Stock Code:6206

# FLYTECH TECHNOLOGY CO., LTD.
# AND SUBSIDIARIES

**Consolidated Financial Statements**

**With Independent Auditors' Report**
**For the Years Ended December 31, 2022 and 2021**

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**Representation Letter**

The entities that are required to be included in the combined financial statements of Flytech Technology Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission, In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Flytech Technology Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Flytech Technology Co., Ltd.
Tai-Seng, Lam
Chairman
Date: March 17, 2023

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# Independent Auditors' Report

To the Board of Directors
Flytech Technology Co., Ltd.:

## Opinion

We have audited the consolidated financial statements of Flytech Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

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

## Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

1. Revenue recognition

   Refer to Note 4(n) for accounting policy on revenue recognition and Note 6(s) for related disclosures of the notes to the consolidated financial statements.

   Description of key audit matter:

   Revenue is recognized depending on the various trade terms agreed with customers. This exposes the Group to the risk that the sales transactions made close to the balance sheet date are not recorded in the appropriate period. Consequently, the revenue recognition has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included testing the design and operating effectiveness of the Group's internal controls over financial reporting in the sales; assessing whether revenue is recognized based on the trade terms with customers through reviewing the related sales contracts or other trade documents; performing a sample test on the sales transactions that took place before and after the balance sheet date, as well as reviewing and understanding the reasonableness for any identified significant sales returns and allowances that took place after the balance sheet date to ensure that revenue was recognized in the appropriate period.

2. Impairment of goodwill

   Refer to Note 4(l) for accounting policy on impairment of non-financial assets, Note 5(b) for uncertainty of accounting estimates and assumptions for goodwill impairment, and Note 6(k) for related disclosures of the notes to the consolidated financial statements.

   Description of key audit matter:

   Goodwill arising from business combinations is annually subject to impairment test or when there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management's judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected sales growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions and results; and assessing the adequacy of disclosures of related information on evaluation of goodwill.

**Other Matter**

The Company has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 operations, 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.

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' 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 auditors' 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 consolidated financial statements, 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wei-Ming Shih and Huei-Chen Chang.

KPMG

Taipei, Taiwan (Republic of China)
March 17, 2023

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

## December 31, 2022 and 2021

### (Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ 2,814,795 | 46 | 1,954,290 | 31 |
| 1110 | Financial assets at fair value through profit or loss－current (note 6(b)) | 9,521 | - | 11,522 | - |
| 1136 | Financial assets at amortized cost－current (notes 6(c), (d) and 8) | 156,224 | 3 | 73,642 | 1 |
| 1150-1170 | Notes and accounts receivable (notes 6(d) and (s)) | 760,115 | 13 | 1,208,174 | 19 |
| 130X | Inventories (notes 6(e) and 8) | 918,989 | 15 | 1,425,782 | 23 |
| 1410-1470 | Prepayments and other current assets | 17,774 | - | 55,773 | 1 |
| | **Total current assets** | 4,677,418 | 77 | 4,729,183 | 75 |
| | **Non-current assets:** | | | | |
| 1535 | Financial assets at amortized cost－non-current (note 6(c)) | 96,941 | 2 | 107,039 | 2 |
| 1550 | Investments accounted for using equity method (note 6(f)) | 14,748 | - | 17,690 | - |
| 1600 | Property, plant and equipment (notes 6(i) and 8) | 1,016,813 | 17 | 1,067,096 | 17 |
| 1755 | Right-of-use assets (note 6(j)) | 44,690 | 1 | 68,683 | 1 |
| 1780 | Intangible assets (note 6(k)) | 203,103 | 3 | 268,899 | 4 |
| 1840 | Deferred income tax assets (note 6(o)) | 41,802 | - | 54,437 | 1 |
| 1915 | Prepayments for equipment | 12,853 | - | 1,569 | - |
| 1920 | Refundable deposits | 1,804 | - | 3,575 | - |
| | **Total non-current assets** | 1,432,754 | 23 | 1,588,988 | 25 |
| | **Total assets** | **$ 6,110,172** | **100** | **6,318,171** | **100** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets (Continued)

## December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (notes 6(l) and 8) | $ - | - | 10,334 | - |
| 2130 | Contract liabilities－current (note 6(s)) | 56,723 | 1 | 48,079 | 1 |
| 2150-2170 | Notes and accounts payable | 355,515 | 6 | 765,556 | 12 |
| 2200 | Other payables (note 6(t)) | 275,952 | 4 | 316,113 | 5 |
| 2230 | Current income tax liabilities | 272,716 | 4 | 208,064 | 3 |
| 2250 | Provisions－current (note 6(n)) | 34,461 | 1 | 33,979 | 1 |
| 2280 | Lease liabilities－current (note 6(m)) | 12,580 | - | 18,317 | - |
| 2300 | Other current liabilities | 45,122 | 1 | 40,605 | 1 |
| | **Total current liabilities** | 1,053,069 | 17 | 1,441,047 | 23 |
| | **Non-current liabilities:** | | | | |
| 2570 | Deferred income tax liabilities (note 6(p)) | 4,642 | - | 49,634 | 1 |
| 2640 | Net defined benefit liabilities (note 6(o)) | 15,317 | - | 35,753 | - |
| 2580 | Lease liabilities－non-current (note 6(m)) | 33,313 | 1 | 50,602 | 1 |
| | **Total non-current liabilities** | 53,272 | 1 | 135,989 | 2 |
| | **Total liabilities** | 1,106,341 | 18 | 1,577,036 | 25 |
| | **Equity (notes (h), 6(g) and (q)):** | | | | |
| 3110 | Common stock | 1,430,623 | 24 | 1,430,623 | 23 |
| 3200 | Capital surplus | 536,947 | 9 | 528,355 | 8 |
| | Retained earnings: | | | | |
| 3310 | Legal reserve | 1,196,570 | 20 | 1,128,264 | 18 |
| 3320 | Special reserve | 73,473 | 1 | 57,939 | 1 |
| 3350 | Unappropriated earnings | 1,741,308 | 28 | 1,360,507 | 21 |
| 3400 | Other equity | (49,411) | (1) | (73,473) | (1) |
| | **Equity attributable to shareholders of the Company** | 4,929,510 | 81 | 4,432,215 | 70 |
| 36XX | Non-controlling interests (note 6(h)) | 74,321 | 1 | 308,920 | 5 |
| | **Total equity** | 5,003,831 | 82 | 4,741,135 | 75 |
| | **Total liabilities and equity** | $ 6,110,172 | 100 | 6,318,171 | 100 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

## For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4000 | **Revenue (note 6(s))** | $ 5,544,225 | 100 | 5,185,155 | 100 |
| 5000 | **Cost of revenue (notes 6(e), (i), (j), (l), (m), (n), (o), (t) and 12)** | (3,561,484) | (64) | (3,481,701) | (67) |
| | **Gross profit** | 1,982,741 | 36 | 1,703,454 | 33 |
| | **Operating expenses (notes (h), 6(d), (i), (j), (k), (l), (n), (o), (t) and 12):** | | | | |
| 6100 | Selling expenses | (380,066) | (7) | (389,510) | (8) |
| 6200 | Administrative expenses | (221,447) | (4) | (240,695) | (4) |
| 6300 | Research and development expenses | (274,550) | (5) | (251,488) | (5) |
| | **Total operating expenses** | (876,063) | (16) | (881,693) | (17) |
| | **Operating income** | 1,106,678 | 20 | 821,761 | 16 |
| | **Non-operating income and loss (notes (h), 6(f), (m) and (u)):** | | | | |
| 7100 | Interest income | 11,358 | - | 6,305 | - |
| 7190 | Other income | 7,572 | - | 14,000 | - |
| 7020 | Other gains and losses | 87,487 | 2 | (17,909) | - |
| 7050 | Finance costs | (1,115) | - | (1,665) | - |
| 7370 | Share of losses of associates accounted for using equity method | (4,365) | - | (310) | - |
| | **Total non-operating income and loss** | 100,937 | 2 | 421 | - |
| 7900 | **Income before income tax** | 1,207,615 | 22 | 822,182 | 16 |
| 7950 | Less: Income tax expenses (note 6(p)) | (187,413) | (4) | (131,096) | (3) |
| | **Net income** | 1,020,202 | 18 | 691,086 | 13 |
| | **Other comprehensive income (loss) (note 6(q)):** | | | | |
| 8310 | **Items that will not be reclassified subsequently to profit or loss:** | | | | |
| 8311 | Remeasurements of defined benefit plans | 1,448 | - | 5,283 | - |
| 8349 | Income tax related to items that will not be reclassified subsequently to profit or loss | (289) | - | (1,289) | - |
| | | 1,159 | - | 3,994 | - |
| 8360 | **Items that will be reclassified subsequently to profit or loss** | | | | |
| 8361 | Exchange differences on translation of foreign operations | 23,583 | 1 | (19,162) | - |
| 8399 | Income tax related to items that may be reclassified subsequently to profit or loss | - | - | - | - |
| | | 23,583 | 1 | (19,162) | - |
| | **Other comprehensive income (loss) for the year** | 24,742 | 1 | (15,168) | - |
| | **Total comprehensive income for the year** | **$ 1,044,944** | **19** | **675,918** | **13** |
| | **Net income attributable to:** | | | | |
| 8610 | Shareholders of the Company | $ 1,043,153 | 18 | 683,064 | 13 |
| 8620 | Non-controlling interests | (22,951) | - | 8,022 | - |
| | | **$ 1,020,202** | **18** | **691,086** | **13** |
| | **Total comprehensive income attributable to:** | | | | |
| 8710 | Shareholders of the Company | $ 1,066,698 | 19 | 667,530 | 13 |
| 8720 | Non-controlling interests | (21,754) | - | 8,388 | - |
| | | **$ 1,044,944** | **19** | **675,918** | **13** |
| | **Earnings per share (in New Taiwan dollars) (note 6(r)):** | | | | |
| 9750 | Basic earnings per share | **$** | **7.29** | | **4.77** |
| 9850 | Diluted earnings per share | **$** | **7.20** | | **4.74** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Consolidated Statements of Changes in Equity

