
| | <u>\$ 1,889,780</u> |

Note: The amount of individual client included in others does not exceed 5% of the account balance.

SYSTEX CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Item | Amount | |
|---------------------------------|---------------------|-----------------------------|
| | Cost | Net Realizable Value |
| Merchandise | \$ 1,430,392 | \$ 1,512,685 |
| Maintenance parts | <u>12,923</u> | <u>6,788</u> |
| | 1,443,315 | <u>\$ 1,519,473</u> |
| Less: Write-down of inventories | <u>33,609</u> | |
| | <u>\$ 1,409,706</u> | |

SYSTEX CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTPL - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Name of Securities | Balance, January 1, 2022 | | Increase in Investment | | Decrease in Investment | | Balance, December 31, 2022 | | Collateral | Note |
|--|--------------------------|---------------------|------------------------|-------------------|------------------------|---------------|----------------------------|---------------------|------------|------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | |
| Taiwan Futures Exchange | 13,788,302 | \$ 1,151,753 | 1,930,362 | \$ 323,393 | - | \$ - | 15,718,664 | \$ 1,475,146 | None | 1 |
| Far Eastern Electronic Toll Collection Co., Ltd. | 25,263,076 | 211,491 | - | 9,548 | - | - | 25,263,076 | 221,039 | " | 2 |
| SysJust Co., Ltd. | 1,108,592 | 20,922 | - | - | - | 103 | 1,108,592 | 20,819 | " | 3 |
| Da Ho Marketing Co., Ltd. | 1,260,000 | 10,853 | - | 128 | - | - | 1,260,000 | 10,981 | " | 4 |
| 3Probe Technologies Corp. | 300,000 | 2,521 | - | - | - | 565 | 300,000 | 1,956 | " | 5 |
| Gemini Data | 3,404,000 | - | - | - | - | - | 3,404,000 | - | " | - |
| Saho Corporation | 795,895 | - | - | - | - | - | 795,895 | - | " | - |
| GCH System | 56,226 | - | - | - | - | - | 56,226 | - | " | - |
| WeGoLuck Co., Ltd. | 471,700 | - | - | - | - | - | 471,700 | - | " | - |
| Princo Corp. | 808,415 | - | - | - | - | - | 808,415 | - | " | - |
| Yankey Information Co., Ltd. | 150,000 | - | - | - | - | - | 150,000 | - | " | - |
| | | <u>\$ 1,397,540</u> | | <u>\$ 333,069</u> | | <u>\$ 668</u> | | <u>\$ 1,729,941</u> | | |

Note 1: Increase in investment includes gain on fair value adjustments of \$323,393 thousand and distribution of share dividends of 1,930,362 shares.

Note 2: Increase in investment includes gain on fair value adjustments of \$9,548 thousand.

Note 3: Decrease in investment includes loss on fair value adjustments of \$103 thousand.

Note 4: Increase in investment includes gain on fair value adjustments of \$128 thousand.

Note 5: Decrease in investment includes loss on fair value adjustments of \$565 thousand.

