

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2023 AND 2022

(Stock Code : 3088)

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Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

Independent Auditors' Review Report

To the Board of Directors and Shareholders of
AXIOMTEK CO., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of AXIOMTEK CO., LTD. and its subsidiaries (hereinafter referred to as “the Group”) as at March 31, 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(4), we did not review the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method, which statements reflect total assets (including investments accounted for using equity method) of NT\$699,199 thousand and NT\$583,237 thousand, constituting 11.14% and 10.93% of the consolidated total assets, and total liabilities of NT\$145,869 thousand and NT\$ 123,227 thousand, constituting 5.21% and 5.22% of the consolidated total liabilities as at March 31, 2023 and 2022, respectively, and total comprehensive income(loss) of NT\$2,011 thousand and 1,343 thousand, constituting 1.66% and 0.85 of the consolidated total comprehensive income for the three months then ended, respectively. These amounts were based solely on the unreviewed financial statements of these companies as of these companies as of March 31, 2023 and 2022.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the “Regulations Governing the Preparation of Financial Reporting by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Po-Chuan

Wu, Han-Chi

for and on behalf of PricewaterhouseCoopers, Taiwan April 27, 2023

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022, MARCH 31, 2022 AND JANUARY 1, 2022
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Assets	Notes	March 31, 2023		(After Adjustment) December 31, 2022		(After Adjustment) March 31, 2022		(After Adjustment) January 1, 2022		
		Amount	%	Amount	%	Amount	%	Amount	%	
Current assets										
1100	Cash and cash equivalents	6(1)	\$ 934,365	15	\$ 1,031,621	17	\$ 513,004	9	\$ 943,871	18
1136	Financial assets at amortized cost – current	8	3,000	-	3,000	-	-	-	-	-
1150	Notes receivable	6(2) and 12(2)	14,359	-	17,620	-	18,013	-	19,898	-
1170	Accounts receivable	6(2) and 12(2)	757,402	12	745,252	12	838,641	16	745,599	14
1200	Other receivables		50,272	1	25,554	-	39,168	1	29,785	1
1220	Current income tax assets		2,490	-	1,922	-	362	-	401	-
130X	Inventories	6(3)	2,127,892	34	1,927,008	32	1,798,980	34	1,511,484	28
1410	Prepayments		48,176	1	31,815	1	52,695	1	23,221	-
1470	Other current assets		6,145	-	1,042	-	2,430	-	834	-
11XX	Total current assets		<u>3,944,101</u>	<u>63</u>	<u>3,784,834</u>	<u>62</u>	<u>3,263,293</u>	<u>61</u>	<u>3,275,093</u>	<u>61</u>
Non-current assets										
1550	Investments accounted for under equity method	6(4)	15,134	-	17,023	1	19,904	1	20,982	1
1600	Property, plant and equipment	6(5) and 8	1,843,806	29	1,775,555	29	1,670,122	31	1,670,465	31
1755	Right-of-use assets	6(6)	176,531	3	190,296	3	120,359	2	127,737	2
1760	Investment property	6(8)	37,859	1	37,983	1	38,355	1	38,479	1
1780	Intangible assets	6(9)(10)	111,978	2	117,218	2	111,594	2	114,769	2
1840	Deferred income tax assets		127,723	2	126,654	2	101,385	2	107,067	2
1990	Other non-current assets		21,017	-	15,558	-	9,243	-	9,228	-
15XX	Total non-current assets		<u>2,334,048</u>	<u>37</u>	<u>2,280,287</u>	<u>38</u>	<u>2,070,962</u>	<u>39</u>	<u>2,088,727</u>	<u>39</u>
1XXX	Total Assets		<u>\$ 6,278,149</u>	<u>100</u>	<u>\$ 6,065,121</u>	<u>100</u>	<u>\$ 5,334,255</u>	<u>100</u>	<u>\$ 5,363,820</u>	<u>100</u>
Liabilities and Equity										
Current liabilities										
2100	Short-term borrowings	6(11)	\$ 703,300	11	\$ 635,300	11	\$ 399,000	7	\$ 374,000	7
2130	Contract liabilities - current	6(21)	69,737	1	76,941	1	81,522	1	92,336	2
2150	Notes payables		-	-	1,350	-	735	-	675	-
2170	Accounts payable	6(12)	783,247	13	685,682	11	723,056	14	828,310	15
2180	Accounts payable – related parties	7	8,634	-	7,384	-	7,169	-	6,813	-
2200	Other payables	6(13)	549,549	9	429,955	7	565,681	11	419,448	8
2230	Current income tax liabilities		199,604	3	171,000	3	128,364	2	94,855	2
2250	Provisions for liabilities - current		1,539	-	1,539	-	1,152	-	1,152	-
2280	Current lease liabilities		44,073	1	47,916	1	37,101	1	37,570	1
2320	Current portion of long-term borrowings	6(14)	-	-	-	-	1,459	-	1,411	-
2399	Other current liabilities		16,531	-	17,152	-	7,546	-	6,963	-
21XX	Total current liabilities		<u>2,376,214</u>	<u>38</u>	<u>2,074,219</u>	<u>34</u>	<u>1,952,785</u>	<u>36</u>	<u>1,863,533</u>	<u>35</u>

(Continued)

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022, MARCH 31, 2022 AND JANUARY 1, 2022
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity		Notes	March 31, 2023		(After Adjustment) December 31, 2022		(After Adjustment) March 31, 2022		(After Adjustment) January 1, 2022	
			Amount	%	Amount	%	Amount	%	Amount	%
Non-current liabilities										
2540	Long-term borrowings	6(14) and 8	\$ -	-	\$ -	-	\$ 55,062	1	\$ 53,606	1
2560	Non-current income tax liabilities		5,093	-	8,913	-	24,168	-	30,677	1
2570	Deferred income tax liabilities		239,373	4	238,278	4	188,441	4	188,539	3
2580	Non-current lease liabilities		139,103	2	147,583	2	86,189	2	92,880	2
2600	Other non-current liabilities	6(15)	42,015	1	42,276	1	56,277	1	56,312	1
25XX	Total non-current liabilities		<u>425,584</u>	<u>7</u>	<u>437,050</u>	<u>7</u>	<u>410,137</u>	<u>8</u>	<u>422,014</u>	<u>8</u>
2XXX	Total liabilities		<u>2,801,798</u>	<u>45</u>	<u>2,511,269</u>	<u>41</u>	<u>2,362,922</u>	<u>44</u>	<u>2,285,547</u>	<u>43</u>
Equity attributable to shareholders of the parent										
Share capital										
3110	Ordinary shares	6(17)	919,605	14	910,235	15	902,025	17	884,829	16
3140	Advance receipts for share capital		-	-	13,079	-	2,628	-	75,094	1
Capital surplus										
3200	Capital surplus	6(18)	667,738	11	633,715	11	597,612	11	533,041	10
Retained earnings										
		6(19)								
3310	Legal reserve		615,504	10	615,504	10	576,846	11	576,846	11
3320	Special reserve		76,627	1	76,627	1	38,974	1	38,974	1
3350	Unappropriated retained earnings		1,203,718	19	1,308,972	22	904,650	17	1,046,116	19
Other equity										
3400	Other equity	6(20)	(6,841)	-	(4,280)	-	(51,402)	(1)	(76,627)	(1)
31XX	Total equity attributable to shareholders of the parent		<u>3,476,351</u>	<u>55</u>	<u>3,553,852</u>	<u>59</u>	<u>2,971,333</u>	<u>56</u>	<u>3,078,273</u>	<u>57</u>
3XXX	Total equity		<u>3,476,351</u>	<u>55</u>	<u>3,553,852</u>	<u>59</u>	<u>2,971,333</u>	<u>56</u>	<u>3,078,273</u>	<u>57</u>
Significant contingent liabilities and unrecognized contract commitments										
3X2X	Total Liabilities and Equity		<u>\$ 6,278,149</u>	<u>100</u>	<u>\$ 6,065,121</u>	<u>100</u>	<u>\$ 5,334,255</u>	<u>100</u>	<u>\$ 5,363,820</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(REVIEWED, NOT AUDITED)

Items	Notes	Year ended December 31			
		2023		2022	
		Amount	%	Amount	%
4000 Operating revenue	6(21)	\$ 1,577,525	100	\$ 1,484,823	100
5000 Operating costs	6(3)(26) (27) and 7	(1,061,942)	(67)	(993,018)	(67)
5900 Gross profit		515,583	33	491,805	33
5910 Unrealized gain from sale	6(4)	(240)	-	(98)	-
5920 Realized gain from sale		234	-	20	-
5950 Net operating margin		515,577	33	491,727	33
Operating expenses	6(26)(27)				
6100 Selling expenses		(121,205)	(8)	(138,919)	(9)
6200 General and administrative expenses		(89,097)	(5)	(70,296)	(5)
6300 Research and development expenses		(137,755)	(9)	(124,852)	(8)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	396	-	(927)	-
6000 Total operating expenses		(347,661)	(22)	(334,994)	(22)
6900 Operating profit		167,916	11	156,733	11
Non-operating income and expenses					
7100 Interest income	6(22)	4,995	-	244	-
7010 Other income	6(23)	2,502	-	5,043	-
7020 Other gains and losses	6(24)	(8,834)	(1)	16,816	1
7050 Finance costs	6(25)	(3,864)	-	(1,721)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(4)	(1,883)	-	(1,000)	-
Total non-operating income and expenses		(7,084)	(1)	19,382	1
7900 Profit before income tax		160,832	10	176,115	12
7950 Income tax expenses	6(28)	(37,012)	(2)	(42,463)	(3)
8200 Net Income		\$ 123,820	8	\$ 133,652	9
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(\$ 3,201)	-	\$ 31,531	2
8399 Income tax relating to the components of other comprehensive income	6(28)	640	-	(6,306)	-
8300 Other comprehensive income (loss) for the year		(\$ 2,561)	-	\$ 25,225	2
8500 Total Comprehensive Income		\$ 121,259	8	\$ 158,877	11
Profit attributable to:					
8610 Shareholders of the parent		\$ 123,820	8	\$ 133,652	9
Total comprehensive income (loss) attributable to:					
8710 Shareholders of the parent		\$ 121,259	8	\$ 158,877	11
9750 Basic earnings per share	6(29)	\$ 1.35		\$ 1.48	
9850 Diluted earnings per share	6(29)	\$ 1.33		\$ 1.45	

The accompanying notes are an integral part of these consolidated financial statements.