### For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to shareholders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | | Total other equity interest | | | | | |
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Total | Foreign currency translation differences | Remeasurements of defined benefit plans | Total | Total equity of the Company | Non-controlling interests | Total equity |
| **Balance at January 1, 2021** | $ 1,430,623 | 597,122 | 1,069,391 | 49,402 | 1,245,571 | 2,364,364 | (50,942) | (6,997) | (57,939) | 4,334,170 | 274,865 | 4,609,035 |
| Appropriation of earnings: | | | | | | | | | | | | |
| Legal reserve | - | - | 58,873 | - | (58,873) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 8,537 | (8,537) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (500,718) | (500,718) | - | - | - | (500,718) | - | (500,718) |
| Cash dividends from capital surplus | - | (71,531) | - | - | - | - | - | - | - | (71,531) | - | (71,531) |
| Changes in ownership interests in subsidiaries | - | 2,764 | - | - | - | - | - | - | - | 2,764 | (2,764) | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | 44,400 | 44,400 |
| Distribution of cash dividends by subsidiaries to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (15,969) | (15,969) |
| Net income in 2021 | - | - | - | - | 683,064 | 683,064 | - | - | - | 683,064 | 8,022 | 691,086 |
| Other comprehensive income (loss) in 2021 | - | - | - | - | - | - | (17,974) | 2,440 | (15,534) | (15,534) | 366 | (15,168) |
| Total comprehensive income (loss) in 2021 | - | - | - | - | 683,064 | 683,064 | (17,974) | 2,440 | (15,534) | 667,530 | 8,388 | 675,918 |
| **Balance at December 31, 2021** | 1,430,623 | 528,355 | 1,128,264 | 57,939 | 1,360,507 | 2,546,710 | (68,916) | (4,557) | (73,473) | 4,432,215 | 308,920 | 4,741,135 |
| Appropriation of earnings: | | | | | | | | | | | | |
| Legal reserve | - | - | 68,306 | - | (68,306) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 15,534 | (15,534) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (572,249) | (572,249) | - | - | - | (572,249) | - | (572,249) |
| Changes in ownership interests in subsidiaries | - | (3,746) | - | - | (6,263) | (6,263) | - | - | - | (10,009) | 10,009 | - |
| Share of changes in equity of associates | - | 12,338 | - | - | - | - | - | - | - | 12,338 | - | 12,338 |
| Disposal of subsidiaries | - | - | - | - | - | - | 517 | - | 517 | 517 | (285,854) | (285,337) |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | 63,000 | 63,000 |
| Net income (loss) in 2022 | - | - | - | - | 1,043,153 | 1,043,153 | - | - | - | 1,043,153 | (22,951) | 1,020,202 |
| Other comprehensive income in 2022 | - | - | - | - | - | - | 22,386 | 1,159 | 23,545 | 23,545 | 1,197 | 24,742 |
| Total comprehensive income (loss) in 2022 | - | - | - | - | 1,043,153 | 1,043,153 | 22,386 | 1,159 | 23,545 | 1,066,698 | (21,754) | 1,044,944 |
| **Balance at December 31, 2022** | **$ 1,430,623** | **536,947** | **1,196,570** | **73,473** | **1,741,308** | **3,011,351** | **(46,013)** | **(3,398)** | **(49,411)** | **4,929,510** | **74,321** | **5,003,831** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Income before income tax** | $ 1,207,615 | 822,182 |
| **Adjustments for:** | | |
| **Adjustments to reconcile profit (loss):** | | |
| Depreciation | 86,691 | 114,740 |
| Amortization | 42,872 | 44,256 |
| (Reversal of) expected credit loss | 708 | (9,617) |
| Share of loss of associates accounted for using equity method | 4,365 | 310 |
| Loss (gain) on disposal of propety, plant and equipment | (416) | 1,278 |
| Property, plant, and equipment reclassified to expenses | 438 | - |
| Interest expense | 1,115 | 1,665 |
| Interest income | (11,358) | (6,305) |
| Gain on disposal of subsidiaries | (22,042) | - |
| Impairment loss on investments accounted for using equity method | 10,915 | - |
| **Total non-cash profit and loss** | 113,288 | 146,327 |
| **Changes in operating assets and liabilities:** | | |
| **Changes in operating assets:** | | |
| Financial assets mandatorily measured at fair value through profit or loss | 2,001 | 691 |
| Notes and accounts receivable | 333,050 | (617,280) |
| Inventories | 162,010 | (770,989) |
| Prepayments and other current assets | (1,893) | (28,940) |
| **Net changes in operating assets** | 495,168 | (1,416,518) |
| **Changes in operating liabilities:** | | |
| Financial liabilities held for trading | - | (882) |
| Contract liabilities | 8,644 | (12,867) |
| Notes and accounts payable | (268,337) | 500,776 |
| Other payables | (9,062) | 71,665 |
| Provisions－current | 3,268 | 1,911 |
| Other current liabilities | 9,679 | 20,081 |
| Net defined benefit liabilities | (1,107) | (2,425) |
| **Net changes in operating liabilities** | (256,915) | 578,259 |
| **Total changes in operating assets and liabilities** | 238,253 | (838,259) |
| Cash provided by operations | 1,559,156 | 130,250 |
| Income taxes paid | (161,462) | (122,585) |
| **Net cash provided by operating activities** | 1,397,694 | 7,665 |

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Consolidated Statements of Cash Flows (Continued)

### For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from investing activities:** | | |
| Decrease (increase) in financial assets at amortized cost | (69,167) | 72,629 |
| Acquisition of investments accounted for using equity method | - | (18,000) |
| Proceeds from disposal of subsidiaries | 92,613 | - |
| Additions to property, plant and equipment (including prepayments for equipment) | (53,242) | (53,869) |
| Proceeds from disposal of property, plant and equipment | 615 | 2,124 |
| Additions of intangible assets | (4,417) | (12,314) |
| Decrease (increase) in refundable deposits | (328) | 104 |
| Interest received | 8,136 | 3,692 |
| **Net cash flows used in investing activities** | (25,790) | (5,634) |
| **Cash flows from financing activities:** | | |
| Increase in short-term borrowings | - | 25,000 |
| Decrease in short-term borrowings | (10,066) | (21,651) |
| Payment of lease liabilities | (12,214) | (28,636) |
| Cash dividends distributed to shareholders | (572,249) | (572,249) |
| Distribution of cash dividend by subsidiaries to non-controlling interests | - | (15,969) |
| Capital injection from non-controlling interests | 63,000 | 44,400 |
| Interest paid | (1,115) | (1,665) |
| **Net cash flows used in financing activities** | (532,644) | (570,770) |
| **Effect of foreign exchange rate changes** | 21,245 | (17,050) |
| **Net increase (decrease) in cash and cash equivalents** | 860,505 | (585,789) |
| **Cash and cash equivalents at beginning of year** | 1,954,290 | 2,540,079 |
| **Cash and cash equivalents at end of year** | $ **2,814,795** | **1,954,290** |

See accompanying notes to consolidated financial statements.

**1. Organization and business**

Flytech Technology Co., Ltd. (the "Company") was incorporated on August 13, 1984, as a company limited by shares under the Company Act of the Republic of China ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 168, Sing-Ai Road, Neihu, Taipei, Taiwan. The Company and its subsidiaries (collectively the "Group") are engaged in the design, manufacture and sale of computers and peripherals.

**2. Authorization of the consolidated financial statements**

These consolidated financial statements were authorized for issue by the Board of Directors on March 17, 2023.

**3. Application of new and revised accounting standards and interpretations:**

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(b) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- IFRS 16 “Requirements for Sale and Leaseback Transactions”

**4. Summary of significant accounting policies**

The significant accounting policies presented in the consolidated financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Group’s accompanying consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (the “Regulations”) and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (collectively “Taiwan-IFRSs”).

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items in the balance sheets:

1) Financial instruments at fair value through profit or loss (including derivative financial instruments and contingent consideration);

2) The defined benefit liabilities are measured at present value of the benefit obligation less the fair value of plan assets.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group’s consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances, transactions, and the resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, financial statements of subsidiaries are adjusted to align their accounting policies with those adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders of the Company.