SYSTEX CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee | Balance, January 1, 2022 | | Increase in 2022 | | Decrease in 2022 | | Investment Gain (Loss) and Impairment Loss (Note 24) | Balance, December 31, 2022 | | | Net Assets Value (Note 25) | Note |
|--|--------------------------|----------------------|------------------|---------------------|------------------|---------------------|--|----------------------------|--------|----------------------|-------------------------------|------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | Shares | % | Amount | | |
| Unlisted corporation | | | | | | | | | | | | |
| Kimo.com (BVI) Corporation | 500,000 | \$ 3,958,167 | - | \$ 293,089 | - | \$ 9,120 | \$ (97,831) | 500,000 | 100.00 | \$ 4,144,305 | \$ 4,145,372 | 1 |
| System Capital Group Inc. | 550 | 2,521,909 | - | 152,836 | - | 21,415 | (194,441) | 550 | 100.00 | 2,458,889 | 2,459,626 | 2 |
| System Software & Service Corporation | 54,450,000 | 1,161,042 | - | 4,447 | - | 422,532 | 506,201 | 54,450,000 | 100.00 | 1,249,158 | 1,253,924 | 3 |
| Ching Pu Investment Corporation | 30,750,000 | 583,088 | 7,687,500 | 56,300 | - | 83,029 | 30,654 | 38,437,500 | 100.00 | 587,013 | 1,351,706 | 4 |
| Concord System Management Corporation | 23,113,372 | 439,296 | - | 8,818 | - | 106,784 | 71,849 | 23,113,372 | 100.00 | 413,179 | 414,819 | 5 |
| Nexsys Corporation | 19,995,000 | 343,685 | - | 905 | 5,998,500 | 144,501 | 68,583 | 13,996,500 | 70.00 | 268,672 | 268,946 | 6 |
| System Solutions Corporation | 26,000,000 | 320,382 | - | - | - | 40,300 | 37,606 | 26,000,000 | 100.00 | 317,688 | 320,167 | 7 |
| Taifon Computer Co., Ltd. | 20,000,000 | 297,290 | - | 2,954 | - | 34,400 | 53,739 | 20,000,000 | 100.00 | 319,583 | 320,636 | 8 |
| Golden Bridge Corporation | 23,000,000 | 285,928 | - | 2,924 | - | 32,204 | 52,441 | 23,000,000 | 100.00 | 309,089 | 309,089 | 9 |
| E-Service Information Co. | 8,000,000 | 87,017 | - | - | - | - | 8,952 | 8,000,000 | 100.00 | 95,969 | 90,227 | - |
| uniXecure Corporation | 5,000,000 | 49,915 | - | - | - | - | (7,774) | 5,000,000 | 100.00 | 42,141 | 43,208 | - |
| Taiwan Information Service Technology Co., Ltd. | 16,630 | 40,356 | - | - | - | 3,060 | 1,141 | 16,630 | 67.38 | 38,437 | 38,437 | 10 |
| Naturint Corporation | 2,000,000 | 21,234 | - | - | - | - | (72) | 2,000,000 | 100.00 | 21,162 | 21,162 | - |
| Syspower Corporation | 1,096,200 | 20,028 | - | 169 | - | 1,842 | 3,781 | 1,096,200 | 4.50 | 22,136 | 22,247 | 11 |
| Hanmore Investment Corporation | 9,640,680 | 19,574 | - | 52,142 | - | 51,096 | (329) | 9,640,680 | 48.92 | 20,291 | 745,067 | 12 |
| Etu Corporation | 9,682,000 | 4,192 | - | - | 9,682,000 | 4,192 | - | - | - | - | - | 13 |
| Dawning Technology Inc. | - | - | 7,158,719 | 178,967 | 7,158,719 | 189,486 | 10,519 | - | - | - | - | 14 |
| Docutek Solutions, Inc. | - | - | 7,568,413 | 286,000 | - | 19,615 | 7,765 | 7,568,413 | 54.92 | 274,150 | 128,896 | 15 |
| MISYS Corporation | - | - | 10,000,000 | 100,000 | - | - | (263) | 10,000,000 | 100.00 | 99,737 | 99,737 | 16 |
| Genesis Technology Inc. | 20,072,498 | 936,852 | 3,009,195 | 13,053 | - | 20,060 | 63,033 | 23,081,693 | 27.97 | 992,878 | 1,188,707 | 17 |
| Collaboration Co., Ltd. | 6,160,000 | 202,008 | - | - | - | 8,465 | 13,558 | 6,160,000 | 44.55 | 207,101 | 133,516 | 18 |
| Bao Ruh Electronic Co., Ltd. | 4,339,500 | 62,872 | - | - | - | - | 11,475 | 4,339,500 | 29.72 | 74,347 | 74,347 | - |
| Systemweb Technologies Co., Ltd. | 3,245,000 | 54,934 | - | - | - | 2,272 | 2,094 | 3,245,000 | 32.45 | 54,756 | 54,756 | 19 |
| Sanfran Technologies Inc. | 2,518,989 | 52,522 | - | 521 | - | 15,156 | 16,426 | 2,518,989 | 12.26 | 54,313 | 54,313 | 20 |
| Retail System Co., Ltd. | 780,000 | 26,846 | - | - | - | - | (197) | 780,000 | 30.00 | 26,649 | 26,649 | - |
| Mohist Web Technology Co., Ltd. | 400,000 | 12,539 | - | 13 | - | 1,304 | (141) | 400,000 | 40.00 | 11,107 | 5,612 | 21 |
| Frog-jump Information Co., Ltd. | 683,202 | 12,079 | 100,000 | - | - | 1,745 | 2,737 | 783,202 | 10.00 | 13,071 | 13,071 | 22 |
| Shengsen Cloud Technology | 905,084 | 10,507 | - | - | - | - | (7,002) | 905,084 | 30.00 | 3,505 | 3,505 | - |
| FinRobo Advisor Securities Investment Consulting Co., Ltd. | 1,016,293 | 202 | - | - | - | - | (202) | 1,016,293 | 30.00 | - | 10,370 | - |
| Gensys Technology International. Ltd. | 8,000,000 | - | - | - | - | - | - | 8,000,000 | 33.60 | - | 21,755 | - |
| System Infopro Co., Ltd. | 20,000 | - | - | 167 | - | 10 | 3,498 | 20,000 | 20.00 | 3,655 | 3,656 | 23 |
| | | <u>\$ 11,524,464</u> | | <u>\$ 1,153,305</u> | | <u>\$ 1,212,588</u> | <u>\$ 657,800</u> | | | <u>\$ 12,122,981</u> | <u>\$ 13,623,523</u> | |

