

Myson Century, Inc. and Subsidiaries  
Consolidated Financial Report and Independent  
Auditors' Report  
2022 and 2021  
(Stock code 5314)

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Myson Century, Inc. and Subsidiaries  
2022 and 2021 Consolidated Financial Statements and Independent Auditors' Report  
Table of Contents

<u>Item</u>	<u>Page</u>
I. Cover	1
II. Table of contents	2 ~ 3
III. Statements	4
IV. Independent Auditors' Report	5 ~ 8
V. Consolidated balance sheet	9 ~ 10
VI. Consolidated Statement of Comprehensive Income	11
VII. Consolidated Statement of Changes in Equity	12
VIII. Consolidated Statement of Cash Flow	13
IX. Notes to Consolidated Financial Statements	14 ~ 45
(I) Company history	14
(II) The date and procedures for approving the financial statements	14
(III) Application of new and amended standards and interpretations	14 ~ 15
(IV) Summary of significant accounting policies	15 ~ 21
(IV) Critical accounting judgments, estimates and assumptions on uncertainty	21
(VI) Description of significant accounts	21 ~ 36
(VII) Related party transactions	36 ~ 37
(VIII) Pledged assets	38
(IX) Significant contingent liabilities and unrecognized contract commitments	38
(X) Significant events after the balance sheet date	38
(XI) Significant disaster loss	38

<u>Item</u>	<u>Page</u>
(XII) Others	38 ~ 42
(XIII) Note disclosure	42 ~ 43
(XIV) Segment information	43 ~ 45

Myson Century, Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022 (January 1 to December 31, 2022) pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the Company that are required to be included in the consolidated financial statements of affiliates, are the same as those required to be included in the consolidated financial statements under IFRS 10 approved and issued into effect by the FSC. Additionally, since relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare

Company Name: Myson Century, Inc.

Person in Charge: Chang, Yu-Ming

February 24, 2023



## Independent Auditor's Report

(2023)Tsai-Shen-Pao-Tzu No. 22004103

To Myson Century, Inc.

### **Opinion**

We have audited the accompanying consolidated balance sheets of Myson Century, Inc. and its subsidiaries (hereinafter referred to as the Group) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, parent company only statements of changes in equity, consolidated statements of cash flows as of January 1 to December 31, 2022 and 2021, and notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, based on our audit results and the audit reports of other public accountants, the above-mentioned parent company only financial statements present fairly, in all material aspects, the consolidated financial position of Myson Century, Inc. as of December 31, 2022 and 2021, and its consolidated financial performance and consolidated cash flows as of January 1 to December 31, 2022 and 2021 in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers," IFRSs, IASs, IFRICs, SICs approved and issued into effect by the FSC.

### **Basis for Opinion**

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," and the auditing standards in the Republic of China. Our responsibility under such standards will be further explained in the section titled "Independent accountant's responsibilities for the audit of the consolidated financial statements." Our staffs subject to the independence requirements are complied with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China, independent of the Group, and have fulfilled other ethical responsibilities in accordance with the Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters refer to those matters that, in our professional judgment, were of most significance in the audit of 2022 parent company only financial statements of the Group. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Group's key audit matters for 2022 are as follows:

## **Key audit matters- bank deposit audit**

### Description

For the accounting policies on cash and cash equivalents, please refer to Notes 4, (VI) Cash Equivalents and 4, (VIII) Financial Assets at Amortized Cost in the consolidated financial statements, respectively. For the amount of cash and cash equivalents and related disclosures, please refer to Note 6, (I) Cash and Cash Equivalents, Note 6, (III) Financial assets at amortized cost, and Note 8, Pledged assets of the consolidated financial statements. On December 31, 2022, the balances of Bank deposits and restricted time deposits were NT\$35,885 thousand and NT\$1,750 thousand, respectively.

Because bank deposit balances have a significant impact on consolidated financial statements, and the Group has deposits with numerous financial institutions, there is a high degree of liquidity risk. In addition, it is necessary to determine whether the time deposits meet the definition of short-term, highly liquid deposits that can be readily converted to certain amount of cash with minimal changes in value before they can be recognized as cash and cash equivalents, or reclassified to the appropriate accounts based on the guarantee status. These bank deposits accounted for 20.4% of the total assets. Therefore, the audit of bank deposits was considered to be the most critical issue for the audit this year.

### Responsive audit procedures

The main procedures that we made for the specific scope of the key audit matter described above are set out below:

1. We verified the bank statements and sent confirmation letters to verify the existence of bank deposits, and the rights and obligations between Company and the financial institutions, as well as the provision of guarantees.
2. We verified the authenticity of essential information regarding the recipients of bank confirmation letters.
3. For bank accounts with frequent transactions, we conducted cash transaction tests on those with high amounts, which includes understanding the purpose of the bank account, confirming the nature of the transaction is necessary for the Company's operations, and reviewing relevant documents.
4. Review the appropriateness of the classification.

### **Other Matter - Parent Company Only Financial Report**

For your reference, Myson Century Group has prepared its parent company only financial statements for the years 2022 and 2021, and we have issued an unqualified audit report thereon.

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

## **Independent accountant’s responsibilities for the audit of the consolidated financial statements**

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

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

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

5. Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence stated in the Codes of Professional Ethics for Certified Public Accountants in the Republic of China, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the key audit matters for the Group's 2022 consolidated financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan

CPA

Tien, Chung-Yu

田中玉



Lin, Tzu-Yu

林姿予




Financial Supervisory Commission

Approval No.: Chin-Kuan-Cheng-shen-Tzu No.1070323061

Former Securities Commission of the Ministry of Finance

Approval No.: (1993) Tai-Tsai-cheng (6)No.44927


February 24, 2023

  
Myson Century, Inc. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2022 and 2021

Unit: NTD thousand

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	VI (I)	\$ 30,125	16	\$ 30,678	17
1136	Financial assets at amortized cost - current	VI (III)	5,850	3	20,100	11
1170	Accounts receivable, net	VI (IV)	-	-	555	-
1180	Accounts receivable - related parties, net	VII	9,969	6	-	-
1200	Other receivables		3	-	2	-
1220	Current tax assets for the period		30	-	170	-
130X	Inventory	VI (V)	-	-	2	-
1410	Prepayments		1,368	1	105	-
1470	Other current assets		140	-	3	-
11XX	<b>Total current assets</b>		<u>47,485</u>	<u>26</u>	<u>51,615</u>	<u>28</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income/loss - non-current	VI (II)	85,997	47	77,638	42
1535	Financial assets at amortized cost - non-current	VI (I)(III)&VIII	1,750	1	1,744	1
1600	Property, plant and equipment	VI (VII) & VIII	38,063	20	39,995	21
1755	Right-of-use assets	VI (VIII) & VII	10,666	6	14,942	8
1780	Intangible assets	VI (X)	167	-	389	-
1920	Refundable deposits	VII	97	-	97	-
15XX	<b>Total non-current assets</b>		<u>136,740</u>	<u>74</u>	<u>134,805</u>	<u>72</u>
1XXX	<b>Total assets</b>		<u>\$ 184,225</u>	<u>100</u>	<u>\$ 186,420</u>	<u>100</u>

(Continued)

  
Myson Century, Inc. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2130	Contract liabilities - current	VI (XVII) & VII	\$ 172	-	\$ 84	-
2170	Accounts payable		-	-	91	-
2200	Other payables	VI (XI)	7,096	4	6,632	4
2280	Leasing liabilities - current	VI (VIII) & VII	780	1	709	-
2320	Long-term liabilities due within one year or one business cycle	VI (XII) & VIII	2,085	1	-	-
2399	Other current liabilities -other		33	-	40	-
21XX	<b>Total current liabilities</b>		<u>10,166</u>	<u>6</u>	<u>7,556</u>	<u>4</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	VI (XII) & VIII	32,883	18	-	-
2580	Leasing liabilities - non-current	VI (VIII) & VII	9,671	5	14,552	8
2645	Guarantee deposits received		9,044	5	36	-
25XX	<b>Total non-current liabilities</b>		<u>51,598</u>	<u>28</u>	<u>14,588</u>	<u>8</u>
2XXX	<b>Total liabilities</b>		<u>61,764</u>	<u>34</u>	<u>22,144</u>	<u>12</u>
<b>Equity attributable to owners of the parent company</b>						
Share capital						
3110	Share capital - common stock	VI (XIV)	147,000	80	600,000	322
3200	Capital surplus	VI (XV)	103	-	4,660	3
Retained earnings						
3320	Special reserve	VI (II) (XV) (XVI)	-	-	196	-
3350	Accumulated deficit		( 4,386)	( 3)	( 457,753)	( 246)
3400	Other equity	VI (II)	( 20,256)	( 11)	17,173	9
3XXX	<b>Total equity</b>		<u>122,461</u>	<u>66</u>	<u>164,276</u>	<u>88</u>
Significant events after the balance sheet date						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 184,225</u>	<u>100</u>	<u>\$ 186,420</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements. Please refer to it as well.