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Notes	Equity attributable to shareholders of the parent							Total
		Share capital			Retained Earnings			Financial statements translation differences of foreign operations	
		Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
<u>Year 2022</u>									
Balance at January 1, 2022		\$ 884,829	\$ 75,094	\$ 533,041	\$ 576,846	\$ 38,974	\$ 1,046,116	(\$ 76,627)	\$ 3,078,273
Profit for the year		-	-	-	-	-	133,652	-	133,652
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	-	25,225	25,225
Total comprehensive income		-	-	-	-	-	133,652	25,225	158,877
Appropriations of 2021 earnings	6(19)	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(275,118)	-	(275,118)
Share-based payments	6(17)	700	2,628	2,366	-	-	-	-	5,694
Compensation cost of share-based payments	6(16)	-	-	3,603	-	-	-	-	3,603
Conversion of convertible bonds	6(18)	16,496	(75,094)	58,598	-	-	-	-	-
Change in Capital Surplus-others		-	-	4	-	-	-	-	4
Balance at March 31, 2022		\$ 902,025	\$ 2,628	\$ 597,612	\$ 576,846	\$ 38,974	\$ 904,650	(\$ 51,402)	\$ 2,971,333
<u>Year 2023</u>									
Balance at January 1, 2023		\$ 910,235	\$ 13,079	\$ 633,715	\$ 615,504	\$ 76,627	\$ 1,308,972	(\$ 4,280)	\$ 3,553,852
Profit for the year		-	-	-	-	-	123,820	-	123,820
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	-	(2,561)	(2,561)
Total comprehensive income		-	-	-	-	-	123,820	(2,561)	121,259
Appropriations of 2022 earnings	6(19)	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(229,074)	-	(229,074)
Share-based payments	6(17)	9,370	(13,079)	32,361	-	-	-	-	28,652
Compensation cost of share-based payments	6(16)	-	-	1,591	-	-	-	-	1,591
Change in Capital Surplus-others	6(18)	-	-	71	-	-	-	-	71
Balance at March 31, 2023		\$ 919,605	\$ -	\$ 667,738	\$ 615,504	\$ 76,627	\$ 1,203,718	(\$ 6,841)	\$ 3,476,351

The accompanying notes are an integral part of these consolidated financial statements.

AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Three months ended March 31,	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 160,832	\$ 176,115
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	(396)	927
Depreciation	6(5)(6)(26)	27,334	23,367
Depreciation from investment Property	6(8)(24)	124	124
Amortization	6(9)(26)	5,764	4,871
Interest income	6(22)	(4,995)	(244)
Share of profit of associates and joint ventures accounted for under equity method	6(4)	1,883	1,000
Gain on disposal of property, plant and equipment	6(24)	(67)	-
Gain on disposal of investments	6(24)	-	(3)
Loss on lease modification	6(24)	24	-
Interest expense	6(25)	3,864	1,721
Compensation cost of share-based payments	6(26)(27)	1,591	3,603
Unrealized profit from sales	6(4)	6	78
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		-	3
Notes receivable		3,261	1,885
Accounts receivable (including related parties)		(11,744)	(94,155)
Other receivables		(23,812)	(9,446)
Inventories		(200,884)	(287,887)
Prepayments		(16,361)	(29,474)
Other current assets		(5,103)	(1,596)
Changes in liabilities relating to operating activities			
Contract liabilities		(7,204)	(10,814)
Notes payables		(1,350)	60
Accounts payable (including related parties)		98,815	(104,898)
Other payables		(124,228)	(122,952)
Other current liabilities		(621)	583
Other non-current liabilities		(101)	(35)
Cash inflow generated from operations		(93,368)	(447,167)
Receipt of interest		4,089	307
Payment of interest		(3,920)	(1,676)
Payment of income tax		(12,269)	(15,691)
Net cash flows used in operating activities		(105,468)	(464,227)

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AXIOMTEK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Three months ended March 31,	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(30)	(\$ 72,754)	(\$ 14,729)
Proceeds from disposal of property, plant and equipment		67	-
Acquisition of intangible assets	6(9)	(661)	(1,105)
Decrease (Increase) in other non-current assets		902	(16)
Net cash flows provided by (used in) investing activities		(72,446)	(15,850)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short -term borrowings		1,597,600	1,115,000
Redemption of short -term borrowings		(1,529,600)	(1,090,000)
Redemption of long-term borrowings		-	(359)
Proceeds from exercise of employee stock options		28,652	5,694
Decrease in refundable deposits		(160)	-
Payment of lease liabilities		(13,838)	(10,165)
Proceeds from disposal of employee stock ownership trust		71	4
Net cash flows provided by financing activities		82,725	20,174
Effects due to changes in exchange rate		(2,067)	29,036
Decrease in cash and cash equivalents		(97,256)	(430,867)
Cash and cash equivalents at beginning of year		1,031,621	943,871
Cash and cash equivalents at end of year		\$ 934,365	\$ 513,004

The accompanying notes are an integral part of these consolidated financial statements.

AXIOMTEK CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. ORGANIZATION AND OPERATIONS

Axiomtek Co., Ltd. (hereinafter referred to as "the Company" or "Axiomtek") was incorporated in the Republic of China (R.O.C) in May 1990 and the Company's common shares were officially listed on the Taipei Exchange on April 28, 2005. The Company and its subsidiaries (collectively referred herein as "the Group") are mainly engaged in designing, manufacturing and sales of PC-based industrial computer products and peripherals. The Group provides product lines of Industrial PCs (IPCs), Single Board Computers (SBCs), System on Modules (SoMs), Fanless and Rugged Embedded Systems (eBOX and rBOX), Intelligent Transportation Systems (tBOX and UST), Industrial IoT Gateway, Industrial EtherCAT Master solution, Touch Panel Computers (TPCs), Medical Panel Computers (MPCs), Digital Signage Solutions (DSSs), and Network Appliances (NAs) products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The consolidated financial statements were authorized for issuance by the Board of Directors on April 27, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact on the Group's financial condition and financial performance based on the Group's assessment.

Except for the following, the above standards and interpretations have no significant impact on the Group's financial condition and financial performance based on the Group's assessment.

Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'

The amendments require an entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The Group recognized deferred income tax assets and liabilities for all deductible and taxable temporary differences related to the right-of-use assets and lease liabilities, along with their corresponding recognition, as of January 1, 2022. As of March 31, 2023, and January 1, March

31, and December 31 of the 2022, the Group increased deferred income tax assets by \$53,750, \$28,129, \$28,129, and \$53,750, respectively, and deferred income tax liabilities by \$53,750, \$28,129, \$28,129, and \$53,750.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</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 International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2024
Amendments to IAS 1, "Non-current liabilities with covenants"	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (B) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement

in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
 - (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e., transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
 - (E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of Subsidiary	Nature of business	Percentage of Ownership (%)		
			March 31, 2023	December 31, 2022	March 31, 2022
The Company	AXIOM TECHNOLOGY,INC. U.S.A.(AXUS)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100%	100%	100%
"	AXIOMTEK TEKDEUTSCHLAND GMBH(AXGM)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100% (Note)	100%	100% (Note)
"	AXIOMTEK ITALIA S.R.L.(AXIT)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100% (Note)	100%	100% (Note)
"	AXIOM TECHNOLOGY(BVI) CO., LTD. (AXBVI)	Holding company	100% (Note)	100%	100% (Note)
"	AXIOMTEK UK LIMITED(AXUK)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100% (Note)	100%	100% (Note)
"	AXIOMTEK JAPANCO., LTD.(AXJP)	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100% (Note)	100%	100% (Note)
AXBVI	Axiomtek (Shenzhen) Co. Ltd.	Industrial computer and Embedded Board manufacturing, trading, post-sales service	100% (Note)	100%	100% (Note)

Note : The financial statements of the entity as of and for the nine months ended March 31, 2023 and 2022 were not reviewed by independent auditors as the entity did not meet the definition of significant subsidiary.