Note 1: Increase in 2022 includes increase in capital surplus due to subsidiaries' share of changes in associates accounted for using equity method amounted to \$14,262 thousand, exchange differences of \$266,280 thousand, increase in retained earnings due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$5,136 thousand, gain on equity investments at FVTOCI amounted to \$7,398 thousand and remeasurement of defined benefit plans of \$13 thousand. Decrease in 2022 includes decrease in other equity due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$5,136 thousand and decrease in retained earnings due to subsidiaries' non-proportional subscription of investments accounted for using equity method amounted to \$3,984 thousand.

Note 2: Increase in 2022 includes exchange differences of \$148,650 thousand, remeasurement of defined benefit plans of \$13 thousand and increase in retained earnings due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$4,173 thousand. Decrease in 2022 includes decrease in capital surplus due to subsidiaries' share of changes in associates accounted for using equity method amounted to \$12,232 thousand, loss on equity investments at FVTOCI amounted to \$1,026 thousand, decrease in other equity due to subsidiaries' disposal of financial instruments at FVTOCI amounted to \$4,173 thousand and decrease in retained earnings due to subsidiaries' non-proportional subscription of investments accounted for using equity method amounted to \$3,984 thousand.

Note 3: Increase in 2022 includes increase capital surplus due to the recognition of share-based payment costs amounted to \$4,447 thousand. Decrease in 2022 includes cash dividends received of \$422,532 thousand.

Note 4: Increase in 2022 includes increase in capital surplus due to cash dividends received by subsidiaries from the Corporation regarded as treasury share, which amounted to \$54,907 thousand, and increase in capital surplus due to subsidiaries' share of changes in associates accounted for using equity method amounted to \$1,393 thousand. Decrease in 2022 includes cash dividends received of \$83,025 thousand, and remeasurement of defined benefit plans of \$4 thousand.

(Continued)

- Note 5: Increase in 2022 includes remeasurement of defined benefit plans of \$8,818 thousand. Decrease in 2022 includes cash dividends received of \$106,784 thousand.
- Note 6: Increase in capital surplus due to the recognition of share-based payment costs amounted to \$778 thousand and remeasurement of defined benefit plans of \$127 thousand. Decrease in 2022 includes disposal of book value of \$104,511 thousand and cash dividends received of \$39,990 thousand.
- Note 7: Decrease in 2022 includes cash dividends received of \$40,300 thousand.
- Note 8: Increase in 2022 includes remeasurement of defined benefit plans of \$2,954 thousand. Decrease in 2022 includes cash dividends received of \$34,400 thousand.
- Note 9: Increase in 2022 includes increase in capital surplus due to subsidiaries' share of changes in associates accounted for using equity method amounted to \$1,590 thousand and increase in capital surplus due to the recognition of share-based payment costs amounted to \$1,334 thousand. Decrease in 2022 includes cash dividends received of \$32,200 thousand and remeasurement of defined benefit plans of \$4 thousand.
- Note 10: Decrease in 2022 includes cash dividends received of \$3,060 thousand.
- Note 11: Increase in 2022 includes increase in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$169 thousand. Decrease in 2022 includes cash dividends received of \$1,842 thousand.
- Note 12: Increase in 2022 includes increase in capital surplus due to cash dividends received by subsidiaries from the Corporation regarded as treasury share, which amounted to \$52,142 thousand. Decrease in 2022 includes cash dividends received of \$51,096 thousand.
- Note 13: Decrease in 2022 includes returning shares from the liquidation amounted to \$4,192 thousand.
- Note 14: Increase in 2022 includes acquisition of \$178,967 thousand. Decrease in 2022 includes decrease in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$49,799 thousand and disposal of book value of \$139,687 thousand.
- Note 15: Increase in 2022 includes acquisition of \$286,000 thousand. Decrease in 2022 includes dividends received of \$19,615 thousand.
- Note 16: Increase in 2022 includes acquisition of \$100,000 thousand.
- Note 17: Increase in 2022 includes increase in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$2,543 thousand, exchange differences of \$4,817 thousand, gain on equity investments at FVTOCI amounted to \$5,501 thousand and remeasurement of defined benefit plans of \$192 thousand. Decrease in 2022 includes dividends received of \$20,060 thousand.
- Note 18: Decrease in 2022 includes dividends received of \$8,465 thousand.
- Note 19: Decrease in 2022 includes dividends received of \$2,272 thousand.
- Note 20: Increase in 2022 includes increase in capital surplus due to changes in share of investments in associates accounted for using the equity method amounted to \$11 thousand and increase in retained earnings due to investees' disposal of financial instruments at FVTOCI amounted to \$510 thousand. Decrease in 2022 includes dividends received of \$14,637 thousand, loss on equity investments at FVTOCI amounted to \$9 thousand and decrease in other equity due to investees' disposal of financial instruments at FVTOCI amounted to \$510 thousand.
- Note 21: Increase in 2022 includes gain on equity investments at FVTOCI amounted to \$13 thousand. Decrease in 2022 includes dividends received amounted to \$1,304 thousand.
- Note 22: Decrease in 2022 includes dividends received amounted to \$1,724 thousand and exchange differences of \$21 thousand.
- Note 23: Increase in 2022 includes exchange differences amounted to \$167 thousand. Decrease in 2022 includes loss on equity investments at FVTOCI amounted to \$10 thousand.
- Note 24: Except for Bao Ruh Electronic Co., Ltd., Systemweb Technologies Co., Sanfran Technology Inc., Retail System Co., Mohist Web Technology Co., Frog-jump Information Co., Ltd., Shengsen Cloud Technology, FinRobo Advisor Securities Investment Consulting Co., Ltd., GenSys Technology (International) Ltd. and Systex Infopro Co., Ltd., the share of profit or loss of investments accounted for using the equity method for the year ended December 31, 2022 was calculated based on the financial statements that have been audited.
- Note 25: Except for the fair value of Genesis Technology Inc. was calculated based on the closing price at December 31, 2022 and share percentage held by the Corporation, net assets value of other unlisted shares was calculated based on the financial statements of investees and share percentage held by the Corporation.