Chairman: Chang, Yu-Ming



Manager: Chang, Yu-Ming



Controller: Chu, Li-Chuan



  
Myson Century, Inc. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2022 and 2021

Unit: NTD thousand  
(Except for loss per share expressed in New Taiwan Dollar)

Item	Notes	2022		2021	
		Amount	%	Amount	%
4000	Operating Revenue	\$ 18,432	100	\$ 13,989	100
5000	Operating Cost	( 1,641)	( 9)	( 8,654)	( 62)
5900	Operating Gross Profit	16,791	91	5,335	38
	Operating Expense				
6100	Selling expenses	( 822)	( 4)	( 147)	( 1)
6200	Administrative expenses	( 29,250)	( 159)	( 34,067)	( 244)
6300	Research and development expenses	-	-	( 33)	-
6450	Gain on expected credit loss	-	-	100	1
6000	Total operational expenses	( 30,072)	( 163)	( 34,147)	( 244)
6900	Operating losses	( 13,281)	( 72)	( 28,812)	( 206)
	Non-operating Revenue and Expense				
7100	Interest revenue	116	1	292	2
7010	Other income	10,410	56	1,221	9
7020	Other gains and losses	752	4	( 2,455)	( 18)
7050	Finance cost	( 668)	( 4)	( 254)	( 2)
7000	Total non-operating income and expenses	10,610	57	( 1,196)	( 9)
8200	<b>Net loss for the period</b>	<b>(\$ 2,671)</b>	<b>( 15)</b>	<b>(\$ 30,008)</b>	<b>( 215)</b>
	<b>Other comprehensive income (loss)</b>				
	<b>Components not to be reclassified to profit or loss</b>				
	Unrealized gains and losses on valuation of investment in equity instruments measured at fair value through other comprehensive income/loss				
8316		(\$ 39,144)	( 212)	\$ 17,860	128
8300	<b>Other comprehensive income (net)</b>	<b>(\$ 39,144)</b>	<b>( 212)</b>	<b>\$ 17,860</b>	<b>128</b>
8500	<b>Total comprehensive income/loss for the period</b>	<b>(\$ 41,815)</b>	<b>( 227)</b>	<b>(\$ 12,148)</b>	<b>( 87)</b>
	Net loss attributable to:				
8610	Owners of the parent	(\$ 2,671)	( 15)	\$ 30,008	( 215)
	Total comprehensive income/loss attributable to:				
8710	Owners of the parent	(\$ 41,815)	( 227)	\$ 12,148	( 87)
	Loss per share				
9750	Basic and diluted	(\$ 0.18)		\$ 2.04	

The accompanying notes are an integral part of these consolidated financial statements. Please refer to it as well.

Chairman: Chang, Yu-Ming




Manager: Chang, Yu-Ming



Controller: Chu, Li-Chuan




  
 Myson Century, Inc. and Subsidiaries  
 Consolidated Statements of Changes in Equity  
 January 1 to December 31, 2022 and 2021

Unit: NTD thousand

	Notes	Equity attributable to owners of the parent company				Other equity Unrealized gain or losses on financial assets at fair value through other comprehensive income/loss	Total equity
		Share capital - common stock	Capital surplus	Special reserve	Retained earnings Accumulated deficit		
<u>2021</u>							
Balance - January 1, 2021		\$ 600,000	\$ 4,660	\$ 196	(\$ 428,432 )	\$ -	\$ 176,424
Net loss of 2021		-	-	-	( 30,008 )	-	( 30,008 )
Other comprehensive income/loss of 2021	VI (II)	-	-	-	-	17,860	17,860
Total comprehensive income/loss of 2021		-	-	-	( 30,008 )	17,860	( 12,148 )
Disposal of financial instrument measured at fair value through other comprehensive income	VI (II)	-	-	-	687	( 687 )	-
Balance - December 31, 2021		<u>\$ 600,000</u>	<u>\$ 4,660</u>	<u>\$ 196</u>	<u>(\$ 457,753 )</u>	<u>\$ 17,173</u>	<u>\$ 164,276</u>
<u>2022</u>							
Balance at January 1, 2022		\$ 600,000	\$ 4,660	\$ 196	(\$ 457,753 )	\$ 17,173	\$ 164,276
Net loss of 2022		-	-	-	( 2,671 )	-	( 2,671 )
Other comprehensive income/loss of 2022	VI (II)	-	-	-	-	( 39,144 )	( 39,144 )
Total comprehensive income/loss of 2022		-	-	-	( 2,671 )	( 39,144 )	( 41,815 )
Capital reduction to cover losses	VI (XIV)	( 453,000 )	-	-	453,000	-	-
Capital surplus to cover losses	VI (XV)	-	( 4,557 )	-	4,557	-	-
Special reserve to cover losses	VI (XVI)	-	-	( 196 )	196	-	-
Disposal of financial instrument measured at fair value through other comprehensive income	VI (II)	-	-	-	( 1,715 )	1,715	-
Balance at December 31, 2022		<u>\$ 147,000</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>(\$ 4,386 )</u>	<u>(\$ 20,256 )</u>	<u>\$ 122,461</u>

The accompanying notes are an integral part of these consolidated financial statements. Please refer to it as well.

Chairman: Chang, Yu-Ming




Manager: Chang, Yu-Ming



Controller: Chu, Li-Chuan



  
Myson Century, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

	Notes	2022	2021
<u>Cash flows from operating activities</u>			
Net loss before tax of the period		(\$ 2,671 )	(\$ 30,008 )
Adjustments			
Profit/loss			
Foreign exchange gain (loss)		( 358 )	2,152
Expected credit impairment loss /gain on reversal	XII	-	( 100 )
Gain on price recovery of inventory	VI (V)	( 19,307 )	( 1,178 )
Gains on lease modification	VI (VIII) (XX)	( 548 )	-
Depreciation expense	VI (VII) (VIII) (XXII)	2,684	2,674
Amortization expense	VI (X) (XXII)	222	208
Interest revenue	VI (XXVIII)	( 116 )	( 292 )
Dividend revenue	VI (II) (XIX)	( 5,067 )	( 137 )
Interest expense	VI (XXI)	668	254
Changes in operating assets/liabilities			
Changes in operating assets, net			
Accounts receivable		555	28
Accounts receivable - related parties		( 9,969 )	-
Other receivables		( 1 )	171
Inventory		19,309	5,797
Prepayments		( 1,263 )	3,214
Other current assets		( 137 )	-
Changes in operating liabilities, net			
Contract liabilities - current		88	( 2,902 )
Accounts payable		( 91 )	18
Other payables		464	3,707
Other current liabilities		( 7 )	( 93 )
Cash outflow generated from operating activities		( 15,545 )	( 16,487 )
Interest received		116	424
Dividends received		5,067	137
Income taxes received		140	313
Interest paid		( 668 )	( 254 )
Income taxes paid		-	( 170 )
Cash outflow generated from operating activities		( 10,890 )	( 16,037 )
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at fair value through other comprehensive income/loss		( 87,319 )	( 81,007 )
Disposal of financial assets at fair value through other comprehensive income/loss	VI (II)	39,816	21,229
Decrease in financial assets at amortized cost - current		14,244	71,019
Cash paid for property, plant, and equipment		-	( 138 )
Acquisition of intangible assets	VI (X)	-	( 103 )
Increase in refundable deposits		-	( 97 )
Net cash inflow (outflow) from investing activities		( 33,259 )	10,903
<u>Cash flows from financing activities</u>			
Repayment of lease principal	VI (XXVI)	( 738 )	( 504 )
Long-term borrowings	VI (XXVI)	36,000	-
Repayment of long-term borrowings	VI (XXVI)	( 1,032 )	-
Increase of guarantee deposits received	VI (XXVI)	9,008	6
Net cash inflow (outflow) from financing activities		43,238	( 498 )
Effects of exchange rates		358	( 2,152 )
Decrease of cash and cash equivalents of the period		( 553 )	( 7,784 )
Cash and cash equivalents, beginning of period	VI (I)	30,678	38,462
Cash and cash equivalents, end of period	VI (I)	\$ 30,125	\$ 30,678

The accompanying notes are an integral part of these consolidated financial statements. Please refer to it as well.

Chairman: Chang, Yu-Ming




Manager: Chang, Yu-Ming



Controller: Chu, Li-Chuan



  
Myson Century, Inc. and Subsidiaries  
Notes to the Consolidated Financial Statements  
2022 and 2021

Unit: NTD thousand  
(Except as Otherwise Indicated)

I. Company history

Myson Century, Inc. and its subsidiaries (hereinafter referred to as "the Group") was approved for establishment on July 29, 1991. The Company's main business is the research, development, manufacture and sale of integrated circuit system products and security surveillance products, together with technical consulting services for the above products and import/export trade business. Sun Yad Construction Co., Ltd, which holds 17% of the Group's shares, is the parent company of the Company.

II. The date and procedures for approving the financial statements

The consolidated financial statements were authorized and issued by the Board of Directors on February 24, 2023.

III. Application of new and amended standards and interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards as endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as "FSC")

New, amended and revised International Financial Reporting Standards that have been endorsed and issued into effect by the FSC and become effective from 2022 are stated as follows:

<u>Application of New, Amended and Revised Standards and Interpretations</u>	<u>Effective date of IASB's announcement</u>
Amendments to IFRS 3 "Index of the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37, "Onerous Contracts — Cost of Fulfilling a Contract"	January 1, 2022
The annual improvement during the 2018-2020 cycle	January 1, 2022

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

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

New, amended and revised International Financial Reporting Standards that have been endorsed by the FSC and become effective from 2023 are stated as follows:

<u>Application of New, Amended and Revised Standards and Interpretations</u>	<u>Effective date of IASB's announcement</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 regarding "Deferred income tax relating to assets and liabilities arising from a single transaction"	January 1, 2023

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

(III) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments of the IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC are stated as follows:

<u>Application of New, Amended and Revised Standards and Interpretations</u>	<u>Effective date of IASB's announcement</u>
Amendments to IFRSs 10 and IAS 28 "The Assets Sale or Investment between Investors and Their Affiliates or Joint Ventures"	To be decided by IASB
Amendment to IFRS 16 "Lease liabilities arising from the sale and leaseback"	January 1, 2024
International Financial Reporting Standards 17 "Insurance Contracts"	January 1, 2023
The amendments to International Financial Reporting Standards 17 "Insurance Contracts"	January 1, 2023
The amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
The amendments to International Accounting Standards 1, "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendments to IAS 1 "Non-current liabilities with contractual terms"	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.

#### IV. Summary of significant accounting policies

Significant accounting policies adopted during the preparation of the consolidated financial statements are described as follows: Unless otherwise stated, such policies are consistently applicable to all the periods presented.