- C. Subsidiaries not included in the consolidated financial statements: None.
D. Adjustments for subsidiaries with different balance sheet dates: None.
E. Significant restrictions: None.
F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (B) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (D) Foreign exchange gains and loss based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (A) The operating results and financial position of all the Group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in Exchange differences on translation of foreign operations.
- (B) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests in this foreign operation. In addition, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

- (A) Assets arising from operating activities that are expected to be realized, or are

- intended to be sold or consumed within the normal operating cycle;
- (B) Assets held mainly for trading purposes;
- (C) Assets that are expected to be realized within twelve months from the balance sheet date;
- (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

All assets that do not meet the above criteria are classified as non-current assets.

- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:
 - (A) Liabilities that are expected to be paid off within the normal operating cycle;
 - (B) Liabilities arising mainly from trading activities;
 - (C) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(6) Cash equivalent

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets measured at amortized costs

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and accounts receivable that have a significant financing component, at each end of the financial reporting period, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	3 - 50 years
Machinery	3 - 20 years
Tools	2 - 5 years
Testing equipment	2 - 8 years
Office Equipment	2 - 10 Years
Leasehold improvements	2 - 10 Years
Other equipment	3 - 10 Years

(15) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (A) Fixed payments, less any lease incentives receivable; and
- (B) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (A) The amount of the initial measurement of lease liability;
 - (B) Any lease payments made at or before the commencement date; and
 - (C) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 2 to 23 years.

(17) Intangible assets

- A. Trademark
Trademark is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.
- B. Computer software
Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.
- C. Goodwill
Goodwill arises in a business combination accounted for by applying the acquisition method.
- D. Others
Other intangible assets, mainly customer list, are amortized on a straight-line basis over their estimated useful lives of 6~15 years.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes payable and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported in the net amount in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Provisions for liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the financial reporting period, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the Group has no legal or constructive obligation to make additional contributions after a fixed amount is contributed to a public or privately managed and independent pension fund. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

i. Defined benefit plans are different from defined contribution plans. The amount of pension benefits for employees at retirement is often dependent upon one or more factors, such as age, length of service and salary amount. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employee will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
 - iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.
- (C) Employees' compensation and directors' remuneration
Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and nonmarket vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined

using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(27) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction from the proceeds.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Board of Directors. Cash dividends are recorded as Other payables; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. Sales of goods

- (A) The Group manufactures and sells industrial computer-related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (B) The sales revenue of industrial computer-related products is recognized according to the quantity of goods purchased by the customer and the price agreed upon after the

quotation of the product item. The terms of collection for sales transactions are agreed upon in accordance with the generally accepted commercial transaction terms.

- (C) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
 - (D) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- B. Revenue from Labor Services
Revenue from labor services comes from product development and provision of extended warranty and maintenance services. When the transaction results of labor services can be reliably estimated, revenues are recognized based on the level of labor provided.
- C. Incremental costs of obtaining a contract
Given that the contractual period lasts less than one year, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below.

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of March 31, 2023, the carrying amount of inventories was \$2,127,892.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash on hand and petty cash	\$ 639	\$ 799	\$ 517

Checking accounts and demand deposits	574,387	542,185	413,094
Time deposits	359,339	488,637	99,393
	<u>\$ 934,365</u>	<u>\$ 1,031,621</u>	<u>\$ 513,004</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Except for the cash and cash equivalents pledged to others as shown in Note 8 that was transferred to ‘financial assets at amortized cost’, the Group has no cash and cash equivalents pledged to others.

(2) Notes and accounts receivable (including related parties)

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	\$ 14,359	\$ 17,620	\$ 18,013
Less: Loss allowance	-	-	-
	<u>\$ 14,359</u>	<u>\$ 17,620</u>	<u>\$ 18,013</u>
Accounts receivable (including related parties)	\$ 759,884	\$ 748,140	\$ 844,594
Less: Loss allowance	(2,482)	(2,888)	(5,953)
	<u>\$ 757,402</u>	<u>\$ 745,252</u>	<u>\$ 838,641</u>

- A. Information relating to the ageing analysis of accounts receivable that were past due is provided in Note 12(2).
- B. As of March 31, 2023, December 31, 2022 and March 31, 2022, notes and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$770,337.
- C. The Group does not hold financial assets as security for accounts receivable.
- D. Information relating to credit risk is provided in Note 12(2).

(3) Inventories

	March 31, 2023		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	\$ 741,894	(\$ 64,337)	\$ 677,557
Work in progress	410,943	-	410,943
Semi-finished goods	45,421	(5,144)	40,277
Finished goods	327,000	(10,420)	316,580
Merchandise inventory	674,544	(8,167)	666,377
Inventories in transit	16,158	-	16,158
Total	<u>\$ 2,215,960</u>	<u>(\$ 88,068)</u>	<u>\$ 2,127,892</u>

	December 31, 2022		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	\$ 672,892	(\$ 57,237)	\$ 615,655
Work in progress	284,657	-	284,657
Semi-finished goods	39,091	(6,096)	32,995
Finished goods	206,949	(5,091)	201,858
Merchandise inventory	763,013	(12,394)	750,619
Inventories in transit	41,224	-	41,224
Total	\$ 2,007,826	(\$ 80,818)	\$ 1,927,008

	March 31, 2022		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Raw materials	\$ 699,653	(\$ 42,532)	\$ 657,121
Work in progress	266,900	-	266,900
Semi-finished goods	37,684	(4,467)	33,217
Finished goods	186,667	(5,981)	180,686
Merchandise inventory	655,491	(11,870)	643,621
Inventories in transit	17,435	-	17,435
Total	\$ 1,863,830	(\$ 64,850)	\$ 1,798,980

Relevant expenses of inventories recognized as operating costs for the three months and three months ended March 31, 2023 and 2022 are as follows:

	Three months ended March 31,	
	2023	2022
Cost of revenue	\$ 1,054,392	\$ 989,837
Loss on market value decline and obsolete and slow-moving inventories	7,550	3,181
Total	\$ 1,061,942	\$ 993,018

The Group has no inventories pledged to others.

(4) Investments accounted for using equity method

	March 31, 2023	December 31, 2022	March 31, 2022
Uni-Innovate Technology Co., Ltd. (UNI)	\$ 15,134	\$ 17,023	\$ 19,904

A. Share of loss of associates accounted for using the equity method is as follows:

UNI	Three months ended March 31,	
	2023	2022
	(\$ 1,883)	(\$ 1,000)

B. For the three months ended March 31, 2023 and 2022, the Group had unrealized profit from sales from downstream transactions with affiliates at \$240 and \$98, respectively.

(5) Property, plant and equipment

	Land	Buildings	Machinery	Testing equipment	Others	Total
At January 1, 2023						
Cost	\$1,106,491	\$504,845	\$147,518	\$ 58,120	\$417,391	\$2,234,365
Accumulated depreciation	-	(60,921)	(139,311)	(47,826)	(210,752)	(458,810)
	<u>\$1,106,491</u>	<u>\$443,924</u>	<u>\$ 8,207</u>	<u>\$ 10,294</u>	<u>\$206,639</u>	<u>\$1,775,555</u>
2023						
Opening net book amount	\$1,106,491	\$443,924	\$ 8,207	\$ 10,294	\$206,639	\$1,775,555
Additions	-	-	-	231	80,966	81,197
Disposals (Cost)	-	-	(1,541)	-	-	(1,541)
Disposals (Accumulated depreciation)	-	-	1,541	-	-	1,541
Depreciation	-	(3,667)	(734)	(1,021)	(6,658)	(12,080)
Net exchange differences	(613)	(189)	(10)	-	(54)	(866)
Closing net book amount	<u>\$1,105,878</u>	<u>\$440,068</u>	<u>\$ 7,463</u>	<u>\$ 9,504</u>	<u>\$280,893</u>	<u>\$1,843,806</u>
At March 31, 2023						
Cost	\$1,105,878	\$504,584	\$145,905	\$ 58,351	\$498,185	\$2,312,903
Accumulated depreciation	-	(64,516)	(138,442)	(48,847)	(217,292)	(469,097)
	<u>\$1,105,878</u>	<u>\$440,068</u>	<u>\$ 7,463</u>	<u>\$ 9,504</u>	<u>\$280,893</u>	<u>\$1,843,806</u>
	Land	Buildings	Machinery	Testing equipment	Others	Total
At January 1, 2022						
Cost	\$1,099,055	\$501,676	\$147,924	\$ 57,356	\$273,495	\$2,079,506
Accumulated depreciation	-	(45,430)	(131,287)	(42,795)	(189,529)	(409,041)
	<u>\$1,099,055</u>	<u>\$456,246</u>	<u>\$ 16,637</u>	<u>\$ 14,561</u>	<u>\$ 83,966</u>	<u>\$1,670,465</u>
2022						
Opening net book amount	\$1,099,055	\$456,246	\$ 16,637	\$ 14,561	\$ 83,966	\$1,670,465
Additions	-	-	-	683	8,069	8,752
Disposals (Cost)	-	-	-	-	(23)	(23)
Disposals (Accumulated depreciation)	-	-	-	-	23	23
Depreciation	-	(3,653)	(2,513)	(1,405)	(5,485)	(13,056)
Net exchange differences	2,297	725	22	3	914	3,961
Closing net book amount	<u>\$1,101,352</u>	<u>\$453,318</u>	<u>\$ 14,146</u>	<u>\$ 13,842</u>	<u>\$ 87,464</u>	<u>\$1,670,122</u>