(Concluded)

SYSTEX CORPORATION

STATEMENT OF NOTES PAYABLE AND ACCOUNTS PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Vendor Name | Amount |
|--------------------|---------------------|
| A | \$ 85,723 |
| Others (Note) | <u>1,182,061</u> |
| | <u>\$ 1,267,784</u> |

Note: The amount included in others does not exceed 5% of the account balance.

SYSTEX CORPORATION**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|--------------------------------------|---------------------|
| Sales | \$ 5,741,280 |
| Less: Sales returns and allowances | <u>13,251</u> |
| Net sales | <u>5,728,029</u> |
| Service revenue | |
| Maintenance revenue | 1,119,568 |
| Education and training revenue | 670,663 |
| Data processing revenue | 560,165 |
| Value-added internet service revenue | 407,115 |
| Other service revenue | <u>594,183</u> |
| | <u>3,351,694</u> |
| Other operating revenue | <u>46,853</u> |
| | <u>\$ 9,126,576</u> |

SYSTEX CORPORATION**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|-----------------------------------|---------------------|
| Merchandise, beginning of year | \$ 911,146 |
| Add: | |
| Merchandise purchased | 5,436,508 |
| Write-down of inventories | 839 |
| Less: | |
| Merchandise, end of year | 1,430,392 |
| Internal usage and others | <u>25,459</u> |
| Cost of goods sold | <u>4,892,642</u> |
| Service cost | |
| Maintenance cost | 429,079 |
| Education and training cost | 329,114 |
| Data processing cost | 319,524 |
| Value-added internet service cost | 183,912 |
| Other service cost | <u>152,586</u> |
| Total service cost | <u>1,414,215</u> |
| Other operating cost | <u>5,971</u> |
| | <u>\$ 6,312,828</u> |

SYSTEX CORPORATION

STATEMENT OF OPERATING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022 (In Thousands of New Taiwan Dollars)

| | Amount | | | | |
|--------------------------------------|-----------------------------|--|--|---|---------------------|
| | Selling Expenses | General and Administrative Expenses | Research and Development Expenses | Reversal of Expected Credit Losses | Total |
| Payroll and post-employment benefits | \$ 1,566,704 | \$ 239,481 | \$ 319,726 | \$ - | \$ 2,125,911 |
| Labor and health insurance | 123,383 | 19,477 | 32,436 | - | 175,296 |
| Depreciation | 117,265 | 21,258 | 5,844 | - | 144,367 |
| Reversal of expected credit losses | - | - | - | (6,724) | (6,724) |
| Others (Note) | <u>248,925</u> | <u>27,539</u> | <u>22,652</u> | <u>-</u> | <u>299,116</u> |
| | <u>\$ 2,056,277</u> | <u>\$ 307,755</u> | <u>\$ 380,658</u> | <u>\$ (6,724)</u> | <u>\$ 2,737,966</u> |

Note: The amount included in others does not exceed 5% of the account balance.