##### (I) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC (hereinafter referred to as the IFRSs.)

##### (II) Basis of preparation

1. Except for the financial assets at fair value through other comprehensive income, these consolidated financial statements have been prepared under the historical cost convention:
2. The preparation of financial statements in conformity with the "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, 'Critical accounting judgements, estimates and key sources of assumption uncertainty'.

##### (III) Basis of consolidation

1. Principles for preparation of consolidated financial statements:
  - (1) All subsidiaries are included in the consolidated financial statements of the Group. Subsidiaries are all 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 control 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.
  - (2) Inter-company transactions, balances and unrealized gains/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.
  - (3) Profit/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 non controlling interests having a deficit balance.
  - (4) If a change in shareholding in a subsidiary does not result in a loss of control (i.e. transactions with non-controlling interests), such a change is accounted for as an equity transaction, that is, a transaction 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.

- (5) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. The 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/loss of the period. The amounts previously recognized in other comprehensive income in relation to the subsidiaries are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. That is, if any gains or losses previously recognized in other comprehensive income are to be reclassified to profit or loss upon disposal of related assets or liabilities, such gains or losses, when the Group loses control over the associates, are reclassified from equity to profit or loss.

2. Subsidiaries included in the consolidated financial statements:

Name of Investee	Name of Subsidiary	Nature of Business	Percentage of equity held		Explanation
			December 31, 2022	December 31, 2021	
Myson Century, Inc	ZAVIO Inc.	Design and sales of security surveillance products	100.00%	100.00%	—

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different balance sheet dates: None.
5. Significant restrictions: None.
6. Subsidiaries that have non-controlling interests that are material to the Group: None

(IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured by the currency of the main economic environment in which the entity operates (i.e. the functional currency) . The consolidated financial statements are presented in NTD, which is the Company's functional and presentation currency.

Foreign currency transactions and balances:

1. Foreign currency transactions are translated into the functional currency using the exchange rates on the dates of the transactions or valuation. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss of the period.
2. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing on the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss of the period.
3. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates on the balance sheet date; their translation differences are recognized in profit or loss of the period. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates on the balance sheet date; their translation differences are recognized in other comprehensive income. Nevertheless, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates on the dates of the initial transactions.
4. All foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other gains and losses".

(V) Classification of current and noncurrent assets and liabilities

1. Assets that meet one of the following criteria are classified as current assets:
  - (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
  - (2) Assets held mainly for trading purposes.
  - (3) Assets that are expected to be realized within twelve months from the balance sheet date.
  - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Assets that meet none of the above criteria are classified by the Group as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
  - (1) Liabilities that are expected to be settled within the normal operating cycle.
  - (2) Assets held mainly for trading purposes.
  - (3) Liabilities that are to be settled within twelve months from the balance sheet date.
  - (4) 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.

Liabilities that meet none of the above criteria are classified by the Group as non-current Liabilities.

(VI) Cash equivalents

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

(VII) Financial assets at fair value through other comprehensive income/loss

1. Financial assets at fair value through other comprehensive income/loss comprise equity instruments are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income:
2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income/loss are recognized and derecognized using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity instruments that were recognized in other comprehensive income. Cumulative gain or loss previously recognized in comprehensive income are reclassified to retained earnings and shall not be reclassified to profit or loss following the derecognition of the instrument. The Company recognizes the dividend income in profit or loss when the right to receive payment is established, future economic benefits associated with the dividend flows to the Group, and the amount of the dividend can be measured reliably.

(VIII) Financial assets at amortized cost

1. Financial assets at amortized cost are those that meet all of the following criteria:
  - (1) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (2) The assets' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.
2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Subsequently, impairment loss on and interest income from these financial assets is recognized using the effective interest method according to the amortization procedure. A gain or loss is recognized in profit or loss when the asset is derecognized.
4. 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.
5. Time deposits with restrictions on use are classified as financial assets measured at amortized cost because they do not meet the definition of cash and cash equivalents.

(IX) Accounts and notes receivable

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

(X) Inventory

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. The cost of finished goods and goods in process comprises raw materials,

direct labor, other direct costs and related production overheads. Nonetheless, loan costs are excluded. The item by item approach is utilized in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary operation, less the estimated cost of completion and applicable variable selling expenses.

(XI) Impairment of financial assets

For financial assets measured at amortized cost, on each balance sheet date, the Group measures the impairment provision at 12 months expected credit losses if there has no significant increase in credit risk since initial recognition or measures the impairment provision for the lifetime expected credit losses 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 expected credit losses.

(XII) Derecognition of financial assets

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

(XIII) Leasing transaction (lessor)—operating leases

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.

(XIV) Investments accounted for under the equity method - associates

1. Associates are all entities over which the Company has significant influence but no control. In general, it is presumed that an investor has significant influence if the investor holds directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are recognized at cost after acquisition.
2. The Group's share of profit or loss in associates after acquisition is recognized in profit/loss, whereas its share of other comprehensive income in associates after acquisition is recognized in other comprehensive income. When the Group's share of losses in an associate equals 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.

(XV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost, and borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is likely 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 shall be derecognized. All other repairs and maintenance are recognized as profit or loss during the financial period in which they are incurred.
3. Except for land, property, plant and equipment are measured by 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 shall be depreciated separately.
4. At each financial year-end, the assets' residual values, useful lives and depreciation methods are reviewed by the Group. 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 materially, 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. Useful lives of property, plant and equipment are as follows:

<u>Asset name</u>	<u>Service life</u>
Building and structure (auxiliary equipment included)	5 ~ 50 years
Other equipment	3 ~ 5 years

(XVI) Leasing transaction (Lessee)– right-of-use assets/leasing liabilities

1. Leased assets are recognized as right-of-use assets and leasing liabilities as of the date they become available to the Group. When a lease contract is a short-term lease or a lease of a low-value asset, the lease payment is recognized as an expense over the leasing period by the straight-line method.
2. Leasing liabilities are recognized at the commencement date of the lease at the present value of unpaid lease payments discounted by the interest rate on the Group's incremental borrowings, which include: fixed payments, less any lease incentives that may be received. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. When a change in noncontractual results in a change in the leasing period or lease payment, the leasing liability is reassessed and the right-of-use asset is remeasured.
3. Right-of-use assets are recognized at cost at the commencement date of the lease, which includes:
  - (1) The amount of the initial measurement of lease liability; and
  - (2) Any lease payments made at or before the commencement date.

The leasing liabilities are measured subsequently using the cost model, and depreciation expenses are provided at the earlier of the end of the useful life of the right-of-use period or the end of the leasing period. When the lease liabilities are remeasured, the right-of-use asset will adjust any amount of re-measurement of the leasing liabilities.
4. For lease modifications that reduce the scope of the lease, the lessee shall reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognizes the difference between this amount and the re-measurement amount of the lease liability in profit or loss.

(XVII) Intangible assets

1. Computer software  
Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 years.
2. Goodwill  
Goodwill arises from business combinations using the acquisition method.

(XVIII) Impairment of non-financial assets

1. At each balance sheet date, the Group assesses the recoverable amounts of the 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 for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. However, 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.
2. At each balance sheet date, the Group assesses the recoverable amounts of the assets. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.
3. Goodwill is allocated to each of the cash-generating units for impairment testing. This allocation is made on the basis of the operating segment identification. Goodwill is allocated to groups of cash-generating units or cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(XIX) Accounts and notes payable

1. Accounts and notes payable represent debts incurred for the purchase of raw materials, goods or services on credit and notes payable for operating and non-operating purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XX) Derecognition of financial liabilities

The Group derecognize financial liabilities when the obligation specified in the contract is either discharged or canceled or expires.

(XXI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the non-discounted amount expected to be paid and are recognized as expenses when the related services are rendered.

2. Pensions

For defined contribution plans, the amount to be contributed to the pension fund is recognized as pension cost for the period on an accrual basis. Prepaid contributions are recognized as assets to the extent that they are refundable in cash or reduce future benefits.

3. Remuneration to employees and directors

Remuneration to employees and directors are recognized as expense and liability when it is required under legal or constructive obligation and those amounts can be reliably estimated. Any discrepancy between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in accounting estimates. When employee remuneration is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXII) Income tax

1. The tax expense for the period comprises current and deferred tax. Income taxes are recognized in profit or loss, except for those related to items included in other comprehensive income or directly in equity, which are recognized in other comprehensive income or directly in equity, respectively.

2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted on the balance sheet date in the countries where the Company operates and generates taxable income. Management evaluates implementations taken in tax returns with respect to situations periodically in accordance with applicable tax laws, while it, where applicable, estimates the income tax liability based on the expected tax payments to be made to the tax authorities. Additional income tax is levied on undistributed earnings in according to the Income Tax Act. Additional income tax expense on retained earnings is recognized when the actual allocation of earnings is resolved by the shareholders in the year next to the year in which the earnings are generated.

3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated balance sheet. Nevertheless, the deferred income 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 income 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 likely that the temporary difference will not reverse in the foreseeable future. Deferred income 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 income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is likely that future taxable profit may be available against which the temporary differences can be utilized. On each balance sheet date, unrecognized and recognized deferred income tax assets are reevaluated.

5. When there is a statutory right to offset the recognized tax asset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously, current income tax assets and liabilities are offset and the net amount is reported in the balance sheet. Deferred income tax assets and liabilities may be offset when the entity has the statutory right to offset current tax assets against current tax liabilities and they are applicable to 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.

(XXIII) Share capital

Common 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, net of tax, from the proceeds.