At March 31, 2022

Cost	\$1,101,352	\$502,655	\$148,263	\$ 58,046	\$283,787	\$2,094,103
Accumulated depreciation	-	(49,337)	(134,117)	(44,204)	(196,323)	(423,981)
	<u>\$1,101,352</u>	<u>\$453,318</u>	<u>\$ 14,146</u>	<u>\$ 13,842</u>	<u>\$ 87,464</u>	<u>\$1,670,122</u>

- A. The Group has no interest capitalised to property, plant and equipment.
- B. Property, plant and equipment not a significant component.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Leasing arrangements – lessee

- A. The Group leases various assets including land, buildings, machinery and equipment, office equipment, and other equipment. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 174,577	\$ 188,011	\$ 118,695
Vehicles	1,954	2,285	1,664
	<u>\$ 176,531</u>	<u>\$ 190,296</u>	<u>\$ 120,359</u>

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 14,902	\$ 9,975
Vehicles	352	336
	<u>\$ 15,254</u>	<u>\$ 10,311</u>

- C. For the three months ended March 31, 2023 and 2022, the additions to right-of-use assets were \$1,177 and \$0.

- D. The information on profit and loss accounts relating to lease contracts is as follows:

<u>Items affecting profit or loss</u>	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ 1,483	\$ 697
Expense on short-term lease contracts	1,678	387

- E. For the three months ended March 31, 2023 and 2022, the Group's total cash outflow for leases was \$16,999 and \$11,249.

(7) Leasing arrangements-lessor

- A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

- B. For the three months ended March 31, 2023 and 2022, the Group recognized rent income in the amounts of \$863 and \$862, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
2022	\$ -	\$ -	\$ 2,583
2023	2,583	1,764	1,764
2024	3,444	1,764	1,764
	<u>\$ 6,027</u>	<u>\$ 3,528</u>	<u>\$ 6,111</u>

(8) Investment property

	Land	Buildings	Total
At January 1, 2023			
Cost	\$ 33,273	\$ 15,850	\$ 49,123
Accumulated depreciation	-	(11,140)	(11,140)
	<u>\$ 33,273</u>	<u>\$ 4,710</u>	<u>\$ 37,983</u>
2023			
Opening net book amount	\$ 33,273	\$ 4,710	\$ 37,983
Depreciation	-	(124)	(124)
Closing net book amount	<u>\$ 33,273</u>	<u>\$ 4,586</u>	<u>\$ 37,859</u>
At March 31, 2023			
Cost	\$ 33,273	\$ 15,850	\$ 49,123
Accumulated depreciation	-	(11,264)	(11,264)
	<u>\$ 33,273</u>	<u>\$ 4,586</u>	<u>\$ 37,859</u>
	Land	Buildings	Total
At January 1, 2022			
Cost	\$ 33,273	\$ 15,850	\$ 49,123
Accumulated depreciation	-	(10,644)	(10,644)
	<u>\$ 33,273</u>	<u>\$ 5,206</u>	<u>\$ 38,479</u>
2022			
Opening net book amount	\$ 33,273	\$ 5,206	\$ 38,479
Depreciation	-	(124)	(124)
Closing net book amount	<u>\$ 33,273</u>	<u>\$ 5,082</u>	<u>\$ 38,355</u>
At March 31, 2022			
Cost	\$ 33,273	\$ 15,850	\$ 49,123
Accumulated depreciation	-	(10,768)	(10,768)
	<u>\$ 33,273</u>	<u>\$ 5,082</u>	<u>\$ 38,355</u>

A. Rental income and direct operating expenses of investment property:

	Three months ended March 31,	
	2023	2022
Rental income from investment property	\$ 863	\$ 862
Direct operating expenses arising from investment property that generated rental income	(\$ 124)	(\$ 124)

B. The fair value of the investment property held by the Group was \$108,279, \$119,352 and \$108,670 as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(9) Intangible assets

	Trademark	Computer software	Goodwill	Others	Total
At January 1, 2023					
Cost	\$ 1,051	\$ 118,808	\$ 77,920	\$ 60,166	\$ 257,945
Accumulated Amortization	(381)	(90,688)	(9,596)	(40,062)	(140,727)
	<u>\$ 670</u>	<u>\$ 28,120</u>	<u>\$ 68,324</u>	<u>\$ 20,104</u>	<u>\$ 117,218</u>
2023					
Opening net book amount	\$ 670	\$ 28,120	\$ 68,324	\$ 20,104	\$ 117,218
Additions	372	289	-	-	661
Amortization	(19)	(4,391)	-	(1,354)	(5,764)
Net exchange differences	-	(10)	-	(127)	(137)
Closing net book amount	<u>\$ 1,023</u>	<u>\$ 24,008</u>	<u>\$ 68,324</u>	<u>\$ 18,623</u>	<u>\$ 111,978</u>
At March 31, 2023					
Cost	\$ 1,423	\$ 119,027	\$ 77,920	\$ 59,791	\$ 258,161
Accumulated Amortization and impairment	(400)	(95,019)	(9,596)	(41,168)	(146,183)
	<u>\$ 1,023</u>	<u>\$ 24,008</u>	<u>\$ 68,324</u>	<u>\$ 18,623</u>	<u>\$ 111,978</u>

	Trademark	Computer software	Goodwill	Others	Total
At January 1, 2022					
Cost	\$ 771	\$ 96,973	\$ 77,920	\$ 55,463	\$ 231,127
Accumulated Amortization	(326)	(74,549)	(9,596)	(31,887)	(116,358)
	<u>\$ 445</u>	<u>\$ 22,424</u>	<u>\$ 68,324</u>	<u>\$ 23,576</u>	<u>\$ 114,769</u>
2022					
Opening net book amount	\$ 445	\$ 22,424	\$ 68,324	\$ 23,576	\$ 114,769
Additions	-	1,105	-	-	1,105
Amortization	(12)	(3,571)	-	(1,288)	(4,871)
Net exchange differences	-	38	-	553	591
Closing net book amount	<u>\$ 433</u>	<u>\$ 19,996</u>	<u>\$ 68,324</u>	<u>\$ 22,841</u>	<u>\$ 111,594</u>
At March 31, 2022					
Cost	\$ 771	\$ 98,358	\$ 77,920	\$ 56,876	\$ 233,925
Accumulated Amortization	(338)	(78,362)	(9,596)	(34,035)	(122,331)
	<u>\$ 433</u>	<u>\$ 19,996</u>	<u>\$ 68,324</u>	<u>\$ 22,841</u>	<u>\$ 111,594</u>

- A. For the three months ended March 31, 2023 and 2022, the Group has no interest capitalised to intangible assets.
- B. Goodwill is allocated to the Group's cash-generating units identified by the operations department:

	March 31, 2023	December 31, 2022	March 31, 2022
America	\$ 52,425	\$ 52,425	\$ 52,425
Europe	10,000	10,000	10,000
Taiwan	5,899	5,899	5,899
	<u>\$ 68,324</u>	<u>\$ 68,324</u>	<u>\$ 68,324</u>

- C. The details of the amortization charges of intangible assets are as follows:

	Three months ended March 31,	
	2023	2022
Operating costs	\$ 93	\$ 93
Selling expenses	437	355
General and administrative expenses	2,527	3,246
Research and development expenses	2,707	1,177
	<u>\$ 5,764</u>	<u>\$ 4,871</u>

- D. Information about the impairment of intangible assets is provided in Note 6(10).

(10) Impairment on non-financial assets

The recoverable amount is assessed on the basis of the use value, and the use value is calculated on the basis of the pre-tax cash flow forecast of the Group's five-year financial budget. The main assumptions used to calculate the use value are as follows:

	America		
	March 31, 2023	December 31, 2022	March 31, 2022
Gross margin	15.11%	17.91%	17.78%
Growth rate	10.00%	10.00%	10.00%
Discount rate	3.53%	4.00%	3.82%

	Europe		
	March 31, 2023	December 31, 2022	March 31, 2022
Gross margin	27.93%	27.93%	33.44%
Growth rate	17.12%	17.12%	11.39%
Discount rate	3.53%	4.00%	3.82%

The Group determines the budgetary gross margin based on previous year's performance and expectations for market development. The weighted average growth rate used is consistent with the industry forecast. The discount rate used is the pre-tax ratio and reflects the specific risks of the relevant operating departments.

(11) Short-term borrowings

Type of borrowings	March 31, 2023	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ 703,300</u>	1.21%~1.775%	None

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ 635,300</u>	1.17%~1.725%	None

Type of borrowings	March 31, 2022	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ 399,000</u>	0.71%~1.15%	None

Interest expense recognized in profit or loss amounted to \$2,379 and \$684 for the three months ended March 31, 2023 and 2022, respectively.