(ii) List of subsidiaries included in the consolidated financial statements

| Name of Investor | Name of Investee | Principal activities | Percentage of Ownership December 31, 2022 | Percentage of Ownership December 31, 2021 | Note |
|---|---|---|---|---|---|
| The Company | Flytech USA International Co., Ltd. (“Flytech USA BVI”) | Investment and holding activity | 100.00 % | 100.00 % | - |
| The Company | Flytech HK International Co., Ltd. (“Flytech HK BVI”) | Investment and holding activity | 100.00 % | 100.00 % | - |
| The Company | Flytech CN International Co., Ltd. (“Flytech CN BVI”) | Investment and holding activity | 100.00 % | 100.00 % | - |
| The Company | Fei Shiun Investment Co. Ltd. (“Fei Shiun Investment”) | Investment and holding activity | 100.00 % | 100.00 % | - |
| The Company | Box Technologies (Holdings) Ltd. (“Box Holdings”) | Investment and holding activity | 100.00 % | 100.00 % | - |
| The Company | inefi Holding Co., Ltd. (“inefi Holding”) | Investment and holding activity | 100.00 % | - | Note 2 |
| inefi Holdings | Inefi Incorporation | Consulting software services to provide a unified endpoint management platform | 100.00 % | - | Note 2 |
| Flytech USA BVI | Flytech Technology (U.S.A.) Inc. (“Flytech USA”) | Sale of computers and peripherals equipment | 100.00 % | 100.00 % | - |
| Flytech HK BVI | Flytech Technology Hong Kong Ltd. (“Flytech HK”) | Sale of computers and peripheral equipment | 100.00 % | 100.00 % | - |
| Flytech CN BVI | Flytech Electronic (Shanghai) Co., Ltd. (“Flytech CN”) | Sale of computers and peripheral equipment | 100.00 % | 100.00 % | - |

(Continued)

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| Name of Investor | Name of Investee | Principal activities | Percentage of Ownership December 31, 2022 | Percentage of Ownership December 31, 2021 | Note |
|---|---|---|---|---|---|
| Fei Shiun Investment | Berry AI Inc. ("Berry AI") | Operating software design and data processing services, and integrating software and hardware services | 70.00 % | 65.63 % | - |
| Fei Shiun Investment | iRuggy System Co., Ltd. ("iRuggy System") | Sale of computers and peripheral equipment | - | 100.00 % | Note 3 |
| Fei Shiun Investment | Poindus Systems Corporation ("Poindus Systems") | Sale of computers and peripheral equipment | - | 49.31 % | Note 1 |
| Poindus Systems | Poindus Investment Co., Ltd. ("Poindus Investment") | Investment and holding activity | - | 49.31 % | Note 1 |
| Poindus Systems | Poindus Systems UK Limited ("Poindus UK") | Sale of computers and peripheral equipment | - | 49.31 % | Note 1 |
| Poindus Systems | Adasys GmbH Elektronische Komponenteas ("Adasys") | Sale of computers and peripheral equipment | - | 49.31 % | Note 1 |
| Poindus Systems | Qijie Electronics (Shenzhen) Co., Ltd. ("Qijie") | Sale of computers and peripheral equipment | - | 49.31 % | Note 1 |
| Poindus Investment | Poindus Systems GmbH GroBhandel mit EDV. Oberursel ("Poindus GmbH") | Sale of computers and peripheral equipment | - | 49.31 % | Note 1 |
| Berry AI | Berry AI International Co., Ltd. ("Berry AI BVI") | Investment and holding activity | 100.00 % | 100.00 % | - |
| Berry AI BVI | Berry AI USA INC ("Berry AI USA") | Software design and data processing services, and integrating software and hardware services | 100.00 % | 100.00 % | - |
| Box Holdings | Box Technologies Limited ("Box UK") | Sale of computers and peripheral equipment | 100.00 % | 100.00 % | - |
| Box Holdings | BTechnologies AB ("Box Nordic") | Sale of computers and peripheral equipment | 100.00 % | 100.00 % | - |

Note 1: As described in Note 6(h), the Group disposed all of its shares in Poindus Systems on February 10, 2022 and Poindus Systems was excluded from the Group's consolidated entities since then.
Note 2: inefi Holding and Inefi Incorporation were newly established in 2022.
Note 3: iRuggy System was liquidated in November 2022.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

On the disposal of a foreign operation which involves a loss of control over a subsidiary or loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Group are entirely reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group’s ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

(i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting date; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(Continued)

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and checking deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(g) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL). Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial assets on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at amortised cost and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

(Continued)

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognized a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group has the legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are initially measured at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

(Continued)

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other cost incurred in bringing them to a location and condition ready for sale. Fixed manufacturing overhead is allocated to finished products and work in process based on the higher of normal capacity or actual capacity; variable manufacturing overhead is allocated based on the actual capacity of machinery and equipment. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of and asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for property, plant and equipment are as follows: machinery and equipment - 3 to 12 years; mold equipment - 4 to 10 years; office equipment - 3 to 15 years; other equipment - 2 to 10 years; buildings are depreciated over the following useful lives of significant individual components: main structure - 50 years; mechanical & electrical power equipment - 20 years; and air-conditioning system - 10 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(Continued)

(j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modification in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Trademarks, patents, acquired software and technology, and customer relationships acquired in a business combination are measured at fair value at the acquisition date. Subsequent to the initial recognition, such intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Other separately acquired intangible assets are carried at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: Trademarks - 5 to 7 years; patents and technology - 5 years; customer relationships - 5 to 7 years; acquired software - 2 to 5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and the weighting of all possible outcomes against their associated probabilities.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring its control of goods or services to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when its control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, 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 in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group grants its customers the right to return the faulty goods under the standard warranty terms and has recognized warranty provisions for this obligation, refer to note 6(n).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Revenue from service rendered

Revenue from service rendered is recognized by reference to the stage of completion at the reporting date.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the expense related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses; (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and reflected in other equity.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(Continued)

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. All current and deferred taxes are recognized in profit or loss except for expenses related to business combinations or recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (losses) at the time of transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

(r) Business combinations

Goodwill is measured as the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

Components of non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured individually at either fair value or the present ownership instruments’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair values or other measurement basis in accordance with Taiwan-IFRSs.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

The Group recognizes the acquisition-date fair value of the contingent consideration as part of the consideration transferred. The cost of the acquisition and measuring goodwill will retrospectively be adjusted when some changes in the fair value of contingent consideration that the Group recognizes have been made after the acquisition date. Measurement period adjustments is the result of additional information that the Group obtained after that date about facts and circumstances that existed at the acquisition date. The measurement period will not exceed one year from the acquisition date. The Group accounts for the changes in the fair value of contingent consideration that are not measurement period adjustments. The Group’s accounting treatment should be based on the classification of contingent consideration. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement will be accounted for within equity.

Others will be measured at fair value at each reporting date and changes in fair value will be recognized in profit or loss or other comprehensive income.

(Continued)

(s) Earnings per share (“EPS”)

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the consolidated financial statements. Basic EPS are calculated by dividing net income attributable to shareholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to shareholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group’s dilutive potential common shares include profit sharing for employees to be settled in the form of common stock.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

**5. Critical accounting judgments and key sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

There is no information involving critical judgments in applying the accounting policies in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventory

Inventories are measured at the lower of cost or net realizable value. The estimation of net realizable value was based on current market conditions and historical experience with product sales. The inventory cost may exceed its net realizable value due to a price decline and obsolescence of inventory. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments.

(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years.

(Continued)

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

## 6. Significant account disclosures

(a) Cash and cash equivalents

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash on hand | $ 836 | 1,346 |
| Demand deposits and checking accounts | 2,016,209 | 1,877,009 |
| Time deposits with original maturities less than 3 months | 797,750 | 75,935 |
| | **$ 2,814,795** | **1,954,290** |

(b) Financial assets and liabilities at fair value through profit or loss

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Mandatorily measured at fair value through profit or loss: | | |
| Derivative instruments not used for hedging: | | |
| Foreign currency forward contracts | $ - | 1,941 |
| Non-derivative financial assets | | |
| Convertible bonds | 9,521 | 9,581 |
| | **$ 9,521** | **11,522** |

Refer to note 6(v) for the detail of the changes in fair value recognized in profit or loss.

The Group entered into derivative contracts to manage its foreign currency exchange risk resulting from its operating activities classified. The derivative financial instruments that did not conform to the criteria for hedge accounting were classified as financial assets and liabilities at fair value through profit or loss. The information of outstanding derivative financial instruments at the reporting date was as follows:

| | December 31, 2021 | | |
|---|---|---|---|
| | **Contract amount ( in thousands)** | **Sell / Buy** | **Maturity period** |
| Foreign currency forward contracts | USD 8,000 | USD/NTD | 2022/01/10~2022/02/22 |

(c) Financial assets measured at amortized cost

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Time deposits with original maturities more than 3 months | $ 244,751 | 173,666 |
| Other receivables | 646 | 2,564 |
| Interest receivables | 7,768 | 4,451 |
| Subtotal | **$ 253,165** | **180,681** |
| Presented as: | | |
| Current | $ 156,224 | 73,642 |
| Non-current | 96,941 | 107,039 |
| | **$ 253,165** | **180,681** |

(Continued)

The Group intended to hold to maturity in order to receive the contractual cash flows and the contractual cash flows were solely payments of principal and interest on the principal outstanding.

Refer to note 8 for a description of the above assets collateralized for operation.