(XXIV) Revenue recognition

1. Sales of goods

- (1) The Group manufactures and sells IC and digital surveillance system module related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's 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 customer, and either the customer has accepted the products according to the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (2) Revenue from these sales is recognized based on the contract price, and the discount and allowance payable related to sales as of the balance sheet date is recognized as a refund liability. 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

2. Technical service revenue

- (1) The Group provides services related to the design of integrated circuit systems and security surveillance products. Service revenue is recognized in the reporting period in which the service is rendered to clients. Revenue from fixed-price contracts is recognized based on the proportion of services actually rendered to all services available as of the balance sheet date. The percentage of completion of services is determined based on the actual labor hours incurred to the estimated total labor hours. Contract prices are paid by clients in accordance with the agreed payment schedule. In addition, contract assets are recognized when the services provided by the Group exceed the payables of clients, while contract liabilities are recognized when the payables of clients exceed the services provided by the Group.
- (2) The Group's estimates of revenues, costs and progress are revised as circumstances change. Any increase or decrease in estimated revenues or costs attributable to changes in estimates is reflected in profit or loss in the period in which the circumstances that led to the revision become known to management.

3. Cost to obtain customer contracts

The additional costs incurred by the Group to obtain contracts from customers are expected to be recovered; however, the terms of the related contracts are shorter than one year; therefore, these costs are recognized as expenses as incurred.

(XXV) Operating segments

The Group's operating segment information is reported in a manner consistent with the internal management reports provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources to the operating segments and evaluating their performance.

V. Critical accounting judgments, estimates and assumptions on uncertainty

When preparing the Group's consolidated financial statements, the management made critical judgments in applying the Company's accounting policies and made critical accounting assumptions and estimates as to have a reasonable expectation of future events based on the circumstances on the balance sheet date. Assumptions and estimates may differ from the actual results, and they are continually evaluated and adjusted based on historical experience and other factors. The judgment and assumptions made by the Company in applying its accounting policies and concerning future events do not involve material risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

VI. Description of significant accounts

(I) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working funds	\$ 90	\$ 90
Check deposits and demand deposits	<u>30,035</u>	<u>30,588</u>
	<u>\$ 30,125</u>	<u>\$ 30,678</u>

1. The Group transacts with numerous financial institutions with high credit quality for the purpose of dispersing credit risk; hence, the possibility of default is expected to be very low.

2. As a pledge of tariffs for the customs office and a guarantee of land leases for the Science Park Administration, NT\$1,750 and NT\$1,744 of cash and cash equivalents are restricted by the Group as of December 31, 2022 and 2021, respectively (recognized as "financial assets measured at amortized cost - non-current").
3. The Group has no cash and cash equivalents pledged to others as of December 31, 2022 and 2021.

(II) Financial assets at fair value through other comprehensive income/loss

<u>Item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
TWSE and TPEX listed shares	\$ 106,253	\$ 60,465
Valuation adjustment	( 20,256)	17,173
	<u>\$ 85,997</u>	<u>\$ 77,638</u>

1. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments were NT\$85,997 and NT\$77,638 as of December 31, 2022 and 2021.
2. In 2022, the Group disposed of the shares it held in Evergreen Marine Corporation. The accumulated proceeds were NT\$15,366. The accumulated losses thereof were derecognized and transferred to retained earnings for (NT\$3,483).
3. In 2022 and 2021, the Group disposed of the shares it held in Feei Cherng Enterprise Co., Ltd. for NT\$21,238 and NT\$5,121, respectively. The accumulated gains thereof were derecognized and transferred to the retained earnings for NT\$3,753 and NT\$246, respectively.
4. In 2022 and 2021, the Group disposed of the shares it held in Yuen Foong Yu Consumer Products Co., Ltd. for NT\$3,212 and NT\$5,008, respectively. The accumulated losses thereof were derecognized and transferred to the retained earnings for (NT\$1,985) and (NT\$190), respectively .
5. In 2021, the Group disposed of the shares it held in China Life Insurance Co., Ltd. The accumulated proceeds were NT\$11,100. The accumulated gains thereof were derecognized and transferred to retained earnings of NT\$631.
6. The breakdown of equity and other comprehensive income/loss recognized from financial assets at fair value through other comprehensive income/loss breakdown is as follows:

	<u>2022</u>	<u>2021</u>
Changes in fair value recognized in other comprehensive income	(\$ 39,144)	\$ 17,860
Cumulative gain (loss) transferred to the retained earnings due to derecognition	(\$ 1,715)	\$ 687

7. Dividend income recognized in profit or loss from financial assets at fair value through other comprehensive income (recognized as "other income") was NT\$5,067 and NT\$137 in 2022 and 2021, respectively.
8. The Group has no financial assets at fair value through other comprehensive income/loss pledged to others as of December 31, 2022 and 2021.
9. For information on the credit risk of financial assets measured at fair value through other comprehensive income or loss, please refer to Note 12, (II) Financial Instruments.

(III) Financial assets at amortized cost

<u>Item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Time deposits for longer than three months	<u>\$ 5,850</u>	<u>\$ 20,100</u>
Non-current items:		
Time deposits with limited purpose	<u>\$ 1,750</u>	<u>\$ 1,744</u>

1. The breakdown of profit or loss recognized for financial assets measured at amortized cost - non-current is as follows:

	<u>2022</u>	<u>2021</u>
Interest revenue	<u>\$ 33</u>	<u>\$ 197</u>

- Without considering the collaterals held or other credit enhancements, the Company held financial assets measured at amortized cost with the largest credit risk exposure of NT\$7,600 and NT\$21,844 as of December 31, 2022 and 2021, respectively.
- For financial assets measured at amortized cost that are pledged as collateral, please refer to Note 8, Pledged Assets.
- For information on the credit risk of financial assets at amortized cost, please refer to Note 12, (II) Financial Instruments. The counterparties of the Group's time deposit certificates are financial institutions with good credit quality and the possibility of default is relatively low.

(IV) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 1,424	\$ 1,966
Less: Loss provision	<u>( 1,424)</u>	<u>( 1,411)</u>
	<u>\$ -</u>	<u>\$ 555</u>

1. Aging analysis of accounts receivable (including related parties) are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 9,969	\$ 555
More than 91 days	<u>1,424</u>	<u>1,411</u>
	<u>\$ 11,393</u>	<u>\$ 1,966</u>

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

- The balances of accounts receivable as of December 31, 2022 and 2021 are all generated from customer contracts, and the balance of accounts receivable from customer contracts as of January 1, 2021 was NT\$1,997.
- The Group has not pledged any accounts receivable as collateral.
- Without considering the collaterals held or other credit enhancements, the Group held accounts receivable with the largest credit risk exposure of NT\$9,969 and NT\$555 as of December 31, 2022 and 2021, respectively.
- For information on the credit risk of accounts receivable, please refer to Note 12, (II) Financial Instruments.

(V) Inventory

	December 31, 2022		
	Cost	Allowance for price loss	Carrying amount
Raw materials	\$ 2,214	(\$ 2,214)	\$ -
Work in process	2,453	( 2,453)	-
	<u>\$ 4,667</u>	<u>(\$ 4,667)</u>	<u>\$ -</u>
	December 31st, 2021		
	Cost	Allowance for price loss	Carrying amount
Raw materials	\$ 6,038	(\$ 6,038)	\$ -
Work in process	2,461	( 2,461)	-
Finished goods	15,477	( 15,475)	2
	<u>\$ 23,976</u>	<u>(\$ 23,974)</u>	<u>\$ 2</u>

Cost of inventories recognized as expense in the current period:

	2022	2021
Cost of sold inventory	\$ 20,948	\$ 9,832
Gain on price recovery of inventory (Note)	( 19,307)	( 1,178)
	<u>\$ 1,641</u>	<u>\$ 8,654</u>

(Note) In 2022 and 2021, the Group sold the inventories for which devaluation losses had been appropriated, resulting in a recovery of the net realizable value of inventories, which was recognized as a deduction from the cost of sales.

(VI) Investments accounted for under the equity method

	2022	2021
Balance at the beginning and end of the period	\$ -	\$ -

The carrying amount of the Company's investment in e-Phocus, Inc. was negative in 2007 due to the recognition of losses based on the Company's proportionate shareholding in e-Phocus, Inc. Besides, the Company did not have control over e-Phocus, Inc. and had no endorsement guarantee or intention to continue to support the Company; therefore, the Company stopped recognizing losses for this investment.

(VII) Property, plant and equipment

	<u>Building and structure</u>	<u>Testing equipment</u>	<u>Mold equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>January 1, 2022</u>					
Cost	\$ 71,138	\$ 466	\$ 4,510	\$ 3,998	\$ 80,112
Accumulated depreciation	( 32,392)	( 466)	( 4,510)	( 2,749)	( 40,117)
	<u>\$ 38,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,249</u>	<u>\$ 39,995</u>
 <u>2022</u>					
January 1	\$ 38,746	\$ -	\$ -	\$ 1,249	\$ 39,995
Depreciation expense	( 1,448)	-	-	( 484)	( 1,932)
Disposal - cost	( 2,681)	( 466)	( 4,510)	( 1,745)	( 9,402)
- Accumulated depreciation	<u>2,681</u>	<u>466</u>	<u>4,510</u>	<u>1,745</u>	<u>9,402</u>
December 31	<u>\$ 37,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765</u>	<u>\$ 38,063</u>
 <u>December 31, 2022</u>					
Cost	\$ 68,457	\$ -	\$ -	\$ 2,253	\$ 70,710
Accumulated depreciation	( 31,159)	-	-	( 1,488)	( 32,647)
	<u>\$ 37,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765</u>	<u>\$ 38,063</u>

	<u>Building and structure</u>	<u>Testing equipment</u>	<u>Mold equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>January 1, 2021</u>					
Cost	\$ 71,000	\$ 466	\$ 4,510	\$ 3,998	\$ 79,974
Accumulated depreciation	( 30,941)	( 466)	( 4,510)	( 2,135)	( 38,052)
	<u>\$ 40,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,863</u>	<u>\$ 41,922</u>
 <u>2021</u>					
January 1	\$ 40,059	\$ -	\$ -	\$ 1,863	\$ 41,922
Additions	138	-	-	-	138
Depreciation expense	( 1,451)	-	-	( 614)	( 2,065)
December 31	<u>\$ 38,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,249</u>	<u>\$ 39,995</u>
 <u>December 31, 2021</u>					
Cost	\$ 71,138	\$ 466	\$ 4,510	\$ 3,998	\$ 80,112
Accumulated depreciation	( 32,392)	( 466)	( 4,510)	( 2,749)	( 40,117)
	<u>\$ 38,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,249</u>	<u>\$ 39,995</u>

1. All the Group's property, plant and equipment as of December 31, 2022 and 2021 are assets for its own use.
2. No borrowing costs were capitalized for property, plant and equipment in 2022 and 2021.
3. Information on the Group's pledge of property, plant and equipment as of December 31, 2022 and 2021, please refer to Note 8, Description of Pledged Assets.