(12) Accounts payable

	March 31, 2023	December 31, 2022	March 31, 2022
Accounts payable	\$ 782,337	\$ 685,080	\$ 721,601
Estimated accounts payable	910	602	1,455
	<u>\$ 783,247</u>	<u>\$ 685,682</u>	<u>\$ 723,056</u>

(13) Other payables

	March 31, 2023	December 31, 2022	March 31, 2022
Dividend payable	\$ 229,074	\$ -	\$ 275,118
Salaries and bonus payable	140,512	251,374	136,800
Accrued employees' compensation and directors' remuneration	73,242	59,089	69,785
Payable to equipment suppliers	33,341	18,538	2,985
Others	73,380	100,954	80,993
	<u>\$ 549,549</u>	<u>\$ 429,955</u>	<u>\$ 565,681</u>

(14) Long-term borrowings (March 31, 2023 and December 31, 2022: None.)

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2022
Long-term bank borrowings				
Bank secured loan	Borrowing period is from September 1, 2021 to September 1, 2026; Principal and interest paid on a monthly basis	2.43%	Land, House and building	\$ 56,521
Less: Long-term liabilities, current portion				<u>(1,459)</u>
				<u>\$ 55,062</u>

(15) Pensions

- A. (A)The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is

insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(B) For the aforementioned pension plan, the Group recognized pension costs of \$ 130 and \$66 for the three months ended March 31, 2023 and 2022, respectively.

(C) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$2,735.

B. (A) Effective July 1, 2005, the Company have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The Company’s Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(C) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2023 and 2022 were \$9,321 and \$8,882, respectively.

(16) Share-based payment

A. For the three months ended March 31, 2023 and 2022, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	April 12, 2018	1,600	5 Years	2 to 4 years of service
Employee stock options	October 29, 2020	4,300	6 Years	2 to 5 years’ service

The share-based payment arrangements above are all settled by equity.

B. Details of the share-based payment arrangements are as follows:

	Three months ended March 31,			
	2023		2022	
	No. of options (in thousands)	Weighted average exercise price (in dollars)	No. of options (in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2018 Issuing)	355	\$ 41.70	977	\$ 43.80
Stock options waived in the current period	-	-	-	-
Options exercised	(288)	41.70	(130)	43.80
Options outstanding at end of the year	67	41.70	847	43.80
Options exercisable at end of the year	67	41.70	415	43.80

	Three months ended March 31,			
	2023		2022	
	No. of options (in thousands)	Weighted average exercise price (in dollars)	No. of options (in thousands)	Weighted average exercise price (in dollars)
Options outstanding at beginning of the year, (2020 Issuing)	3,563	\$ 46.10	4,300	\$ 48.40
Stock options waived in the current period	-	-	(60)	-
Options exercised	(361)	46.10	-	-
Options outstanding at end of the year	<u>3,202</u>	46.10	<u>4,240</u>	48.40
Options exercisable at end of the year	<u>730</u>	46.10	<u>-</u>	-

- C. Average price of Stock options exercised for the three months ended March 31, 2023 and 2022 were \$67.44 and \$58.2, respectively.
- D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	March 31, 2023		December 31, 2022		March 31, 2022	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
April 12, 2018	April 11, 2023	67	41.70	355	41.70	847	43.80
October 29, 2020	October 28, 2026	3,202	46.10	3,563	46.10	4,240	48.40

- E. The fair value of stock options granted on grant date is measured using the Black-Scholes option pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	April 12, 2018	57.70	57.70	28.13%~ 30.83%	4 Years	0%	0.63%~ 0.69%	12.49~ 15.46
Employee stock options	October 29, 2020	50.80	50.80	20.19%~ 23.7%	5 Years	0%	0.22%~ 0.24%	8.32~ 11.39

- F. Expenses incurred on share-based payment transactions Relevant information is as follows:

	Three months ended March 31,	
	2023	2022
Equity Settled	<u>\$ 1,591</u>	<u>\$ 3,603</u>

- G. As of ex-dividend date August 20, 2022 the Company re-computed the strike prices for employee stock warrants issued in 2018 and 2020 accordingly using the regulated method and adjusted the strike prices respectively, from \$43.8 and \$48.4 to \$41.7 and \$46.1.
- H. As of ex-dividend date August 9, 2021 the Company re-computed the strike prices for employee stock warrants issued in 2018 and 2020 accordingly using the regulated method and adjusted the strike prices respectively, from \$45.9 and \$50.8 to \$43.8 and \$48.4.

(17) Share capital

- A. As of March 31, 2023, the Company's authorized capital was \$1,600,000, consisting of 160,000 thousand ordinary shares, and the paid-in capital was \$919,605. with a par value of \$10 (in dollars) per share, consisting of 91,960 thousand ordinary shares. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	Three months ended March 31,	
	2023 (in thousands)	2022 (in thousands)
At January 1	91,311	90,132
Exercise of employee stock options	649	130
At March 31	91,960	90,262

	March 31, 2023		December 31, 2022		March 31, 2022	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount
Exercise of employee stock options (Advance receipts for share capital)	-	\$ -	288	\$13,079	60	\$2,628

Information about the Exercise of employee stock options is provided in Note 6(16).

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Three months ended March 31, 2023							
	Share premium	Convertible bond conversion premium	Treasury stock trading	Diff between book value & actual equity change from acquisition or disposal of subsidiary	Capital surplus from gain on disposal of assets	Employee stock options	Other	Total
At January 1	\$181,643	\$ 342,834	\$1,026	\$ 176	\$ 2	\$107,900	\$ 134	\$633,715
Exercise of employee stock options	32,361	-	-	-	-	-	-	32,361
Compensation cost of employee stock options	-	-	-	-	-	1,591	-	1,591
Change in Capital Surplus-others	71	-	-	-	-	-	-	71
At March 31	\$214,075	\$ 342,834	\$1,026	\$ 176	\$ 2	\$109,491	\$ 134	\$667,738

	Three months ended March 31, 2022							
	Share premium	Convertible bond conversion premium	Treasury stock trading	Diff between book value & actual equity change from acquisition or disposal of subsidiary	Capital surplus from gain on disposal of assets	Employee stock options	Other	Total
At January 1	\$151,396	\$ 284,236	\$1,026	\$ 176	\$ 2	\$ 96,071	\$ 134	\$533,041
Exercise of employee stock options	2,366	-	-	-	-	-	-	2,366
Compensation cost of employee stock options	-	-	-	-	-	3,603	-	3,603
Conversion of convertible bonds	-	58,598	-	-	-	-	-	58,598
Change in Capital Surplus-others	4	-	-	-	-	-	-	4
At March 31	\$153,766	\$ 342,834	\$1,026	\$ 176	\$ 2	\$ 99,674	\$ 134	\$597,612

(19) Retained earnings

- A. When allocating the net income for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for Distribution, and to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting. The Company distributing surplus earning in the form of new shares to be issued by the Company in accordance with the preceding paragraphs shall follow the provisions of Article 240 of the Company Law of the Republic of China with a resolution adopted at a meeting of shareholders.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. Details of 2022 earnings appropriation proposed by the Board of Directors on February 23, 2023. 2021 earnings appropriation resolved by the shareholders on May 24, 2022, respectively are as follows:

	Years ended December 31,			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 61,428		\$ 38,658	
Special reserve	(72,347)		37,653	
Cash dividends	229,074	\$ 2.50	275,117	\$ 3.05
Total	<u>\$ 218,155</u>		<u>\$ 351,428</u>	

The Company plans to appropriate NT\$91,629,480 from the capital surplus acquired from the amount derived from the issuance of new shares at a premium proposed by the Board of Directors on February 23, 2023. The new common shares issued are 9,162,948 shares with the par value NT\$10, and the dividend distribution is NT\$1 per share based on the shareholding ratio listed on Shareholders' Rosters on the base day. The record date for this capital increase shall be set by the Board of Directors after getting approval from the resolution of shareholder's meeting and from the governmental authority.

(20) Other equity interest

	Three months ended March 31,	
	2023	2022
Financial statements translation differences of foreign operations		
At January 1	(\$ 4,280)	(\$ 76,627)
Increase (decrease) in current period	(2,561)	25,225
At March 31	(\$ 6,841)	(\$ 51,402)

(21) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Three months ended March 31, 2023					
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Originating from transfer at a point in time:						
IOT Products	\$486,212	\$243,469	\$ 30,944	\$ 17,785	(\$135,350)	\$643,060
Intelligent Design-in Service Products	343,374	208,268	73,651	6,524	(250,146)	381,671
Gaming Products	215,878	216,873	40,870	-	(172,546)	301,075
Others	61,965	160,499	39,061	11,958	(25,679)	247,804
Net sales revenue	1,107,429	829,109	184,526	36,267	(583,721)	1,573,610
Originating from the transfer of labor services over time:						
Other Operating revenue	5,756	878	2,216	122	(5,057)	3,915
Total	\$ 1,113,185	\$829,987	\$186,742	\$ 36,389	(\$588,778)	\$ 1,577,525

	Three months ended March 31, 2022					
	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Originating from transfer at a point in time:						
IOT Products	\$459,284	\$207,620	\$ 34,683	\$ 27,092	(\$160,094)	\$ 568,585
Intelligent Design-in Service Products	378,022	296,482	53,679	9,981	(265,127)	473,037
Gaming Products	146,229	157,337	7,353	2	(134,494)	176,427
Others	49,232	175,188	28,161	15,591	(5,303)	262,869
Net sales revenue	1,032,767	836,627	123,876	52,666	(565,018)	1,480,918
Originating from the transfer of labor services over time:						
Other Operating revenue	15,359	1,464	2,835	35	(15,788)	3,905
Total	\$ 1,048,126	\$838,091	\$126,711	\$ 52,701	(\$580,806)	\$ 1,484,823