(d) Notes and accounts receivable, and other receivables

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Notes receivable－from operating activities | $ 3,020 | 3,630 |
| Accounts receivable－measured at amortized cost | 759,305 | 1,206,183 |
| Less: loss allowance | (2,210) | (1,639) |
| | **$ 760,115** | **1,208,174** |

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. Forward-looking information is taken into consideration as well. The loss allowance provision was determined as follows:

| | December 31, 2022 | | |
|---|---|---|---|
| | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 559,688 | 0%~0.69% | 592 |
| Past due 0-30 days | 189,806 | 0%~6.45% | 418 |
| Past due 31-60 days | 5,726 | 0%~13.58% | 393 |
| Past due 61-180 days | 6,918 | 0%~69.63% | 620 |
| Past due over 180 days | 187 | 100.00% | 187 |
| | **$ 762,325** | | **2,210** |

| | December 31, 2021 | | |
|---|---|---|---|
| | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 938,768 | 0%~0.58% | 836 |
| Past due 0-30 days | 263,431 | 0%~3.1% | 471 |
| Past due 31-60 days | 4,635 | 0%~23.98% | 112 |
| Past due 61-180 days | 2,044 | 0%~61.45% | 75 |
| Past due over 180 days | 935 | 68.42%~100.00% | 145 |
| | **$ 1,209,813** | | **1,639** |

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

Movements of the loss allowance for notes and accounts receivable were as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | $ 1,639 | 11,299 |
| Impairment loss (reversed) recognized | 708 | (9,617) |
| Write-off | (76) | - |
| Disposal of subsidiaries | (59) | - |
| Effect of exchange rate changes | (2) | (43) |
| Balance at December 31 | $ 2,210 | 1,639 |

The subsidiary of the Company, Adasys, entered into factoring contracts with a bank to sell parts of its accounts receivable without recourse. According to these contracts, the Group is not responsible for any risk of uncollectable accounts receivable, but only the risk of loss due to commercial disputes. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The receivables from the financial institutions were recognized as other receivables upon the derecognition of those accounts receivables. At each reporting date, details of these contracts were as follows:

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| Underwriting bank | Amount derecognized | Unpaid advance amount | Advance amount | Amount recognized in other receivables | Range of interest rate | Significant transferring terms |
| Deutsche Factoring Bank | $ 2,673 | - | 2,410 | 263 | 2.75 % | Nil |

(e) Inventories

(i) The information of inventories was as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Raw materials | $ 517,523 | 756,122 |
| Work in process | 119,735 | 242,553 |
| Finished goods | 160,299 | 186,761 |
| Merchandise | 121,432 | 240,346 |
| | $ 918,989 | 1,425,782 |

(ii) For the years ended December 31, 2022 and 2021, the amounts of inventories recognized as cost of revenue were $3,520,701 and $3,469,704, respectively. The write-downs (reversal of write-downs) of inventories to net realizable value amounted to $24,245 and $(7,342), respectively.

(iii) Refer to note 8 for a description of the Group’ s inventory collateralized for short-term borrowings.

(f) Investments accounted for using equity method

A summary of the Group's investments in associates at the reporting date is as follows:

| | | | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|---|
| **Name of Associates** | **Business Relationship** | **Principal place of business/ Registration country** | **Percentage of voting rights** | **Carrying amount** | **Percentage of voting rights** | **Carrying amount** |
| TAC Dynamics ("TAC") | Sale of machinery and equipment | Taiwan | 20.82 % | $ 14,748 | 35.00 % | 17,690 |

| | **2022** | **2021** |
|---|---|---|
| Attributable to the Group: | | |
| Net loss (total comprehensive loss) | $ (4,365) | (310) |

| | **2022** |
|---|---|
| The Group's shares in equity of associates at January 1 | $ 17,690 |
| Net loss attributable to the Group | (4,365) |
| Capital surplus attributable to the Group | 12,338 |
| The Group's shares in equity of associates at December 31 | 25,663 |
| Less: accumulated impairment loss | (10,915) |
| The carrying amount of investments in associates at December 31 | **$ 14,748** |

On December 23, 2022, TAC issued new shares for cash, wherein the Group did not subscribe proportionately to its existing ownership percentage, resulting in its ownership in TAC to decrease from 35% to 20.82% and its capital surplus to increase by $12,338, recognized as change in the investment accounted for using equity method.

As of March 31, 2022, the impairment loss of $10,915, assessed by the Group in its investment in TAC, was recognized in other gains and losses. In the measurement of impairment loss, the recoverable amounts were determined based on the value in use and the cash flow projections were based on future financial budgets, covering a period of 5 years, approved by the management. Also, the discount rate used to determine value in use was based on the weighted average cost of capital to measure the equity value of TAC.

(g) Subsidiaries and acquisitions of non-controlling interests

(i) Changes in the Group's ownership interest in subsidiary

In March 2022, the Group' s subsidiary, Berry AI, issued new shares for cash for a consideration of $252,000, wherein the Group did not subscribe proportionately to its existing ownership percentage, resulting in its ownership in Berry AI to increase from 65.63% to 70%, at the amount of $10,009, and its capital surplus and retained earnings to decrease by $3,746 and $6,263, respectively.

In April 2021, the Group's subsidiary, Berry AI, issued new shares for cash for a consideration of $120,000, wherein the Group did not subscribe proportionately to its existing ownership percentage, resulting in its ownership in Berry AI to decrease from 70% to 65.63% and its capital surplus to increase by $2,764.

(Continued)

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(h) Loss of control in subsidiary

On February 10, 2022, the Group disposed the entire ownership of Poindus System at a disposal price of $310,620, wherein the gain on disposal of $22,042 was recorded as other gains and losses. The relevant details are as follows:

(i) Consideration received

| | | |
|---|---|---|
| Total consideration received | $ | 310,620 |
| Expenditure associated with consideration received | | (932) |
| Total consideration received | | 309,688 |
| Add: Non-controlling interests | | 285,854 |
| Less: Net assets of Poindus System | | (572,983) |
| Foreign currency translation differences reclassified to profit or loss arising from loss of control in subsidiary | | (517) |
| Gain on disposal of subsidiary | **$** | **22,042** |

(ii) Net assets of Poindus System

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 217,075 |
| Accounts receivable, net | | 114,308 |
| Inventories | | 342,673 |
| Other current assets | | 39,950 |
| Property, plant and equipment | | 21,317 |
| Right-of-use assets | | 37,258 |
| Intangible assets | | 7,229 |
| Intangible assets－goodwill | | 21,046 |
| Deferred income tax assets－non-current | | 18,495 |
| Other non-current assets | | 2,374 |
| Short-term borrowings | | (268) |
| Notes and accounts payable | | (141,704) |
| Other payables | | (31,099) |
| Current income tax liabilities | | (10,642) |
| Provisions | | (2,786) |
| Lease liabilities－current | | (10,701) |
| Other current liabilities | | (5,162) |
| Deferred income tax liabilities | | (1,658) |
| Net defined benefit liabilities | | (17,881) |
| Lease liabilities－non-current | | (26,841) |
| | **$** | **572,983** |

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(i) Property, plant and equipment

| | Land | Buildings | Machinery | Mold equipment | Furniture and fixtures | Other equipment | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Balance at January 1, 2022 | $ 319,238 | 779,838 | 302,200 | 514,731 | 82,308 | 44,301 | 2,042,616 |
| Additions | - | - | 1,524 | 26,620 | 6,234 | 6,009 | 40,387 |
| Disposal of subsidiary | - | - | (356) | (64,779) | (15,192) | (14,385) | (94,712) |
| Reclassification | - | - | - | 126 | (112) | 1,944 | 1,958 |
| Disposals | - | - | (6,194) | (643) | (1,558) | (1,000) | (9,395) |
| Effect of exchange rate changes | - | 2,675 | (22) | 168 | 581 | 370 | 3,772 |
| Balance at December 31, 2022 | **$ 319,238** | **782,513** | **297,152** | **476,223** | **72,261** | **37,239** | **1,984,626** |
| Balance at January 1, 2021 | $ 319,238 | 774,930 | 299,284 | 524,088 | 97,518 | 49,349 | 2,064,407 |
| Additions | - | 14,286 | 5,044 | 15,898 | 4,606 | 13,102 | 52,936 |
| Reclassification | - | - | - | 356 | - | (1,332) | (976) |
| Disposals | - | (8,477) | (1,773) | (25,584) | (17,955) | (15,033) | (68,822) |
| Effect of exchange rate changes | - | (901) | (355) | (27) | (1,861) | (1,785) | (4,929) |
| Balance at December 31, 2021 | **$ 319,238** | **779,838** | **302,200** | **514,731** | **82,308** | **44,301** | **2,042,616** |
| Accumulated depreciation: | | | | | | | |
| Balance at January 1, 2022 | $ - | 191,466 | 242,402 | 450,271 | 66,968 | 24,413 | 975,520 |
| Depreciation | - | 19,105 | 13,449 | 29,825 | 5,982 | 4,884 | 73,245 |
| Disposal of subsidiary | - | - | (356) | (52,014) | (12,483) | (8,542) | (73,395) |
| Reclassification | - | - | - | - | - | (210) | (210) |
| Disposals | - | - | (6,194) | (519) | (1,483) | (1,000) | (9,196) |
| Effect of exchange rate changes | - | 948 | 4 | 57 | 451 | 389 | 1,849 |
| Balance at December 31, 2022 | **$ -** | **211,519** | **249,305** | **427,620** | **59,435** | **19,934** | **967,813** |
| Balance at January 1, 2021 | $ - | 181,516 | 223,598 | 437,175 | 79,346 | 33,018 | 954,653 |
| Depreciation | - | 18,743 | 20,657 | 38,682 | 6,705 | 5,264 | 90,051 |
| Reclassification | - | - | - | - | - | (672) | (672) |
| Disposals | - | (8,476) | (1,662) | (25,584) | (17,567) | (12,131) | (65,420) |
| Effect of exchange rate changes | - | (317) | (191) | (2) | (1,516) | (1,066) | (3,092) |
| Balance at December 31, 2021 | **$ -** | **191,466** | **242,402** | **450,271** | **66,968** | **24,413** | **975,520** |
| Carrying amount: | | | | | | | |
| Balance at December 31, 2022 | **$ 319,238** | **570,994** | **47,847** | **48,603** | **12,826** | **17,305** | **1,016,813** |
| Balance at December 31, 2021 | **$ 319,238** | **588,372** | **59,798** | **64,460** | **15,340** | **19,888** | **1,067,096** |
| Balance at January 1, 2021 | **$ 319,238** | **593,414** | **75,686** | **86,913** | **18,172** | **16,331** | **1,109,754** |

Refer to note 8 for a description of the Group's equipment collateralized for short-term borrowings.