(VIII) Leasing transaction—lessee

1. The subject of leases are land leased from the Science Park Bureau and offices leased from related parties. The lease periods are usually between 1 and 20 years, taking the priority renewal rights and contract terms into account. No other restrictions are placed on the leased assets except that they cannot be used as collateral for loans.
2. The carrying amount of the right-of-use assets and the depreciation expense recognized are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 9,443	\$ 13,370
Building and structure	<u>1,223</u>	<u>1,572</u>
	<u>\$ 10,666</u>	<u>\$ 14,942</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 403	\$ 464
Building and structure	<u>349</u>	<u>145</u>
	<u>\$ 752</u>	<u>\$ 609</u>

3. The additions to the Group's right-of-use assets amounted to NT\$— and NT\$1,717 in 2022 and 2021, respectively.
4. Information about profit and loss related to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting the current income</u>		
Interest expenses on lease liabilities	\$ 238	\$ 253
Short-term lease expenses	63	13
Gains on lease modification	<u>(548)</u>	<u>-</u>
	<u>(\$ 247)</u>	<u>\$ 266</u>

5. The Group's total lease cash outflow was NT\$1,039 and NT\$770 in 2022 and 2021, respectively.

(IX) Lease transaction - Lessor

1. The underlying assets leased by the Group include houses and buildings. The lease contract is for the period from 2022 to 2023. The lease contract is negotiated individually and contains various terms and conditions.
2. The Group recognized rent income of NT\$4,428 and NT\$- in 2022 and 2021 based on the operating lease contract (stated as "other income"), none of which were attributable to lease payments.
3. Analysis of expiry dates of payments leased as operating leases by the Group is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Less than one year	<u>\$ 5,571</u>	<u>\$ -</u>	
 (X) <u>Intangible assets</u>			
	<u>Computer software</u>	<u>Goodwill</u>	<u>Total</u>
<u>January 1, 2022</u>			
Original cost	\$ 1,808	\$ 12,074	\$ 13,882
Accumulated amortization	( 1,419)	-	( 1,419)
Cumulative impairment	<u>-</u>	<u>( 12,074)</u>	<u>( 12,074)</u>
	<u>\$ 389</u>	<u>\$ -</u>	<u>\$ 389</u>
<u>2022</u>			
January 1	\$ 389	\$ -	\$ 389
Amortization	( 222)	-	( 222)
Disposal - cost	( 990)	-	( 990)
Accumulated amortization	<u>990</u>	<u>-</u>	<u>990</u>
December 31	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ 167</u>
<u>December 31, 2022</u>			
Original cost	\$ 818	\$ 12,074	\$ 12,892
Accumulated amortization	( 651)	-	( 651)
Cumulative impairment	<u>-</u>	<u>( 12,074)</u>	<u>( 12,074)</u>
	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ 167</u>
	<u>Computer software</u>	<u>Goodwill</u>	<u>Total</u>
<u>January 1, 2021</u>			
Original cost	\$ 1,705	\$ 12,074	\$ 13,779
Accumulated amortization	( 1,211)	-	( 1,211)
Cumulative impairment	<u>-</u>	<u>( 12,074)</u>	<u>( 12,074)</u>
	<u>\$ 494</u>	<u>\$ -</u>	<u>\$ 494</u>
<u>2021</u>			
January 1	\$ 494	\$ -	\$ 494
Increase - acquired independently	103	-	103
Amortization	<u>( 208)</u>	<u>-</u>	<u>( 208)</u>
December 31	<u>\$ 389</u>	<u>\$ -</u>	<u>\$ 389</u>
<u>December 31, 2021</u>			
Original cost	\$ 1,808	\$ 12,074	\$ 13,882
Accumulated amortization	( 1,419)	-	( 1,419)
Cumulative impairment	<u>-</u>	<u>( 12,074)</u>	<u>( 12,074)</u>

\$ 389    \$ -    \$ 389

1. No borrowing costs were capitalized for intangible assets in 2022 and 2021.
2. The breakdown of amortization of intangible assets is as follows:

	2022	2021
Administrative expenses	\$ 222	\$ 208

3. The Group had no intangible assets pledged as of December 31, 2022 and 2021.

(XI) Other payables

	December 31, 2022	December 31, 2021
Salary and bonus payable	\$ 4,484	\$ 4,912
Others	2,612	1,720
	\$ 7,096	\$ 6,632

(XII) Long-term borrowings

Nature of the loan	Term of borrowings	Interest rate range	Collaterals	December 31, 2022
Secured bank loan	2022.6.15~ 2037.6.15	2.2%	Building and structure	\$ 34,968
Less: Long-term loans due within one year or one business cycle				( 2,085)
				\$ 32,883

1. There are none as of December 31, 2021.
2. For the interest expense recognized in profit or loss by the Group in 2022 and 2021, please see Note 6. (21) for the description of finance cost.

(XIII) Pension

1. On July 1, 2005, the Company and its subsidiaries established a defined contribution retirement plan in accordance with the Labor Pension Act, which is applicable to the employees with Taiwan citizenship. The Company and its subsidiaries contributes 6% of the employee's monthly salary to the employee's personal account at the Bureau of Labor Insurance for the employees who choose to apply the labor pension system under the Labor Pension Act. Employees' pensions are paid in the form of monthly pensions or lump-sum pensions, depending on the amount of the employees' individual pension accounts and accumulated earnings.
2. The pension costs recognized under the above pension plan were NT\$502 and NT\$511 for 2022 and 2021.

(XIV) Share capital

1. Reconciliation of the number of outstanding shares of the Company's common shares at the beginning and end of the period is as follows: (Unit: Thousands of shares)

	2022	2021
January 1	60,000	60,000
Capital reduction to cover losses	( 45,300)	-
December 31	14,700	60,000

2. In order to increase working capital, the Company's shareholders' meeting approved to raise funds through

a private placement by introducing strategic investors on May 31, 2022; the Company is to issue up to 20,000 thousand common shares with a par value of NT\$10 per share; however, it is still pending for approval of the Company's meeting of the Board of Directors on the base date of the private placement.

3. The motion for capital reduction to make up losses was approved at the Company's annual general meeting held on May 31, 2022 for capital of reduction of NT\$453,000, eliminating 45,300 thousand shares issued, representing a reduction ratio of 75.5%. With the capital reduction base date as October 7, 2022, the paid-in capital was NT\$147,000, divided into 14,700 thousand shares at \$10 per share.
4. As of December 31, 2022, the Company's total registered capital is NT\$3,500,000 (NT\$330,000 of the total shares are retained for the issuance of employee stock options) and the paid-in capital is NT\$147,000 (14,700 thousand shares at NT\$10 per share). Payment for the shares issued by the Company has all been received.

(XV) Capital surplus

1. Pursuant to the Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of shares and donations can be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership when the Company has no accumulated deficit. Besides, the Securities and Exchange Act states that the amount of the said capital reserve to be capitalized shall not exceed 10% of the paid-in capital each year. The Company shall not use capital surplus to cover deficits unless its surplus reserves is insufficient to cover the deficits.

	2022	2021
	Recognition of changes in ownership interest of subsidiaries	Recognition of changes in ownership interest of subsidiaries
Opening balance	\$ 4,660	\$ 4,660
Capital surplus to cover losses	( 4,557)	-
Balance, ending	<u>\$ 12,892</u>	<u>\$ 4,660</u>

2. On May 31, 2022, the Company's shareholders' meeting resolved and approved the use of additional paid-in capital of NT\$4,557 to offset losses.

(XVI) Retained earnings

1. The Company's earnings distribution or loss supplement can be made at the end of each semi-fiscal year. If there is earnings on a semi-annual fiscal year, the Company shall estimate and retain taxable contributions, make up for losses in accordance with the law, estimate and retain the remuneration to employees, and set aside 10% as legal reserves. paid-in capital. However, this does not apply when the accumulated legal reserve has reached the Company's paid-in capital. Earnings shall be appropriated or reversed as special reserve in accordance with the law or the regulations of the competent authority. Any remaining earnings shall be added to the accumulated earnings undistributed as dividends to the shareholders, with the distribution to be proposed by the Board of Directors. If earnings are distributed in the form of issuing new shares, a resolution shall be adopted at the shareholders' meeting; if earnings are distributed in the form of cash, a special resolution shall be adopted by the Board of Directors.
2. The current year's earnings of the Company, if any, shall first be used to pay taxes and cover previous year's deficit, and then 10% of the remaining amount shall be set aside as legal reserve, unless accumulated legal reserve has reached a amount equal to the Company's paid-in capital. Further, special reserve shall be set aside or reversed in accordance with Article 41 of the Securities and Exchange Act. Appropriation of the remainder earnings, if any, shall be added to the earnings undistributed of the previous years at the beginning of the period according to the business status and the balanced dividend policy. Except for a portion that shall be retained, the remaining earnings shall be added together with the earnings of previous years and the Board of Directors shall propose a motion for the earnings distribution to be approved at the shareholders' meeting.
3. In accordance with the provisions of Articles 240 and 241 of the Company Act, the Company authorizes the distribution of dividend and bonus or statutory surplus to be resolved in favor of a majority of the directors in a meeting with more than two-thirds of the directors present at the board meeting. Reserve and capital reserve, in whole or in part, in the form of cash distributions shall be reported to the shareholders' meeting.