B. Contract liabilities

The Group has recognized the following contract assets and liabilities in relation to revenue from contracts with customers:

	March 31, 2023	December 31, 2023	March 31, 2022
Contract liabilities			
Contract liabilities- Advance payments	\$ 69,737	\$ 76,941	\$ 81,522

The revenue recognized from the beginning balance of contract liability:

	Three months ended March 31,	
	2023	2022
The revenue recognized from the beginning balance of contract liability.	\$ 37,717	\$ 20,341

(22) Interest income

	Three months ended March 31,	
	2023	2022
Interest on Bank deposit:	\$ 4,980	\$ 154
Other interest income	15	90
Total	\$ 4,995	\$ 244

(23) Other income

	Three months ended March 31,	
	2023	2022
Rental revenue	\$ 863	\$ 862
Other income	1,639	4,181
Total	\$ 2,502	\$ 5,043

(24) Other gains and losses

	Three months ended March 31,	
	2023	2022
Gains on disposal of property, plant and equipment	\$ 67	\$ -
Gains on disposal of investments	-	3
Losses on lease modification	(24)	-
Depreciation expense from investment property	(124)	(124)
Foreign exchange (losses) gains	(8,710)	16,980
Other losses	(43)	(43)
Total	(\$ 8,834)	\$ 16,816

(25) Finance costs

	Three months ended March 31,	
	2023	2022
Interest expense		
Bank borrowings	\$ 2,379	\$ 1,023
Lease liabilities	1,483	697
Other	2	1
Total	\$ 3,864	\$ 1,721

(26) Expenses by nature

	Three months ended March 31, 2023		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 67,719	\$ 249,106	\$ 316,825
Depreciation- property, plant and equipment	2,741	9,339	12,080
Depreciation-right of use assets	5,112	10,142	15,254
Amortization	93	5,671	5,764
Total	\$ 75,665	\$ 274,258	\$ 349,923

	Three months ended March 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 38,727	\$ 256,011	\$ 294,738
Depreciation- property, plant and equipment	4,501	8,554	13,055
Depreciation-right of use assets	2,524	7,788	10,312
Amortization	93	4,778	4,871
Total	\$ 45,845	\$ 277,131	\$ 322,976

(27) Employee benefit expense

	Three months ended March 31,	
	2023	2022
Wages and salaries	\$ 274,194	\$ 252,009
Labor and health insurance fees	23,852	23,549
Pension costs	9,451	8,948
Compensation cost of employee stock options	1,591	3,603
Other employee benefit expense	7,737	6,629
Total	\$ 316,825	\$ 294,738

A. According to the Company's articles of association, if the Company is profitable in the year (ie after deducting the employee's remuneration and the director's remuneration from the net profit before tax), employee payout should be between 1% and 20% while directors' payout should be no more than 2%. However, if the Company has accumulated losses (including adjustments to unallocated surplus) these losses should first be offset.

B. For the three months ended March 31, 2023 and 2022, employees' compensation was accrued at \$12,500 and \$17,649, respectively; while directors' remuneration was accrued at \$1,643 and \$1,858, respectively. The aforementioned amounts were recognized in salary expenses.

In 2023, the pre-tax net profit for the three months was deducted from the employee's compensation and the benefits before the director's remuneration were estimated at 7.38% and 0.97% respectively.

Employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2022 financial

statements, and the employees' compensation will be distributed in the form of cash.

- C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(A) Components of income tax expense:

	Three months ended March 31,	
	2023	2022
Current tax		
Current tax on profits for the year	\$ 37,012	\$ 44,376
Adjustments in respect of prior years	-	(1,913)
Total current tax	<u>\$ 37,012</u>	<u>\$ 42,463</u>

- (B) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Three months ended March 31,	
	2023	2022
Currency translation differences of foreign operations	\$ 640	(\$ 6,306)

- B. The Company's income tax return through 2020 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	Three months ended March 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	<u>\$ 123,820</u>	<u>91,606</u>	<u>\$ 1.35</u>
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	583	
Employee stock option	-	1,171	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 123,820</u>	<u>93,360</u>	<u>\$ 1.33</u>

	Three months ended March 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	\$ 133,652	90,192	\$ 1.48
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	743	
Employee stock option	-	1,048	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 133,652	91,983	\$ 1.45

(30) Supplemental cash flow information

Partial cash paid for investing activities

	Three months ended March 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 81,197	\$ 8,752
Add: Beginning balance of payable on equipment	18,538	8,962
Add: Ending balance of Prepayments for business facilities	10,040	1,222
Less: Ending balance of payable on equipment	(33,341)	(2,985)
Less: Beginning balance of Prepayments for business facilities	(3,680)	(1,222)
Cash paid during the year	\$ 72,754	\$ 14,729

(31) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2023	\$ 635,300	\$ 195,499	\$ 830,799
Changes in cash flow from financing activities	68,000	(15,321)	52,679
Impact of changes in foreign exchange rate	-	(565)	(565)
Other changes in non-cash items	-	3,563	3,563
At March 31, 2023	\$ 703,300	\$ 183,176	\$ 886,476

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2022	\$ 374,000	\$ 55,017	\$ 130,450	\$ 559,467
Changes in cash flow from financing activities	25,000	(359)	(10,862)	13,779
Impact of changes in foreign exchange rate	-	1,863	2,896	4,759
Other changes in non-cash items	-	-	806	806
At March 31, 2022	<u>\$ 399,000</u>	<u>\$ 56,521</u>	<u>\$ 123,290</u>	<u>\$ 578,811</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Advantech Co., Ltd.	Entity with Significant Influence on the Group
Advanixs Corporation.	"
UNI	Associate

(2) Significant related party transactions and balances

A. Purchase

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Purchase of goods		
Entity with Significant Influence on the Group	\$ 11,035	\$ 10,431
For purchase transactions, no material difference in the transaction price and payment terms with non-related parties		

B. Account payables-related parties

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Payables to related parties			
Advantech Co., Ltd.	\$ 5,350	\$ 4,450	\$ 6,966
Advanixs Corporation.	3,284	2,934	203
Total	<u>\$ 8,634</u>	<u>\$ 7,384</u>	<u>\$ 7,169</u>

The payables are mainly from incoming transactions, with no significant difference between the transaction price and the terms of payment and the non-affiliates, and are non-interest bearing.

(3) Key management compensation

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 48,087	\$ 44,071
Post-employment compensation	722	1,843

Share-based payment		289	362
Total	\$	49,098	\$ 46,276

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Asset type	Book value			Use of pledge
	March 31, 2023	December 31, 2022	March 31, 2022	
Time deposits (recorded as 'financial assets at amortized cost – current')	\$ 3,000	\$ 3,000	\$ -	Performance guarantee
Land	-	-	69,946	Long-term borrowings
Building	-	-	21,987	"
	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 91,933</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingency

None.

(2) Commitments:

	March 31, 2023	December 31, 2022	March 31, 2022
Property, plant and equipment	\$ 86,635	\$ 121,224	\$ 2,348
Intangible assets	1,036	1,036	6,506
Total	<u>\$ 87,671</u>	<u>\$ 122,260</u>	<u>\$ 8,854</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The company to repay bank loans and enhance working capital, passed a resolution through the board of directors on April 27, 2023, to propose the issuance of the second unsecured convertible corporate bonds in the domestic market. Each bond will have a face value of \$100,000. The maximum number of bonds to be issued is 8,000, with a total maximum value of NT\$800,000,000. The issuance period will be three years, and the public underwriting will be conducted through a competitive auction. The actual total issuance amount will be determined based on the results of the competitive auction.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to

shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial assets			
Financial assets at amortized cost	\$ 1,770,374	\$ 1,834,925	\$ 1,416,519
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial liabilities			
Financial Liabilities at amortized cost	\$ 2,045,333	\$ 1,760,434	\$ 1,752,925
Lease liabilities	183,176	195,499	123,290
	<u>\$ 2,228,509</u>	<u>\$ 1,955,933</u>	<u>\$ 1,876,215</u>

Note: Financial assets at amortized cost includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and guarantee deposits paid; financial liabilities at amortized cost includes short-term borrowings, notes and accounts payable (including related parties), other payables (including related parties), long-term borrowings (including current portion) and guarantee deposits received.

B. Risk management policy

- (A) The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risk management policies of the Group focus on unpredictable factors in financial market, and aim to reduce unfavorable impact on financial position and financial performance.
- (B) Risk management is carried out by a finance department under policies approved by the Board of Directors. Group finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, GBP, JPY and RMB. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to require companies of the Group to manage their foreign exchange risk against their functional currency. All units within the Group should hedge their overall exchange rate risk through the finance department. Exchange rate risk is measured by the expected transaction of highly probable USD and RMB spending, using forward foreign exchange contracts to

reduce the impact of exchange rate fluctuations on the expected purchase cost of inventory.

- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RUR, GBP, JPY and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2023					
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 25,948	30.48	\$ 790,895	1%	\$ 6,327
RMB : NTD	3,209	4.43	14,216	1%	114
USD : EUR	2,401	0.92	73,137	1%	585
EUR : NTD	154	33.11	5,099	1%	41
JPY : NTD	62,990	0.23	14,488	1%	116
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 14,356	30.48	\$ 437,571	1%	\$ 3,501
USD : EUR	121	0.92	3,686	1%	29
December 31, 2022					
	Foreign currency amount (in thousand)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 28,670	30.73	\$ 881,029	1%	\$ 7,048
RMB : NTD	4,775	4.41	21,058	1%	169
USD : EUR	1,621	0.94	49,872	1%	399
EUR : NTD	115	32.73	3,764	1%	30
JPY : NTD	46,165	0.23	10,618	1%	85
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 11,823	30.73	\$ 363,321	1%	\$ 2,906

March 31, 2022

	Foreign currency		Book value (NTD)	Sensitivity analysis	
	amount (in thousand)	Exchange rate		Degree of variation	Effect on profit or loss
(Foreign Currency: Functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 13,641	28.63	\$ 390,542	1%	\$ 3,124
RMB : NTD	4,453	4.51	20,083	1%	161
EUR : NTD	389	31.87	12,397	1%	99
USD : EUR	5,017	0.9	143,903	1%	1,151
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 12,740	28.63	\$ 364,746	1%	\$ 2,918

- iv. The total exchange gain or loss, including realized and unrealized gains or losses arising from significant foreign exchange variations on monetary items held by the Group for the three months ended March 31, 2023 and 2022, amounted to (loss)gains of (\$8,710) and \$16,980, respectively.

Price risk

- i. The Group's equity instruments, which are exposed to price risk, are the financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise beneficiary certificates. The prices of equity securities would change due to the change of the future value of investee companies.

(B) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, debt instruments classified as at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments are past due over 90 days based on the terms, there is a significant increase in credit risk on that instrument since initial recognition.

- (ii) A bond investment traded at the counter buying center, which has any external rating agency rated as the investment grade on the balance sheet date, and the financial asset is considered to have a low credit risk.
- iv. The Group adopts the following assumptions under IFRS 9: If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 270 days.
- v. The Group classifies customer's notes and accounts receivable in accordance with product types and customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On March 31, 2023, December 31, 2022 and March 31, 2022, the Group has written-off financial assets amounted to \$0 and \$0 that are still under recourse procedures.
- viii. The Group uses the forecast ability of National Development Council Business Cycle Indicator and Conference Board LEADING ECONOMIC INDEX to adjust historical and timely information to assess the default possibility of notes and accounts receivable. On March 31, 2023, December 31, 2022 and March 31, 2022, the provision matrix is as follows:

March 31, 2023	Not overdue	Overdue		
		1 ~ 90 days	91 ~ 180 days	181 ~ 270 days
Expected loss rate	0.06%-0.33%	0.06%-0.92%	10.83%-27.56%	51.14%-87.81%
Total book value	\$ 675,472	\$ 95,354	\$ 2,044	\$ 557
Loss allowance	\$ 619	\$ 424	\$ 273	\$ 350

March 31, 2023	Overdue		Total
	271 ~ 360 days	More than 360 days	
Expected loss rate	100%	100%	
Total book value	\$ 73	\$ 743	\$ 774,243
Loss allowance	\$ 73	\$ 743	\$ 2,482

December 31, 2022	Not overdue	Overdue	Overdue	Overdue
		1 ~ 90 days	91 ~ 180 days	181 ~ 270 days
Expected loss rate	0.06%-0.33%	0.06%-0.91%	10.80%-24.71%	49.41%-87.49%
Total book value	\$ 674,934	\$ 87,081	\$ 2,463	\$ 446
Loss allowance	\$ 661	\$ 634	\$ 535	\$ 222

December 31, 2022		Overdue	Overdue	Total
		271 ~ 360 days	More than 360 days	
Expected loss rate		100%	100%	
Total book value		\$ 122	\$ 714	\$ 765,760
Loss allowance		\$ 122	\$ 714	\$ 2,888

March 31, 2022	Not overdue	Overdue	Overdue	Overdue
		1 ~ 90 days	91 ~ 180 days	181 ~ 270 days
Expected loss rate	0.04%-0.48%	0.04%-4.45%	0.04%-40.74%	0.04%-80.88%
Total book value	\$ 790,548	\$ 61,991	\$ 6,070	\$ 2,202
Loss allowance	\$ 988	\$ 814	\$ 2,187	\$ 168

March 31, 2022		Overdue	Overdue	Total
		271 ~ 360 days	More than 360 days	
Expected loss rate		100%	100%	
Total book value		\$ 82	\$ 1,714	\$ 862,607
Loss allowance		\$ 82	\$ 1,714	\$ 5,953

ix. Ageing analysis of notes and accounts receivable as follows:

	March 31, 2023		December 31, 2022		March 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	\$ 661,113	\$ 14,359	\$ 657,314	\$ 17,620	\$ 772,535	\$ 18,013
within 90 days	95,354	-	87,081	-	61,991	-
91 ~ 180 days	2,044	-	2,463	-	6,070	-
More than 181 days	1,373	-	1,282	-	3,998	-
	<u>\$ 759,884</u>	<u>\$ 14,359</u>	<u>\$ 748,140</u>	<u>\$ 17,620</u>	<u>\$ 844,594</u>	<u>\$ 18,013</u>

The above is an age analysis based on the number of overdue days.

- x. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	Three months ended March 31,	
	2023	2022
	Accounts receivable	Accounts receivable
At January 1	\$ 2,888	\$ 4,840
Recognition in impairment loss	-	927
Reversal of impairment loss	(396)	-
Impact of foreign exchange rate	(10)	186
At March 31	\$ 2,482	\$ 5,953

(C) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

March 31, 2023					
Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Lease liabilities	\$ 50,276	\$45,136	\$92,546	\$11,674	\$199,632
December 31, 2022					
Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Lease liabilities	\$ 52,123	\$43,840	\$99,629	\$11,470	\$207,062
March 31, 2022					
Non-derivative financial liabilities	Within 1 year	1 ~ 2 years	2 ~ 5 years	More than 5 years	Total
Long-term borrowings (including current portion)	\$ 2,864	\$ 2,883	\$56,788	\$ -	\$ 62,535
Lease liabilities	\$ 39,428	\$25,306	\$49,965	\$15,357	\$130,056

In addition to the above, the Group's non-derivative financial liabilities are due within the next year. The Group does not expect the timing of occurrence of the cash flows

estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: The input value for this level is the open quote (unadjusted) of the same asset or liability in the active market. An active market is a market that meets all of the following conditions: the goods traded in the market are homogeneous; the buyers and sellers with the willingness can be found in the market at any time and the price information can be obtained by the public. The fair value of the beneficiary certificate the Group's investment belongs to.

Level 2: The input value of this level, except for the observable price included in the first level public offer, including the observable input value obtained from the active market either directly (such as price) or indirectly (such as derived from price).

Level 3: Inputs for the asset or liability that are not based on observable market data.

- B. Information about the fair value of investment property is provided in Note 6(8).

- C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion), long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

- D. The methods and assumptions the Group used to measure fair value are as follows:

(A) The Group uses the net value of the beneficiary certificate as the fair value input value of the first-tier market quotation.

(B) The evaluation of derivative financial instruments is based on the option pricing model accepted by market users.

- E. For the three months ended March 31, 2023 and 2022, there was no evaluation of the transfer between levels.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: For the major transactions between the Company and the Mainland China invested companies in 2023, please refer to table 4.

(4) Information on investees

A. Basic information: Please refer to table 7.

14. OPERATIONS SEGMENT INFORMATION

(1) General information

The Group's management has identified the reporting Department based on the reporting information needs of the Board of Directors and the main operating decision makers for decision making.

The Group's main operating decision makers operate their business from a regional perspective; in the region, the Group currently focuses on production and sales in Taiwan, the Americas and Europe.

The operations departments disclosed by the Group are considered the main source of revenue for the Group - manufacture and sale of product applications such as industrial computers and Ethernet networks.

(2) Segment information

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

Segment profit and loss, assets and liabilities information

Three months ended March 31, 2023

	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Income from external customers	\$ 528,003	\$ 829,987	\$ 184,718	\$ 34,817	\$ -	\$ 1,577,525
Interest income	4,962	-	-	33	-	4,995
Other income	1,958	-	413	131	-	2,502
Inter-departmental income	585,182	-	2,036	1,573	(588,791)	-
Total income	<u>\$ 1,120,105</u>	<u>\$ 829,987</u>	<u>\$ 187,167</u>	<u>\$ 36,554</u>	<u>(\$ 588,791)</u>	<u>\$ 1,585,022</u>
Interest expense	2,394	1,004	395	71	-	3,864
Depreciation & Amortization	18,257	9,812	2,840	1,737	576	33,222
Income tax expenses	31,426	2,512	3,242	10	(178)	37,012
Department Income	123,820	28,898	8,948	(5,054)	(32,792)	123,820
Assets						
Non-current assets capital expenditure	69,533	3,791	44	47	-	73,415
Department's Assets	5,858,188	1,481,431	539,313	148,839	(1,749,622)	6,278,149
Department's Liabilities	2,381,837	595,540	241,596	44,135	(461,310)	2,801,798

Adjustments & Sales balance

- (1) Total sales from the departments should be net of inter-departmental revenue was \$588,791.
- (2) Amortization \$576 and Income tax expenses \$178 arising from intangible assets transactions should be reported and adjustment in the preparation of the consolidated financial statements.
- (3) Inter-departmental income should be net of inter-departmental transactions \$32,792
- (4) Department assets of \$1,749,622 and liabilities of \$461,310 arising from inter-departmental transactions should be reported and eliminated in the preparation of the consolidated financial statements.