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(j) Right-of-use assets

| | | Buildings | Other equipment | Total |
|---|---|---|---|---|
| Cost: | | | | |
| Balance at January 1, 2022 | $ | 81,009 | 7,095 | 88,104 |
| Additions | | 11,474 | 14,898 | 26,372 |
| Disposal of subsidiary | | (39,959) | (1,331) | (41,290) |
| Write-off | | (7,974) | (4,462) | (12,436) |
| Effect of exchange rate changes | | 747 | 83 | 830 |
| Balance at December 31, 2022 | **$** | **45,297** | **16,283** | **61,580** |
| Balance at January 1, 2021 | $ | 99,804 | 9,017 | 108,821 |
| Additions | | 36,938 | 1,596 | 38,534 |
| Write-off | | (51,919) | (3,193) | (55,112) |
| Effect of exchange rate changes | | (3,814) | (325) | (4,139) |
| Balance at December 31, 2021 | **$** | **81,009** | **7,095** | **88,104** |
| Accumulated depreciation: | | | | |
| Balance at January 1, 2022 | $ | 14,814 | 4,607 | 19,421 |
| Depreciation | | 11,348 | 2,098 | 13,446 |
| Disposal of subsidiary | | (3,823) | (209) | (4,032) |
| Write-off | | (7,974) | (4,462) | (12,436) |
| Effect of exchange rates changes | | 482 | 9 | 491 |
| Balance at December 31, 2022 | **$** | **14,847** | **2,043** | **16,890** |
| Balance at January 1, 2021 | $ | 46,011 | 5,166 | 51,177 |
| Depreciation | | 21,876 | 2,813 | 24,689 |
| Write-off | | (51,919) | (3,193) | (55,112) |
| Effect of exchange rate changes | | (1,154) | (179) | (1,333) |
| Balance at December 31, 2021 | **$** | **14,814** | **4,607** | **19,421** |
| Carrying amount: | | | | |
| Balance at December 31, 2022 | **$** | **30,450** | **14,240** | **44,690** |
| Balance at December 31, 2021 | **$** | **66,195** | **2,488** | **68,683** |
| Balance at January 1, 2021 | **$** | **53,793** | **3,851** | **57,644** |

(Continued)

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(k) Intangible assets

(i) The movements of cost, accumulated amortization and impairment loss of intangible assets were as follows:

| | | Trademarks | Patents and technology | Customer relationships | Goodwill | Others | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Balance at January 1, 2022 | $ | 99,692 | 102,847 | 320,021 | 202,652 | 22,777 | 747,989 |
| Additions | | 392 | - | - | - | 4,025 | 4,417 |
| Disposal of subsidiary | | (65,951) | (102,847) | (81,947) | (27,294) | (11,005) | (289,044) |
| Disposals | | - | - | - | - | (122) | (122) |
| Effect of exchange rate changes | | - | - | - | - | 137 | 137 |
| Other reclassification | | - | - | - | - | 800 | 800 |
| Balance at December 31, 2022 | $ | **34,133** | **-** | **238,074** | **175,358** | **16,612** | **464,177** |
| Balance at January 1, 2021 | $ | 99,908 | 102,847 | 320,021 | 202,652 | 17,380 | 742,808 |
| Additions | | - | - | - | - | 12,314 | 12,314 |
| Disposals | | (216) | - | - | - | (6,560) | (6,776) |
| Effect of exchange rate changes | | - | - | - | - | (357) | (357) |
| Balance at December 31, 2021 | $ | **99,692** | **102,847** | **320,021** | **202,652** | **22,777** | **747,989** |
| Accumulated amortization and impairment loss: | | | | | | | |
| Balance at January 1, 2022 | $ | 92,864 | 102,847 | 265,809 | 6,248 | 11,322 | 479,090 |
| Amortization | | 4,853 | - | 34,457 | - | 3,562 | 42,872 |
| Disposal of subsidiary | | (65,951) | (102,847) | (76,363) | (6,248) | (9,360) | (260,769) |
| Disposals | | - | - | - | - | (122) | (122) |
| Effect of exchange rate changes | | - | - | - | - | 3 | 3 |
| Balance at December 31, 2022 | $ | **31,766** | **-** | **223,903** | **-** | **5,405** | **261,074** |
| Balance at January 1,2021 | $ | 88,260 | 102,847 | 229,118 | 6,248 | 15,307 | 441,780 |
| Amortization | | 4,820 | - | 36,691 | - | 2,745 | 44,256 |
| Disposals | | (216) | - | - | - | (6,560) | (6,776) |
| Effect of exchange rate changes | | - | - | - | - | (170) | (170) |
| Balance at December 31, 2021 | $ | **92,864** | **102,847** | **265,809** | **6,248** | **11,322** | **479,090** |
| Carrying amount: | | | | | | | |
| Balance at December 31, 2022 | $ | **2,367** | **-** | **14,171** | **175,358** | **11,207** | **203,103** |
| Balance at December 31, 2021 | $ | **6,828** | **-** | **54,212** | **196,404** | **11,455** | **268,899** |
| Balance at January 1, 2021 | $ | **11,648** | **-** | **90,903** | **196,404** | **2,073** | **301,028** |

(ii) The amortization of intangible assets was included in the following line items of the consolidated statement of comprehensive income:

| | | 2022 | 2021 |
|---|---|---|---|
| Cost of revenue | $ | 133 | 50 |
| Selling expenses | | 42,739 | 44,206 |
| | **$** | **42,872** | **44,256** |

(Continued)

(iii) Impairment test on goodwill

The carrying amounts of goodwill resulted from business acquisition were allocated to the respective CGUs identified as the following subsidiaries :

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Box | $ 175,358 | 175,358 |
| Poindus Systems | - | 9,115 |
| Adasys | - | 11,931 |
| | $ 175,358 | 196,404 |

Each CGU to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. As of December 31, 2022 and 2021, the recoverable amounts exceeded their carrying amounts based on the results of the impairment tests conducted by the Group. The recoverable amounts of a CGU were determined based on the value in use, and the related key assumptions of the value in use were as follows:

| | December 31, 2022 | December 31, 2021 | |
|---|---|---|---|
| | Box | Box | Adasys |
| Revenue growth rates | 5%~9.8% | -3.4%~5% | -5%~2% |
| Pre-tax discount rates | 12.65 % | 11.04% | 12.88 % |

1) The cash flow projections were based on future financial budgets, covering a period of 5 years, approved by management. Cash flows beyond that 5-year period have been extrapolated using 0% growth rate.

2) The discount rate used to determine value in use is based on the weighted average cost of capital.

(l) Short-term borrowings

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Secured bank loans | $ - | 10,334 |
| Unused credit facilities | $ 1,221,422 | 1,376,186 |
| Interest rate | - | 1.54%~5.57% |

For more information about the Group's exposure to interest rate risk and liquidity risk see note 6(v). Refer to note 8 for detail on related assets pledged as collateral for secured loans.

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(m) Lease liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 12,580 | 18,317 |
| Non-current | $ 33,313 | 50,602 |

For the maturity analysis, refer to note 6(v).

The amounts recognized in profit or loss were as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest expense on lease liabilities | $ 993 | 1,088 |
| Expenses relating to short-term leases | $ 1,449 | 5,538 |
| Expenses relating to leases of low-value assets | $ 49 | 120 |

The amounts recognized in the statement of cash flows for the Group were as follows:

| | 2022 | 2021 |
|---|---|---|
| Total cash outflow for leases | $ 14,705 | 35,382 |

(i) Real estate leases

The Group leases buildings for its offices, factories and staff dormitory, the leases typically run for a period of one to five years. If the Group needs to renew the lease of contract amount at the end of contract term, lease liabilities and right-of-use assets are remeasured. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases transportation equipment and other equipment, with lease terms of one to three years. These leases are short-term or low-value assets and therefore, the Group applies the exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(n) Provision for warranties

| | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | $ 33,979 | 32,068 |
| Provisions made | 7,079 | 6,782 |
| Amount utilized | (3,700) | (3,894) |
| Disposal of subsidiary | (2,786) | - |
| Effect of exchange rate changes | (111) | (977) |
| Balance at December 31 | $ 34,461 | 33,979 |

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The provision for warranties is estimated based on historical warranty data associated with similar products. The Group expects to settle most of the warranty liability in one to three years from the date of the sale of the product.