4. In order to support the Company's long-term growth, the Company distributes dividends in principle to satisfy its future operation and development requirements. The Board of Directors shall plan the distribution of dividends according to the Articles of Incorporation after comprehensive consideration of a sound financial structure, maintenance of stable dividends, protection of reasonable returns to shareholders, etc. Issue of new shares shall be approved at the shareholders' meeting and the competent authorities.
5. The Company distributes dividends to shareholders in cash dividends and stock dividends semiannually and annually. In consideration of maintaining a balanced dividend policy, the Company appropriates at least 30% of the earnings shareholders' dividends, but when the surplus for distribution is less than 10% of the paid-in capital, the board of directors may decide not to distribute the dividends. Dividends may be distributed in stock or cash, with cash dividends of not less than 10% of the total dividends.
6. For the distribution of the aforementioned earnings, the Board of Directors may adjust the proportion of cash and stock dividends distribution after considering the Company's operation and capital expenditure needs, and draft a distribution proposal in the form of new shares issuance. Issue of new shares shall be approved at the shareholders' meeting.
7. The motion for offsetting deficits of the Company in 2021 and 2020 was approved in the shareholders' meetings on May 31, 2022 and July 1, 2021, respectively. However, the Company passed a resolution in the annual general shareholders' meeting on May 31, 2022 to cover the deficits with a special reserve of NT\$196.
8. The Company had accumulated losses in 2022 and 2021; hence the shareholders' meeting resolved not to distribute earnings. On February 24, 2023, the board of directors proposed not to distribute the earnings of 2022.

(XVII) Operating Revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 18,432</u>	<u>\$ 13,989</u>

1. Breakdown of revenue from customer contracts

The Group's revenues are generated from sales of merchandise transferred at a certain time, which can be broken down into the following major product lines:

	<u>2022</u>		
	<u>Integrated circuit</u>	<u>System module</u>	<u>Total</u>
<u>Departmental revenue</u>			
Contractual revenue from external customer	<u>\$ 7,526</u>	<u>\$ 10,906</u>	<u>\$ 18,432</u>
	<u>2021</u>		
	<u>Integrated circuit</u>	<u>System module</u>	<u>Total</u>
<u>Departmental revenue</u>			
Contractual revenue from external customer	<u>\$ 4,009</u>	<u>\$ 9,980</u>	<u>\$ 13,989</u>

2. The Company recognized contract liabilities related to revenue from customer contracts as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities - current	<u>\$ 172</u>	<u>\$ 84</u>	<u>\$ 2,986</u>
	<u>2022</u>	<u>2021</u>	
Beginning balance of contract liabilities Revenue recognized in the current period			
Advance sales receipts	<u>\$ -</u>	<u>\$ 2,914</u>	

(XVIII) Interest revenue

	<u>2022</u>	<u>2021</u>
Interest from bank deposits	\$ 83	\$ 95
Financial assets of interest income at amortized cost	<u>33</u>	<u>197</u>
	<u>\$ 116</u>	<u>\$ 292</u>

(XIX) Other income

	<u>2022</u>	<u>2021</u>
Rental revenue	\$ 4,667	\$ 391
Dividend revenue	5,067	137
Others	<u>676</u>	<u>693</u>
	<u>\$ 10,410</u>	<u>\$ 1,221</u>

(XX) Other gains and losses

	<u>2022</u>	<u>2021</u>
Foreign exchange gain (loss)	\$ 358	(\$ 2,155)
Gains on lease modification	548	-
Other gains and losses	<u>(154)</u>	<u>(300)</u>
	<u>\$ 752</u>	<u>(\$ 2,455)</u>

(XXI) Finance cost

	2022	2021
Interest expenses:		
Borrowings from banks	\$ 393	\$ -
Lease liabilities	238	253
Others	37	1
	<u>\$ 668</u>	<u>\$ 254</u>

(XXII) Additional information on the nature of expenses

	Under the operating expenses	
	2022	2021
Employee benefits expense	\$ 19,044	\$ 22,679
Depreciation expense	2,684	2,674
Amortization expense	222	208
	<u>\$ 21,950</u>	<u>\$ 25,561</u>

(XXIII) Employee benefits expense

	Under the operating expenses	
	2022	2021
Salary expenses	\$ 17,173	\$ 19,267
Labor/national health insurance expenses	954	1,041
Pension expenses	502	511
Other personnel expenses	415	1,860
	<u>\$ 19,044</u>	<u>\$ 22,679</u>

1. In accordance with the Articles of Incorporation of the Company, Based on the Company's profitability for the year, if there is any remaining surplus after deducting accumulated losses, the Company shall contribute 1 to 10% of the employees' remuneration and no more than 5% of the directors' remuneration.
2. Since the Company had accumulated deficit in both fiscal 2022 and 2021, the estimated amount of employee and director remuneration is \$-. Information on the employees' and directors' remuneration of the Company as passed by the board of directors and resolved by the stockholders will be posted in the "Market Observation Post System."

(XXIV) Income tax

1. Composition of income tax expense.

	<u>2022</u>	<u>2021</u>
Gross income tax for the current period	\$ -	\$ -
Total deferred income tax:	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

2. Relationship between income tax expenses and accounting losses:

	<u>2022</u>	<u>2021</u>
Income tax with pre-tax net loss calculated at the statutory tax rate	(\$ 534)	(\$ 6,002)
Tax-exempted income pursuant to the tax laws	( 1,013)	( 28)
Deferred income tax assets with temporary difference not recognized	( 3,858)	( 213)
Deferred income tax assets with tax loss not recognized	<u>5,405</u>	<u>6,243</u>
Income tax	<u>\$ -</u>	<u>\$ -</u>

3. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2022

<u>Year of occurrence</u>	<u>Amount reported/ authorized</u>	<u>Amount yet to be offset</u>	<u>Unrecognized deferred income tax assets</u>	<u>Last deduction year</u>
2013~2022	<u>\$ 706,304</u>	<u>\$ 706,304</u>	<u>\$ 706,304</u>	2023~2032

December 31, 2021

<u>Year of occurrence</u>	<u>Amount reported/ authorized</u>	<u>Amount yet to be offset</u>	<u>Unrecognized deferred income tax assets</u>	<u>Last deduction year</u>
2013~2021	<u>\$ 678,737</u>	<u>\$ 678,737</u>	<u>\$ 678,737</u>	2023~2031

4. As of December 31, 2022 and 2021, the unused loss carryforwards and the total unrecognized deferred income tax assets of the subsidiary(ZAVIO Inc.) of the Company were NT\$19,034 and NT\$19,175, respectively.

5. The amounts of deductible temporary differences that were not recognized as deferred tax assets:

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 68,436	\$ 89,446

6. The income tax returns of the Company and its subsidiaries of 2020 have been assessed and approved by the Tax Authority. Besides, there was no administrative remedy existing between the Company and the authority as of February 24, 2023.

(XXV) Loss per share

	2022		
	Amount, after tax	Number of weighted average outstanding shares (thousand shares)	Loss per share (NT\$)
<u>Basic and diluted loss per share</u>			
Net loss for the current period attributed to the common share holders of the parent	(\$ 2,671)	14,700	(\$ 0.18)
	2021		
	Amount, after tax	Number of weighted average outstanding shares (thousand shares)	Loss per share (NT\$)
<u>Basic and diluted loss per share</u>			
Net loss for the current period attributed to the common share holders of the parent	(\$ 30,008)	14,700	(\$ 2.04)

The motion for capital reduction to cover losses was approved by the shareholders' meeting held on May 31, 2022. The meeting of the Board of Directors resolved to set October 7, 2022 as the base date for capital reduction. The weighted average number of shares outstanding was adjusted retroactively according to the ratio of capital reduction to cover loss made by the capital reduction in 2022.

(XXVI) Changes in liabilities arising from financing activities

	Lease liabilities	Long-term borrowings (including those due within one year)	Guarantee deposits received	Total liabilities from financing activities
January 1, 2022	\$ 15,261	\$ -	\$ 36	\$ 15,297
Net changes in the financing cash flow	( 738)	34,968	9,008	43,238
Other non-cash changes	( 4,072)	-	-	( 4,072)
December 31, 2022	\$ 10,451	\$ 34,968	\$ 9,044	\$ 54,463
	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities	
January 1, 2021	\$ 14,048	\$ 30	\$ 14,078	
Net changes in the financing cash flow	( 504)	6	( 498)	
Other non-cash changes	1,717	-	1,717	

December 31, 2021 \$ 15,261 \$ 36 \$ 15,297

VII. Related party transactions

(I) Name and relationship of related parties

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
U-BEST INNOVATIVE TECHNOLOGY CO., LTD. (U-BEST)	Fellow subsidiary
Boromi Optronics Corp. (Boromi)	Fellow subsidiary

(II) Significant transactions with related parties

1. Operating revenue

Sales of goods:	<u>2022</u>	<u>2021</u>
U-BEST	\$ 1,197	\$ -
Boromi	<u>10,665</u>	<u>-</u>
	<u>\$ 11,862</u>	<u>\$ -</u>

The transaction price and payment terms for sale of goods are not materially different from those of the non-related parties.

2. Accounts receivable

	<u>2022</u>	<u>2021</u>
Boromi	<u>\$ 9,969</u>	<u>\$ -</u>

The receivables from related parties are all from sales transactions, and are not pledged or interest-bearing, and no allowance for loss has been provided.

3. Contract liabilities - current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
U-BEST	<u>\$ 76</u>	<u>\$ -</u>

4. Lease transactions - Lessee

(1) The Company leases office space from a related party for a term of 5 years; the rent is payable at the beginning of each month.