Three months ended March 31, 2022

	Taiwan	USA	Europe	Others Department	Adjustment & Sales balance	Total
Income from external customers	\$ 477,822	\$ 838,091	\$ 123,977	\$ 44,933	\$ -	\$ 1,484,823
Interest income	197	-	-	47	-	244
Other income	1,745	1,883	384	1,031	-	5,043
Inter-departmental income	570,304	-	2,752	7,769	(580,825)	-
Total income	<u>\$ 1,050,068</u>	<u>\$ 839,974</u>	<u>\$ 127,113</u>	<u>\$ 53,780</u>	<u>(\$ 580,825)</u>	<u>\$ 1,490,110</u>
Interest expense	735	643	217	126	-	1,721
Depreciation & Amortization	18,885	4,633	2,550	1,718	576	28,362
Income tax expenses	31,272	10,739	614	16	(178)	42,463
Department Income	133,652	28,557	2,528	(185)	(30,900)	133,652
Assets						
Non-current assets capital expenditure	14,065	1,738	9	22	-	15,834
Department's Assets	4,909,894	1,345,899	392,386	187,631	(1,501,555)	5,334,255
Department's Liabilities	1,938,561	619,576	131,488	69,954	(396,657)	2,362,922

Adjustments & Sales balance

- (1) Total sales from the departments should be net of inter-departmental revenue was \$580,825.
- (2) Amortization \$576 and Income tax expenses \$178 arising from intangible assets transactions should be reported and adjustment in the preparation of the consolidated financial statements.
- (3) Inter-departmental income should be net of inter-departmental transactions \$30,900
- (4) Department assets of \$1,501,555 and liabilities of \$396,657 arising from inter-departmental transactions should be reported and eliminated in the preparation of the consolidated financial statements.

(3) Reconciliation for segment income (loss)

The external income reported by the Group to the chief operating decision maker is consistent with the income from the comprehensive income statement. The difference between the (departmental revenue and corporate income) and the (inter-departmental profit and loss and the pre-tax profit and loss of the continuing business sector) is small. Hence, there is no need for adjustment.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the three months ended March 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2023 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2023 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company Name	Relationship (Note 2)											
0	AXIOMTEK CO., LTD.	AXUS	2	\$ 347,635	USD 2,000	USD 2,000	USD -	-	1.75%	1,738,176	Y	-	-	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) the subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contracts as required under the Consumer Protection Act.

Note 3: According to the Company's fund loan and endorsement guarantee procedures, the Company's endorsement guarantee for a single enterprise is limited to 10% of the equity of the Company's owners in the most recent consolidated financial statements.

Note 4: According to the Company's fund loan and endorsement guarantee procedures, the total amount of endorsement guarantees of the Company and its subsidiaries as a whole is not more than 50% of the equity of the owners of the parent company in the most recent consolidated financial statements.

And the amount of the endorsement of the single company by the Company and its subsidiaries is limited to 10% of the equity of the owner of the parent company in the most recent consolidated financial statements.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual number of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the three months ended March 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchase (sale)	Amount	Percentage of total purchase (sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
AXIOMTEK CO., LTD.	AXUS	The Company's subsidiaries are stated as follows:	Sale	\$ 409,788	25.98%	Monthly 45 ~ 90 days	-	-	\$ 298,734	38.71%	
AXIOMTEK CO., LTD.	AXGM	The Company's subsidiaries are stated as follows:	Sale	146,189	9.27%	Monthly 45 days	-	-	106,552	13.81%	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

March 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Balance as at March 31, 2023 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
AXIOMTEK CO., LTD.	AXUS	The Company's grandson	\$ 298,734	4.63	-	-	\$ 89,654	-
AXIOMTEK CO., LTD.	AXGM	The Company's grandson	106,552	10.16	-	-	\$ 106,552	-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the three months ended March 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	AXIOMTEK CO., LTD.	AXGM	1	Sales revenue	\$ 146,189	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	9.27%
0	AXIOMTEK CO., LTD.	AXUS	1	Sales revenue	409,788	same as that applicable to the general customer receivables collection as per for the average customer, 45 - 90 days	25.98%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Sales revenue	11,790	same as that applicable to the general customer receivables collection for the general customer 75 days; 45 - 75 days with slight delay	0.75%
0	AXIOMTEK CO., LTD.	AXIT	1	Sales revenue	17,416	same as that applicable to the general customer receivables collection as per for the average customer, 45 days	1.10%
	AXIOMTEK CO., LTD.	AXGM	1	Accounts receivable	106,552		1.70%
0	AXIOMTEK CO., LTD.	AXUS	1	Accounts receivable	298,734		4.76%
0	AXIOMTEK CO., LTD.	Axiomtek Shenzhen	1	Accounts receivable	19,455		0.31%
	AXIOMTEK CO., LTD.	AXIT	1	Accounts receivable	13,818		0.22%
0	AXIOMTEK CO., LTD.	AXUS	1	Account payables (Note 6)	19,785		0.32%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: No other transactions of the same type are available for comparison, and the terms of the transaction are handled in accordance with the terms of the agreement between the parties.

Note 5: The disclosure standard is those with a transaction amount of \$10 million or more.

Note 6: Accounts payable for purchasing goods through an agent.

AXIOMTEK CO., LTD. AND SUBSIDIARIES

Information on investees

For the three months ended March 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1, 2)	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net profit (loss) of the investee for the year ended March 31, 2023 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended March 31, 2023 (Note 2(3))	Remark
				Balance as at March 31, 2023	Balance as at March 31, 2022	Number of shares	Ownership	Book value			
AXIOMTEK CO., LTD.	AXUS	U.S.A.	Industrial computer and Embedded Board manufacturing, trading, post-sales service	\$208,240	\$208,240	23,418	100.00	\$849,097	\$ 28,898	\$ 28,898	
"	AXGM	Germany	Industrial computer and Embedded Board manufacturing, trading, post-sales service	19,941	19,941	(Note 3)	100.00	230,512	8,766	8,766	
"	AXBVI	British Virgin Islands	Holding company	156,650	156,650	5,000	100.00	87,169	(4,970)	(4,875)	
"	AXUK	United Kingdom	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,615	8,615	180,000	100.00	9,249	643	643	
"	AXJP	Japan	Industrial computer and Embedded Board manufacturing, trading, post-sales service	8,235	8,235	600	100.00	7,719	(84)	(84)	
"	AXIT	Italy	Industrial computer and Embedded Board manufacturing, trading, post-sales service	56,068	56,068	(Note 3)	100.00	32,587	(461)	(859)	
"	UNI	Taiwan	Automation equipment system set-up and development	29,000	29,000	1,450,000	26.70	15,134	(545)	(1,883)	

1

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at March 31, 2023' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the three months ended March 31, 2023' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company for the three months ended March 31' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

Note 3: Department Ltd.

AXIOMTEK CO., LTD. & SUBSIDIARIES

Information on investments in Mainland China

For the three months ended March 31, 2023

Table 6

Expressed in thousands of NTD and foreign currencies

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Net income of investee for the three months ended March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2023 (Note 2)	Book value of investments in Mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Axiomtek Shenzhen	Industrial computer and Embedded Board manufacturing, trading, post-sales service	NT\$ 128,217 (USD 4,207)	Note 1(2)	NT\$ 128,217 (USD 4,207)	\$ -	\$ -	NT\$ 128,217 (USD 4,207)	(\$ 4,966)	100.00	(\$ 4,966)	\$ 96,575	\$-	

Note 1: Investment methods are classified into the following three categories:

- (1) Investment in Mainland China companies by remittance through a third region.
- (2) Investment in Mainland China companies through a company invested and established in a third region.
- (3) Investment in Mainland China companies through an existing company established in a third region.

Note 2: The investment income is calculated based on the financial statements of the Company that have not been audited by the accountant during the same period.

Note 3: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in Mainland China to be higher of net book value or 60% of consolidated net book value.

Note 4: The amount listed in this table is converted into NTD according to the exchange rate of US\$1=30.477 on March 31, 2023.

Note 5: In the preparation of the consolidated financial report, the relevant transactions have been fully written off.

Expressed in thousands of NTD and foreign currencies

Company Name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Axiomtek Shenzhen	\$ 128,217	USD 4,223	\$ 2,085,811
	USD 4,207		

Table 7

AXIOMTEK CO., LTD.
Major shareholders information
March 31, 2023

Name of major shareholders	Shares	Name of shares held	Ownership (%)
Advantech	25,542,984		27.77%

Note : The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.