(o) Employee benefits

(i) Defined benefit plans

The present value of defined benefit obligations and the fair value of plan assets were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Present value of benefit obligations | $ 41,685 | 74,382 |
| Fair value of plan assets | (26,368) | (38,629) |
| Net defined benefit liabilities | **$ 15,317** | **35,753** |

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement. The foreign subsidiary, Adasys, also has defined benefit pension plan based on its respective local laws and regulations.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Group is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks. Foreign subsidiaries with defined benefit plans make pension contributions to pension management institutions in accordance with their respective local regulations.

As of December 31, 2022 and 2021, the Company's labor pension fund account balance at Bank of Taiwan amounted to $26,368 and $24,181, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

As of December 31, 2021, the foreign subsidiary, Adasys, made pension contributions amounting to $14,448 to the pension management institution based on the respective local laws and regulations.

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2) Movements in present value of defined benefit obligations

| | | 2022 | 2021 |
|---|---|---|---|
| Defined benefit obligations at January 1 | $ | 74,382 | 83,954 |
| Disposal of subsidiary | | (32,305) | - |
| Current service costs and interest expense | | 315 | 635 |
| Remeasurement of net defined benefit liabilities: | | | |
| — Actuarial losses arising from experience adjustments | | - | (770) |
| — Actuarial losses arising from changes in financial assumptions | | 430 | (4,261) |
| Benefits paid by the plan | | (1,137) | (1,707) |
| Effect of exchange rate changes | | - | (3,469) |
| Defined benefit obligations at December 31 | **$** | **41,685** | **74,382** |

3) Movements of fair value of plan assets

| | | 2022 | 2021 |
|---|---|---|---|
| Fair value of plan assets at January 1 | $ | 38,629 | 40,492 |
| Disposal of subsidiary | | (14,448) | - |
| Interest income | | 181 | 310 |
| Remeasurement on net defined benefit liabilities: | | | |
| – Return on plan assets (excluding current interest expense) | | 1,878 | 252 |
| Contributions by plan participants | | 1,265 | 933 |
| Benefits paid by the plan | | (1,137) | (1,707) |
| Effect of exchange rate changes | | - | (1,651) |
| Fair value of plan assets at December 31 | **$** | **26,368** | **38,629** |

4) Changes in the effect of the asset ceiling

In 2022 and 2021, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

The expenses recognized in profit or losses were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Current service costs | $ | - | 183 |
| Net interest expense | | 134 | 142 |
| | **$** | **134** | **325** |
| Operating expenses | **$** | **134** | **325** |

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Discount rate | 1.25% | 0.75%~1.47% |
| Future salary increases rate | 2.5% | 0%~2% |

The weighted-average duration of the defined benefit plans is 11.1 years. The Group expects to make contribution of $72 to the defined benefit plans in the year following December 31, 2022.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions for each measurement date, including discount rates and future salary changes. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation:

| | Impact on defined benefit obligation | |
|---|---|---|
| | 0.25% Increase | 0.25% Decrease |
| December 31, 2022 | | |
| Discount rate | (641) | 663 |
| Future salary increase rate | 689 | (615) |
| December 31, 2021 | | |
| Discount rate | (1,875) | 2,034 |
| Future salary increase rate | 749 | (664) |

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets. The method used to carry out the sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee’s monthly wages to the employee’s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Foreign subsidiaries make contributions in compliance with their respective local regulations. Under these defined contribution plans, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount.

(Continued)

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The Group recognized expense of the defined contribution plans as follows:

| | 2022 | 2021 |
|---|---|---|
| Cost of revenue | $ 4,554 | 4,693 |
| Operating expenses | 17,808 | 20,456 |
| | **$ 22,362** | **25,149** |

(p) Income taxes

(i) The components of income tax expense were as follows:

| | 2022 | 2021 |
|---|---|---|
| Current income tax expense | | |
| Current period | $ 262,951 | 175,362 |
| Adjustments for prior periods | (26,253) | (35,274) |
| | 236,698 | 140,088 |
| Deferred tax benefit | | |
| Origination and reversal of temporary differences | (49,285) | (8,992) |
| Income tax expense | **$ 187,413** | **131,096** |

The Group's income tax expense recognized in other comprehensive income was as follows:

| | 2022 | 2021 |
|---|---|---|
| Items that will not be reclassified to profit or loss: | | |
| Remeasurement of defined benefit plans | **$ 289** | **1,289** |

The reconciliation of income tax expense and income before tax was as follows:

| | 2022 | 2021 |
|---|---|---|
| Income before income tax | **$ 1,207,615** | **822,182** |
| Income tax using the Company's statutory tax rate | $ 241,523 | 164,436 |
| Effect of different tax rates in foreign jurisdictions | 16,872 | 15,475 |
| Investment tax credits | (11,250) | (11,250) |
| Changes in unrecognized temporary differences | (27,019) | (3,103) |
| Additional tax on undistributed earnings | 1,349 | 1,030 |
| Adjustments for prior years | (26,253) | (35,274) |
| Others | (7,809) | (218) |
| | **$ 187,413** | **131,096** |

1) Unrecognized deferred income tax assets and liabilities

Unrecognized deferred income tax assets:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Aggregate amount of temporary differences related to investments in subsidiaries | **$ 8,412** | **21,463** |

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Unrecognized deferred income tax liabilities:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Aggregate amount of temporary differences related to investments in subsidiaries | $ 36,464 | - |

As the Group is able to control the timing of the reversal of temporary differences associated with investments in subsidiaries, and management considers that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax assets and liabilities.

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

| | Defined benefit plans | Inventory provisions | Others | Total |
|---|---|---|---|---|
| **Balance at January 1, 2022** | $ 8,828 | 14,236 | 31,373 | 54,437 |
| Recognized in profit or loss | (226) | 3,912 | 2,270 | 5,956 |
| Recognized in other comprehensive income (loss) | (289) | - | - | (289) |
| Disposal of subsidiary | (4,802) | (6,149) | (7,544) | (18,495) |
| Effect of exchange rate changes | - | - | 193 | 193 |
| **Balance at December 31, 2022** | **$ 3,511** | **11,999** | **26,292** | **41,802** |
| **Balance at January 1, 2021** | $ 11,019 | 15,737 | 27,067 | 53,823 |
| Recognized in profit or loss | (253) | (1,266) | 4,836 | 3,317 |
| Recognized in other comprehensive income (loss) | (1,289) | - | - | (1,289) |
| Effect of exchange rate changes | (649) | (235) | (530) | (1,414) |
| **Balance at December 31, 2021** | **$ 8,828** | **14,236** | **31,373** | **54,437** |

Deferred income tax liabilities:

| | Unremitted earnings from subsidiaries | Intangible assets acquired through business combination | Others | Total |
|---|---|---|---|---|
| **Balance at January 1, 2022** | $ 35,108 | 12,794 | 1,732 | 49,634 |
| Recognized in profit or loss | (35,108) | (7,899) | (322) | (43,329) |
| Disposal of subsidiary | - | (1,658) | - | (1,658) |
| Effect of exchange rate changes | - | - | (5) | (5) |
| **Balance at December 31, 2022** | **$ -** | **3,237** | **1,405** | **4,642** |
| **Balance at January 1, 2021** | $ 32,249 | 21,356 | 1,744 | 55,349 |
| Recognized in profit or loss | 2,859 | (8,562) | 28 | (5,675) |
| Effect of exchange rate changes | - | - | (40) | (40) |
| **Balance at December 31, 2021** | **$ 35,108** | **12,794** | **1,732** | **49,634** |

(ii) The Company's income tax returns for the years through 2020 were examined and approved by the R.O.C income tax authorities.

(Continued)

(q) Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, the Company's authorized shares of common stock both consisted of 220,000 thousand shares with par value of $10 (dollars) per share, both of which 143,062 thousand shares were issued and outstanding.

(ii) Capital surplus

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Premium derived from the issuance of shares in excess of par value: | | | |
| Premium on common stock issued of conversion of convertible bonds | $ | 522,161 | 522,161 |
| Forfeited employee stock options | | 2,433 | 2,433 |
| Difference between the consideration and the carrying amounts arising from the acquisition or disposal of shares in subsidiaries | | - | 982 |
| Changes in ownership interest in subsidiaries | | - | 2,764 |
| Changes in equity of associates accounted for using equity method | | 12,338 | - |
| Gains on disposal of assets | | 15 | 15 |
| | $ | 536,947 | 528,355 |

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock dividends or distributed as cash dividends based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings and dividend policy

The Company's Articles of Incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside in accordance with applicable laws and regulations. The remaining balance of annual net income, together with the unappropriated earnings from the previous years, should be distributed according to the proposal by the board of directors to be approved in the shareholders' meeting. Appropriation of earnings should not be less than 60% of the net income after deducting an accumulated deficit, legal reserve, and special reserve.

In accordance with the rules issued by the Financial Supervisory Commission, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

(Continued)

In view of the overall economic environment and the development of the industry, and in order to meet the Company's long-term financial planning and cash requirements of stockholders, the Company has adopted a stable dividend policy in which a cash dividend comprises at least 10% of total distribution of dividends.