(2) Right-of-use assets

A. Acquisition:

	<u>2022</u>	<u>2021</u>
U-BEST	<u>\$ -</u>	<u>\$ 1,717</u>

B. Closing balance:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
U-BEST	<u>\$ 1,223</u>	<u>\$ 1,572</u>

(3) Lease liabilities

A. End-of-period balance:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
U-BEST	<u>\$ 1,243</u>	<u>\$ 1,579</u>

B. Interest expense:

	<u>2022</u>	<u>2021</u>
U-BEST	<u>\$ 33</u>	<u>\$ 16</u>

(4) Refundable deposits

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
U-BEST	<u>\$ 97</u>	<u>\$ 97</u>

(III) Main management remuneration

	<u>2022</u>	<u>2021</u>
Salary and short-term employee benefits	<u>\$ 5,188</u>	<u>\$ 7,131</u>

VIII. Pledged assets

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

<u>Asset items</u>	<u>Book value</u>		<u>Purpose of guarantee</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Buildings (Note 1)	\$ 37,094	\$ -	Guarantee for long-term borrowings
Time deposit (Note 2)	1,140	1,134	Guarantee for customs duties
Time deposit (Note 2)	610	610	Guarantee of land lease by the Hsinchu Science Park Bureau
	<u>\$ 38,844</u>	<u>\$ 1,744</u>	

(Note 1) Listed in "Property, plant and equipment".

(Note 2) Recognized as financial assets measured at amortized cost - non-current

IX. Significant contingent liabilities and unrecognized contract commitments

None

X. Significant events after the balance sheet date

In order to increase working capital, the Company's board of directors approved to raise funds through a private placement by introducing strategic investors on February 24, 2023; the Company expects to issue up to 20,000 thousand common shares through the private placement; however, it is still pending for approval of the Company's shareholders' meeting.

XI. Significant disaster loss

None

XII. Others

(I) Capital management

The Group's capital management objectives are to protect the Company's continuing operations, to maintain an optimal capital structure in order to reduce the cost of capital, thus providing returns for shareholders. 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.

(II) Financial instruments

1. Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income/loss		
Elect the designated equity tool investment	<u>\$ 85,997</u>	<u>\$ 77,638</u>
Financial assets at amortized cost		
Cash and cash equivalents	30,125	30,678
Financial assets at amortized cost	7,600	21,844
Accounts receivable	9,969	555
Other receivables	3	2
Refundable deposits	97	97
	<u>\$ 47,794</u>	<u>\$ 53,176</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Accounts payable	\$ -	\$ 91

Other payables	7,096	6,632
Long-term borrowings (including those due within a year)	34,968	-
Guarantee deposits received	9,044	36
	<u>\$ 51,108</u>	<u>\$ 6,759</u>
Lease liability (current and non-current included)	<u>\$ 10,451</u>	<u>\$ 15,261</u>

## 2. Financial risk management policies

- (1) The Group adopts a comprehensive risk management and control system to identify all the Company's risks (including market risk, Credit risk, liquidity risk and cash flow risk). Hence, the management is able to effectively control and measure market risk, credit risk, liquidity risk and cash flow risk, and mitigate potential adverse effects on the Group's financial position and financial performance.
- (2) The Group's market risk management objectives are to reach the optimal risk exposure, maintain appropriate liquidity and manage all market risks centrally with proper consideration of the economic environment, competitive circumstances and the impact of market value risk.

## 3. Nature and extent of significant financial risks

### (1) Market risk

#### Exchange rate risk

- A. The Group's foreign currency transactions are mainly due to the export and import of raw materials, which are mainly in U.S. dollars. The related exchange rate risk arises from assets and liabilities recognized in future business transactions. The Group adopts a conservative and prudent approach to handle foreign-currency deposits so as to reduce the risk arising from sharp fluctuations in market exchange rates.
- B. The business of the Group involves several non-functional currencies (the Company's functional currency is New Taiwan dollars) and is, therefore, affected by exchange rate fluctuations. Information on foreign currency assets and liabilities that are subject to significant exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency (NT\$ thousand)	Foreign exchange rate	Carrying amount
(Foreign currency: functional currency)			
<u>Financial assets</u>			
Monetary items			
USD: TWD	\$ 237	30.66	\$ 7,261
	December 31st, 2021		
	Foreign currency (NT\$ thousand)	Foreign exchange rate	Carrying amount
(Foreign currency: functional currency)			
<u>Financial assets</u>			
Monetary items			
USD: TWD	\$ 148	27.68	\$ 4,097
EUR: TWD	2	31.32	63
<u>Financial liabilities</u>			
Monetary items			
USD: TWD	3	27.68	83

The sensitivity analysis of foreign currency exchange rate risk is mainly calculated for foreign monetary items at end of the reporting period. When the New Taiwan dollar had appreciated or depreciated by 1% against each foreign currency, and all other factors were held constant, the Group's net income before tax would increase or decrease by NT\$73 and NT\$41 in 2022 and 2021, respectively.

- C. The total amount of exchange losses (including realized and unrealized) recognized in 2022 and

2021 due to the significant impact of exchange rate fluctuations on the Company's monetary items was NT\$358 and(NT\$2,155), respectively.

#### Price risk

The Group's equity instruments exposed to price risk are the financial assets measured at the fair value through profit or loss and financial assets measured at the fair value through other comprehensive income. To manage the price risk of the equity instrument investment, the Company separated the investment portfolio, and the separation method is based on the limited amount formulated by the Group

#### Cash flow and fair value interest rate risk

- A. The interest rate risk of the Group mainly comes from long-term loans issued at floating interest rates, which expose the Group to cash flow interest rate risk. Part of the risk was offset by cash and cash equivalents held at floating rates. In 2022 and 2021, the Group's borrowings at floating interest rates were mainly denominated in NTD.
- B. When the interest rate increased or decreased by 1%, with all other factors remaining unchanged, the net income in 2022 and 2021 would decrease or increase by NT\$3 and NT\$-, respectively. This is mainly due to the borrowings at floating interest rate resulting in the expenses changed accordingly.

#### (2) Credit risk

- A. The Group's credit risk is the risk of financial loss that would be incurred if its customers or financial instrument trading counterparty fail to perform the contracts. This is primarily due to counterparties' failure to repay accounts receivable and other receivable based on payment terms, and contractual cash flows from time deposits, which are measured at amortized cost.
- B. The Group established the credit risk management based on the Group's aspect. For trading banks and financial institutes, only those with good credit can be accepted as trading counterparties. According to the loan policy formulated by the Group, each business unit within the Group shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is formulated by the board of directors according to the internal or external ratings, and the use of the credit limit is monitored regularly.
- C. The following presumption provided by the Group adopts IFRS 9 as the basis to determine whether the credit risk of financial instrument increases significantly after the initial recognition: When the contract payment past due for over 30 days based on the agreed payment terms, the credit risk is considered to have increased significantly since the initial recognition of the financial assets.
- D. The Group adopts IFRS 9, which assumes that a default is deemed to have occurred when contractual payments are more than 90 days past due in accordance with contractual terms.
- E. According to the nature of customers' geographical areas, the Group adopts a simplified methodology to estimate the expected credit losses based on provision matrixes for accounts receivable.
- F. The Group used the forecastability to adjust historical and timely loss ratio to assess the probabilities of defaults of accounts receivable. For the accounts receivable as of December 31, 2022 and 2021, the Group has adopted a simplified methodology to estimate the expected credit losses based on provision matrixes. The expected credit loss rate of the overdue accounts receivable was not material; therefore, no impairment loss was recognized. In terms of accounts receivable which are evaluated individually, the expected loss rate is 100%; hence, the Group recognized allowances for losses of NT\$1,424 and NT\$1,411, respectively.

G. Changes in the Group's allowance for losses on other receivables by the simplified methodology are as follows:

	2022	
	Account receivable	Other receivable
January 1	\$ 1,411	\$ 6,569
Effects of exchange rates	13	-
December 31	<u>\$ 1,424</u>	<u>\$ 6,569</u>

	2021	
	Account receivable	Other receivable
January 1	\$ 1,414	\$ 6,669
Expected credit impairment loss /gain on reversal	-	( 100)
Effects of exchange rates	( 3)	-
December 31	<u>\$ 1,411</u>	<u>\$ 6,569</u>

(3) Liquidity risk

A. The Group's unused loan facilities as of December 31, 2022 and 2021, were both NT\$-.

B. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The contractual cash flows amounts disclosed in the table below are undiscounted.

<u>December 31, 2022</u>	Less than 3 months	3 months to 1 year	1 to 5 year	More than 5 year	Total
Non-derivative financial liabilities:					
Other payables	\$ 7,096	\$ -	\$ -	\$ -	\$ 7,096
Lease liabilities	244	732	3,349	13,839	18,164
Long-term borrowings (including those due within a year)	700	2,100	11,198	26,595	40,593
Guarantee deposits received	-	9,044	-	-	9,044
<u>December 31, 2021</u>	Less than 3 months	3 months to 1 year	1 to 5 year	More than 5 year	Total
Non-derivative financial liabilities:					
Accounts payable	\$ 91	\$ -	\$ -	\$ -	\$ 91
Other payables	6,632	-	-	-	6,632
Lease liabilities	243	730	3,708	14,382	19,063
Guarantee deposits received	36	-	-	-	36

C. 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.

(III) Fair value information

1. The definitions of evaluation techniques used to measure the fair value of financial and non-financial instruments for each level are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A Market is considered active when there is a sufficient frequency and volume of asset or liability transactions occurring to provide pricing information on an ongoing basis. All of the Company's stock investments in listed companies are included.

Level 2: Those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

2. The book value of financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortized cost- current, accounts receivable (including related parties), other receivables, financial assets at amortized cost- non-current, refundable deposits, accounts payables, other payables, other borrowings ((including those due within one year) guarantee deposits received) of the Group is approximate to their fair values.

3. The related information on the Group's financial instruments measured at fair value by fair value level on the basis of the nature, characteristics and risks of the assets are as follows:

- (1) The breakdown of assets classified by nature as of December 31, 2022 and 2021 is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Repetitive fair value</u>				
Financial assets at fair value through other comprehensive income/loss				
Equity securities	<u>\$ 85,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,997</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Repetitive fair value</u>				
Financial assets at fair value through other comprehensive income/loss				
Equity securities	<u>\$ 77,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,638</u>

- (2) The Group uses the closing prices of the listed stocks as the market quotation for the fair value inputs (i.e. Level 1).

4. There were no transfers between Level 1 and Level 2 in 2022 and 2021.
5. There was no change of Level 3 in 2022 and 2021.
6. The Group's finance division is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value

XIII. Note disclosure

(I) Information on major transactions

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: None.
3. Holding of marketable securities at the end of the period (excluding subsidiaries, associates and joint ventures): Please refer to Table 1.
4. Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: Please refer to Table 2.
5. Acquisition of property reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of property reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None

8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments: None
10. The business relationship between the parent and each subsidiary and significant transactions and amounts between them: Please refer to Table 3.

(II) Information on investees

Names, locations, and related information of investees(excluding information on investment in Mainland China): Please refer to Table 4.

(III) Information on investments in Mainland China

1. Basic information: None
2. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None

(IV) Information on major shareholders

Information on major shareholders: Please refer to Table 5.

XIV. Segment information

(I) General information

The management of the Group has identified the reportable segments based on the information reported to the chief operating decision maker for the decision making.

The Group's reportable segments operate from the perspective of consolidated entity. The Company is mainly engaged in the business of integrated circuit system products; ZAVIO Inc. is mainly engaged in the business of digital surveillance system products. Since products in different industry categories require different technologies and marketing strategies, they need to be managed separately. The Group has two reportable segments, Integrated Circuit Products and Integrated Circuit Products.

(II) Measurement of segment information

The Group's chief operating decision maker assesses the performance of the operating segments based on the consolidated financial statements. Profit and loss of the segments are measured based on profit or loss before tax. The accounting policies of the operating segments are the same as the summary of significant accounting policies described in Note 4.

(III) Information on segment losses, assets and liabilities

Reportable segment information provided to the chief operating decision maker is as follows:

	2022			
	Myson Century, Inc	ZAVIO Inc.	Write-off	Total
External revenue	\$ 7,526	\$ 10,906	\$ -	\$ 18,432
Revenue from internal department	-	-	-	-
Amount of external revenue, net	7,526	10,906	-	18,432
Departmental pre-tax income	( 2,671)	8,233	( 8,233)	( 2,671)
Department asset	183,616	16,992	( 16,383)	184,225
	2021			
	Myson Century, Inc	ZAVIO Inc.	Write-off	Total
External revenue	\$ 4,009	\$ 9,980	\$ -	\$ 13,989
Revenue from internal department	-	-	-	-
Amount of external revenue, net	4,009	9,980	-	13,989
Departmental pre-tax income	( 30,008)	277	( 277)	( 30,008)
Department asset	186,292	8,478	( 8,350)	186,420

(IV) Reconciliation of segment profit/loss

1. The segments' total profit and loss measures are equal to the Group's net income before income tax in the

consolidated financial statements. Therefore no reconciliation is required.

2. The amounts of total assets and external revenues provided to the chief operating decision maker are measured in a manner consistent with the assets and revenues in the Group's consolidated financial statements.

(V) Information on product and service categories

	<u>2022</u>	<u>2021</u>
Revenue from good sales		
- Integrated circuit	\$ 7,526	\$ 4,009
- System module	<u>10,906</u>	<u>9,980</u>
	<u>\$ 18,432</u>	<u>\$ 13,989</u>

(VI) Regional information

The Group's regional information of 2022 and 2021 is as follows.

	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 10,891	\$ 48,896	\$ 2,674	\$ 55,326
Mainland China	713	-	1,336	-
Europe	903	-	521	-
America	1,227	-	3,807	-
Others	<u>4,698</u>	<u>-</u>	<u>5,651</u>	<u>-</u>
	<u>\$ 18,432</u>	<u>\$ 48,896</u>	<u>\$ 13,989</u>	<u>\$ 55,326</u>

(VII) Information on major customers

Information on the Group's major customers is as follows:

	2022		2021		Sales department
	Revenue	Share in operating revenue	Revenue	Share in operating revenue	
Company A	\$ -	-	\$ 1,595	11%	Department of system module products
Company C	938	5%	3,939	28%	Department of system module products
Boromi	10,665	58%	-	-	Integrated Circuit Products
Company D	1,792	10%	1,521	11%	Department of system module products

Myson Century, Inc. and Subsidiaries

Marketable securities held at the end of period (excluding the controls in invested subsidiaries, associates and joint ventures)

December 31, 2022

Table 1

Unit: NTD thousand

Name and types of marketable securities	held	Relationship with the securities issuer	Items listed in account	End of period				Remark
				Quantity of shares (shares)	Carrying amount	Share holding ratio	Fair value	
Myson Century, Inc	Shares: HSIN-LI CHEMICAL INDUSTRIAL CORP.	Fellow subsidiary	Financial assets at fair value through other comprehensive income/loss - non-current	2,570,000	\$ 39,321	—	\$ 39,321	—
	U-BEST Innovative Technology Co., Ltd	"	"	2,997,000	31,469	—	31,469	—
	Highwealth Construction Corp.	—	"	242,035	9,753	—	9,753	—
	Sun Yad Construction Co., Ltd.	Parent company and subsidiary	"	258,291	3,061	—	3,061	—
	Feei Cheng Enterprise Co., Ltd.	Fellow subsidiary	"	240,000	2,393	—	2,393	—

Myson Century, Inc. and Subsidiaries

Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more

January 1 to December 31, 2022

Table 2

Unit: NTD thousand  
(Except as Otherwise Indicated)

Buying and selling company	Type and name of securities	Account titles in book (Note)	Counter party	Relationship	Opening balance		Buying		Selling				Other amounts	End of period	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Cost of face value	Profit or loss on disposal		Number of shares	Amount
Myson Century, Inc.	U-BEST Innovative Technology Co., Ltd	1	—	Fellow subsidiary	-	\$ -	2,997	\$ 39,965	-	\$ -	\$ -	\$ -	(\$ 8,496)	2,997	\$ 31,469

Note: Recorded under "Financial assets measured at fair values through other comprehensive income - Non-current".

Myson Century, Inc. and Subsidiaries

The business relationship between the parent and each subsidiary and significant transactions and amounts between them

January 1 to December 31, 2022

Table 3

Unit: NTD thousand  
(Except as Otherwise Indicated)

No. (Note 1)	Name of trader	Trading counterpart	Relationship with the counterparty (Note 2)	Transaction			Percentage in consolidated gross operating revenue or gross assets (Note 3)
				Account	Amount	Trading terms	
0	Myson Century, Inc	ZAVIO Inc.	1	Rental revenue	\$ 208	Per the contract	1%
1	ZAVIO Inc.	Myson Century, Inc.	2	Interest revenue	1	Per the contract	—

Note 1: The information of transactions among the parent and the subsidiaries shall be indicated in the number column as following:

1. Parent: 0
2. Subsidiaries: numbered from 1 by the companies

Note 2: The relationships with counterparties are divided as the following three, and only the type is to be indicated (for the same transaction between the parent and subsidiaries, or among subsidiaries, no repetitive disclosure is required) E.g.:  
If a transaction from the parent to a subsidiary is disclosed under the parent, the same disclose is not required for the subsidiary.

If a transaction between two subsidiaries is disclosed under one of them, the same disclose is not required for the other subsidiary):

1. Parent company to a subsidiary.
2. A subsidiary to the parent company.
3. A subsidiary to a subsidiary.

Note 3: For assets and liabilities, the percentage of transaction amount to the consolidated total operating revenue or total assets is shown as the percentage of the balance, ending to the consolidated total assets. For income, it shall be shown as the percentage of interim accumulated amount in the consolidated gross operating revenue.

Myson Century, Inc. and Subsidiaries

Names, locations, and related information of investees(excluding information on investment in Mainland China)

January 1 to December 31, 2022

Table 4

Unit: NTD thousand

(Except as Otherwise Indicated)

Name of Investee	Investee name	Location	Main business	Original investment amount		Held at year end			Investee income recognized in the current period	Investment income recognized in the current period	Remark
				End of the current period	End of last year	Number of shares	Ratio	Carrying amount			
Myson Century, Inc	ZAVIO Inc.	Taiwan	Surveillance webcam	\$ 68,274	\$ 68,274	900,000	100.00	\$ 16,383	\$ 8,233	\$ 8,233	Subsidiary
	e-Phocus, Inc.	USA	IC R&D and sale	46,035	46,035	2,583,333	22.91	-	-	-	(Note)

Note: Investments accounted for under the equity method.

Myson Century, Inc. and Subsidiaries

Information of major shareholders - Disclosing name, shareholdings, and percentage of the shareholders holding 5% or more equity

December 31, 2022

Table 5

	<u>Number of shares held (unit: thousand shares)</u>	<u>Share holding ratio</u>
Sun Yad Construction Co., Ltd.	2,507	17.05%
Chi Hang Investment Co., Ltd.	1,470	9.99%
Huo Jui Investment Co. Lit.	783	5.32%
Chang, Yu-Ming	754	5.13%
Chung Ching Technology Co. Ltd.	928	6.31%

Note: Where the company obtains the information in the table from TDCC, the following matters may be indicated in the remarks of the table:

- (1) The information about major shareholders herein is generated based on TDCC's calculation of the number of shares already registered and delivered by the shareholders (including treasury stock), totaling 5% or more, in intangible form at the last business day of each quarter.  
The capital stock referred to the Company's financial report and the number of shares already registered and delivered by the Company vary or be different due to the basis of calculation.
- (2) If the shareholder puts the shares held by it under trust, said information shall be disclosed by the individual client of the trust account opened by the trustee. As for the insider declaration of the ownership percentage over 10% in accordance with the Securities and Exchange Act, the shares held shall include the shares held by the shareholder per se, plus the shares he puts under trust and with the right to decide and utilize the trust property. For the insider equity presentation information, please refer to the MOPS.