The distribution of earnings for 2021 and 2020 had been approved in the meetings of shareholders held on June 8, 2022 and July 7, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Dividends per share (in dollars)** | **Total amount** | **Dividends per share (in dollars)** | **Total amount** |
| Dividends distributed to shareholders: | | | | |
| Cash | $ 4.00 | 572,249 | 4.00 | 572,249 |

The Company approved to appropriate the 2020 earnings by distributing the total cash dividends with $4.00 per share, of which $0.5 per share was derived from its capital surplus.

On March 17, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings by distributing the cash dividend of $786,843, with a par value of $5.5 per share.

The related information of the distribution of earnings would be available at the Market Observation Post System website.

(iv) Other equity items (net after tax)

| | **Foreign currency translation differences** | **Remeasurement of defined benefit plans** | **Total** |
|---|---|---|---|
| Balance at January 1, 2022 | $ (68,916) | (4,557) | (73,473) |
| Exchange differences on subsidiaries accounted for using equity method | 22,386 | - | 22,386 |
| Remeasurement of defined benefit plans | - | 1,159 | 1,159 |
| Disposal of subsidiary | 517 | - | 517 |
| Balance at December 31, 2022 | **$ (46,013)** | **(3,398)** | **(49,411)** |

| | **Foreign currency translation differences** | **Remeasurement of defined benefit plans** | **Total** |
|---|---|---|---|
| Balance at January 1, 2021 | $ (50,942) | (6,997) | (57,939) |
| Exchange differences on subsidiaries accounted for using equity method | (17,974) | - | (17,974) |
| Remeasurement of defined benefit plans | - | 927 | 927 |
| Remeasurement of defined benefit plans on subsidiaries accounted for using equity method | - | 1,513 | 1,513 |
| Balance at December 31, 2021 | **$ (68,916)** | **(4,557)** | **(73,473)** |

(Continued)

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(v) Non-controlling interests (net after tax)

| | | 2022 | 2021 |
|---|---|---|---|
| Balance at January | $ | 308,920 | 274,865 |
| Equity attributable to non-controlling interest: | | | |
| Net income (loss) | | (22,951) | 8,022 |
| Cash dividends of subsidiaries distributed to non-controlling interests | | - | (15,969) |
| Increase (decrease) in non-controlling interests | | (222,854) | 44,400 |
| Foreign currency translation differences | | 1,197 | (1,188) |
| Remeasurement of defined benefit plans | | - | 1,554 |
| Changes in ownership interest in subsidiaries | | 10,009 | (2,764) |
| | **$** | **74,321** | **308,920** |

(r) Earnings per share ("EPS")

(i) Basic EPS

| | | 2022 | 2021 |
|---|---|---|---|
| Profit attributable to shareholders of the Company | $ | 1,043,153 | 683,064 |
| Weighted-average number of ordinary shares outstanding (in thousands) | | 143,062 | 143,062 |
| Basic EPS (in dollars) | **$** | **7.29** | **4.77** |

(ii) Diluted EPS

| | | 2022 | 2021 |
|---|---|---|---|
| Profit attributable to shareholders of the Company (diluted) | $ | 1,043,153 | 683,064 |
| Weighted-average number of ordinary shares outstanding (in thousands) | | 143,062 | 143,062 |
| Effect of dilutive potential common stock (in thousands): | | | |
| Effect of employee remuneration in stock | | 1,816 | 931 |
| Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock) | | 144,878 | 143,993 |
| Diluted EPS (in dollars) | **$** | **7.20** | **4.74** |

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(s) Revenue from contracts with customers

(i) Disaggregation of revenue

| | | 2022 | 2021 |
|---|---|---|---|
| Primary geographical markets: | | | |
| Domestic sales | $ | 571,250 | 142,457 |
| Export: | | | |
| Asia | | 483,070 | 635,334 |
| America | | 2,789,023 | 2,148,694 |
| Europe and Africa | | 1,700,882 | 2,258,670 |
| | | 4,972,975 | 5,042,698 |
| | **$** | **5,544,225** | **5,185,155** |
| Major products: | | | |
| Industrial computers | $ | 4,848,810 | 4,158,331 |
| Peripherals | | 572,740 | 865,099 |
| Others | | 122,675 | 161,725 |
| | **$** | **5,544,225** | **5,185,155** |

(ii) Contract balances

| | | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|---|---|---|---|
| Notes and accounts receivable | $ | 762,325 | 1,209,813 | 592,480 |
| Less: loss allowance | | (2,210) | (1,639) | (11,299) |
| Total | **$** | **760,115** | **1,208,174** | **581,181** |
| Contract liabilities－current | **$** | **56,723** | **48,079** | **60,946** |

Refer to note 6(d) for details on notes and accounts receivable and its loss allowance.

The amounts of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of period were $35,559 and $57,611, respectively.

(t) Remuneration of employees and directors and supervisors

Pursuant to the Company’s articles of incorporation, the Company shall distribute 3% to 15% of its profits in the current period as compensation to its employees and no more than 3% to its directors and supervisors. Nevertheless, the profits in the current period should be reserved for offsetting the accumulated deficit, if any, prior to distributing the compensation to the employees and directors and supervisors. The aforementioned compensation of employees could be distributed in the form of cash or stock to the employees of the Company’s subsidiaries conforming to certain requirements.

For the years ended December 31, 2022 and 2021, the Company accrued the remuneration to its employees amounting to $110,000 and $60,000, respectively, and the remuneration to its directors amounting to $5,600 and $3,500, respectively, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company' s articles of incorporation, and recognized as cost of revenue and operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in following year.

The aforementioned accrued compensation of employees, directors and supervisors is the same as the amounts approved by the Board of Directors, and will be paid in cash. The related information would be available at the Market Observation Post System website.

(u) Non-operating income and loss

(i) Interest income

| | 2022 | 2021 |
|---|---|---|
| Interest income from bank deposits | $ **11,358** | **6,305** |

(ii) Other income

| | 2022 | 2021 |
|---|---|---|
| Government grant | $ - | 4,132 |
| Others | 7,572 | 9,868 |
| | $ **7,572** | **14,000** |

(iii) Other gains and losses

| | 2022 | 2021 |
|---|---|---|
| Gains (losses) on disposal of property, plant and equipment | $ 416 | (1,278) |
| Gains on disposal of subsidiary (note 6(h)) | 22,042 | - |
| Foreign currency exchange gains (losses) | 97,888 | (23,443) |
| Net gains (losses) on financial assets and liabilities at fair value through profit or loss | (21,837) | 6,884 |
| Impairment loss on goodwill (note 6(f)) | (10,915) | - |
| Others | (107) | (72) |
| | $ **87,487** | **(17,909)** |

(iv) Finance costs

Details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest expense from bank loans | $ 122 | 577 |
| Interest expense from lease liabilities | 993 | 1,088 |
| | $ **1,115** | **1,665** |

(Continued)

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
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(v) Financial instruments

(i) Categories of financial instruments

1) Financial assets

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial assets at fair value through profit or loss: | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 9,521 | 11,522 |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents | $ 2,814,795 | 1,954,290 |
| Financial assets measured at amortized cost | 253,165 | 180,681 |
| Notes and accounts receivable | 760,115 | 1,208,174 |
| Refundable deposits | 1,804 | 3,575 |
| | $ 3,829,879 | 3,346,720 |

2) Financial liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial liabilities at fair value through profit or loss: | | |
| Financial liabilities measured at amortized cost: | | |
| Short term borrowings | $ - | 10,334 |
| Notes and accounts payable | 355,515 | 765,556 |
| Lease liabilities (including non-current) | 45,893 | 68,919 |
| Other payables | 275,952 | 316,113 |
| | $ 677,360 | 1,160,922 |

(ii) Fair value valuation－financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(iii) Financial instruments that are measured at fair value

The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

3) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(Continued)

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value Level 1 | Level 2 | Level 3 | Total |
| Financial assets mandatorily measured at fair value through profit or loss: | | | | | |
| Convertible bonds | **$ 9,521** | **-** | **-** | **9,521** | **9,521** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss: | | | | | |
| Foreign currency forward contracts | $ 1,941 | - | 1,941 | - | 1,941 |
| Convertible bonds | 9,581 | - | - | 9,581 | 9,581 |
| Subtotal | **$ 11,522** | **-** | **1,941** | **9,581** | **11,522** |

There were no transfers between fair value levels for the years ended December 31, 2022 and 2021.

Movement in financial assets included Level 3 fair value hierarchy:

| | 2022 | 2021 |
|---|---|---|
| Balance at January 1 | $ 9,581 | 9,516 |
| Recognized in profit (loss) | (60) | 65 |
| Balance at December 31 | **$ 9,521** | **9,581** |

(iv) Valuation techniques and assumptions used in fair value measurement

1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily available. For unquoted equity instruments which cannot be transferred freely in public market, their fair values are determined by using the valuation techniques adopted by the Corporation based on the information from the Market Observation Post System, the Taiwan Stock Exchange, etc. and calculated by using the Black-Scholes Model. The Company uses the quoted market prices and the price-book ratios of similar publicly traded companies into consideration by using the market comparison approach. The estimates had been adjusted by the depreciation from lack of market liquidity.

2) Derivative financial instruments

The fair value of foreign currency forward contracts is computed individually by each contract using the valuation technique.

(w) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk and interest rate risk). The Group has disclosed the information on exposure to the aforementioned risks, the Group' s policies and procedures to measure and manage those risks, and the quantitative information below.

The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group' s management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group' s cash and cash equivalents, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group maintains cash and cash equivalents with reputable financial institutions. Therefore, the exposure related to potential default by those counter-parties is not considered significant.

As of December 31, 2022 and 2021, four clients accounted to a total of 63% and 56%, respectively, of the Group's notes and accounts receivable. In order to reduce credit risk, the Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

For credit risk exposure and loss allowance of notes and accounts receivables, refer to note 6(d). Cash, other receivables and financial assets measured at amortized cost are considered as low-credit-risk financial assets, and thus, loss allowances are measured using 12-months ECL. As of December 31, 2022 and 2021, no loss allowance was provided for these financial assets after management's assessment.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, and maintaining adequate cash and banking facilities. As of December 31, 2022 and 2021, the Group had unused credit facilities of $1,221,422 and $1,376,186, respectively.

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

| | Contractual cash flows | Within 1 years | 1-2 years | More than 2 years |
|---|---|---|---|---|
| **December 31, 2022** | | | | |
| Non-derivative financial liabilities: | | | | |
| Notes and accounts payable | $ 355,515 | 355,515 | - | - |
| Lease liabilities | 48,271 | 13,620 | 13,390 | 21,261 |
| Other payables | 275,952 | 275,952 | - | - |
| | **$ 679,738** | **645,087** | **13,390** | **21,261** |
| **December 31, 2021** | | | | |
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 10,390 | 10,390 | - | - |
| Notes and accounts payable | 765,556 | 765,556 | - | - |
| Lease liabilities | 72,446 | 19,754 | 16,929 | 35,763 |
| Other payables | 316,113 | 316,113 | - | - |
| | **$ 1,164,505** | **1,111,813** | **16,929** | **35,763** |
| Derivative financial instruments: | | | | |
| Foreign currency forward contracts: | | | | |
| Outflow | $ 221,249 | 221,249 | - | - |
| Inflow | (223,190) | (223,190) | - | - |
| | **$ (1,941)** | **(1,941)** | **-** | **-** |

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Company's Board of Directors.

(Continued)

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

1) Foreign currency risk

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (payable) and other payables. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

(Amount in Thousands of Dollars)

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | **Foreign currency** | **Exchange rate** | **NTD** | **Change in magnitude** | **Pre-tax effect on profit or loss** |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | $ 43,750 | 30.73 | 1,344,438 | 1 % | 13,444 |
| RMB | 428 | 4.41 | 1,887 | 1 % | 19 |
| EUR | 21 | 32.75 | 688 | 1 % | 7 |
| SEK | 154 | 2.94 | 453 | 1 % | 5 |
| GBP | 2,637 | 37.07 | 97,754 | 1 % | 978 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | 4,286 | 30.73 | 131,709 | 1 % | 1,317 |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | **Foreign currency** | **Exchange rate** | **NTD** | **Change in magnitude** | **Pre-tax effect on profit or loss** |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | $ 44,103 | 27.68 | 1,220,771 | 1 % | 12,208 |
| EUR | 4,316 | 31.32 | 135,177 | 1 % | 1,352 |
| GBP | 7,926 | 37.28 | 295,481 | 1 % | 2,955 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | 15,082 | 27.68 | 417,470 | 1 % | 4,175 |
| GBP | 165 | 37.28 | 6,151 | 1 % | 62 |

Due to the varieties of functional currency within the Group, the Group disclosed foreign exchange gain (loss) on monetary items in aggregate. For the years ended December 31, 2022 and 2021, the aggregate of realized and unrealized foreign exchange gain (loss) amounted to $97,888 and $(23,443), respectively.

(Continued)

2) Interest rate risk

The Group's short-term borrowings carried floating interest rates, and the Group has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income for the year ended December 31, 2021 would have been $103, lower/higher, which mainly resulted from the borrowings with floating interest rates.

(x) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(y) Investing and financing activities not affecting current cash flow

(i) For acquisition of right-of-use assets under operating lease, refer to note 6(j).

(ii) The reconciliation of liabilities arising from financing activities was as follows:

| | | | **Non-cash changes** | | | |
|---|---|---|---|---|---|---|
| | **January 1, 2022** | **Cash flows** | **Disposal of subsidiary** | **Change in lease** | **Foreign currency exchange movement** | **December 31, 2022** |
| Short-term borrowings | $ 10,334 | (10,066) | (268) | - | - | - |
| Lease liabilities | 68,919 | (12,214) | (37,542) | 26,372 | 358 | 45,893 |
| Total liabilities from financing activities | **$ 79,253** | **(22,280)** | **(37,810)** | **26,372** | **358** | **45,893** |

| | | | **Non-cash changes** | | |
|---|---|---|---|---|---|
| | **January 1, 2021** | **Cash flows** | **Change in lease** | **Foreign currency exchange movement** | **December 31, 2021** |
| Short-term borrowings | $ 7,810 | 3,349 | - | (825) | 10,334 |
| Lease liabilities | 61,883 | (28,636) | 38,534 | (2,862) | 68,919 |
| Total liabilities from financing activities | **$ 69,693** | **(25,287)** | **38,534** | **(3,687)** | **79,253** |

(Continued)

**FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
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## 7. Related-party transactions

(a) Significant related-party transactions: None.

(b) Compensation of key management personnel

| | | 2022 | 2021 |
|---|---|---|---|
| Short-term employee benefits | $ | 66,103 | 62,814 |
| Post-employment benefits | | 891 | 882 |
| | $ | **66,994** | **63,696** |

## 8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

| Pledged assets | Pledged to secure | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|---|
| Inventory | Credit lines of short-term borrowings | $ | - | 68,908 |
| Time deposits (classified as financial assets measured at amortized cost－current) | Guarantee deposit for custom duties, government grants project and bank loans | | 684 | 10,678 |
| IT equipment (classified as office equipment) | Secured bank loans | | - | 595 |
| | | $ | **684** | **80,181** |

## 9. Significant commitments and contingencies: None.

## 10. Significant losses due to major disasters: None.

## 11. Significant subsequent events: None.

## 12. Others

Employee benefits, depreciation, and amortization expenses, categorized by function, were as follows:

| By function / By item | 2022 Cost of sales | 2022 Operating expenses | 2022 Total | 2021 Cost of sales | 2021 Operating expenses | 2021 Total |
|---|---|---|---|---|---|---|
| Employee benefits: | | | | | | |
| Salaries | 166,628 | 519,368 | 685,996 | 144,694 | 510,203 | 654,897 |
| Insurance | 12,986 | 30,182 | 43,168 | 12,356 | 30,443 | 42,799 |
| Pension | 4,554 | 17,942 | 22,496 | 4,693 | 20,781 | 25,474 |
| Others | 4,613 | 10,988 | 15,601 | 5,007 | 13,531 | 18,538 |
| Depreciation | 54,679 | 32,012 | 86,691 | 71,335 | 43,405 | 114,740 |
| Amortization | 133 | 42,739 | 42,872 | 50 | 44,206 | 44,256 |

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## 13. Additional disclosures

(a) Information on significant transactions:

In accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company discloses the following information on significant transactions for the year ended December 31, 2022:

(i) Financing provided to other parties:

(Amounts in Thousands of New Taiwan Dollars and foreign currency)

| No. (Note 1) | Financing Company | Counter-Party | Financial Statement Account | Related Parties | Maximum Balance for the Period | Ending Balance | Actual Drawdown Amounts | Interest Rate | Nature of Financing (Note 2) | Transaction Amounts | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral | | Financing Limits for Each Borrowing Company (Note 3) | Financing Company's Total Financing Amount Limits (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Poindus Systems (Note 4) | Adasys | Long-term other receivables | Yes | 20,386 (EUR 650) | - | - | 2% | 1 | 135,988 | - | - | - | - | 55,681 | 222,723 |
| 1 | Poindus Systems (Note 4) | Poindus Systems UK Limited | Long-term other receivable | Yes | 24,410 (GBP 650) | - | - | 1% | 1 | 85,742 | - | - | - | - | 39,102 | 222,723 |

Note 1: Represents the Company.
1. "0" represents the Company
2. Subsidiaries are numbered from "1"

Note 2: Nature of financing
1. Business transaction purpose
2. Short-term financing

Note 3: The individual financing amounts shall not exceed the lower amounts of transaction amounts of the most recent year and 10% of the most recent audited or reviewed net worth of Poindus Systems. The aggregate financing amount shall not exceed 40% of the most recent audited or reviewed net worth of Poindus Systems.

Note 4: The Group disposed all of its shares in Poindus Systems in February 2022.

(ii) Guarantees and endorsements provided to other parties:

(Amount in Thousands of New Taiwan Dollars)

| No. (Note 1) | Endorsement Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3) | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowable (Note 3) | Guarantee Provided by Parent Company | Guarantee Provided by a Subsidiary | Guarantee Provided to Subsidiaries in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship (Note 2) | | | | | | | | | | |
| 0 | The Company | Box Technologies limited | 2 | 985,902 | 40,000 | 40,000 | - | - | 0.81 % | 2,464,755 | Y | N | N |

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
1. The Company is "0"
2. The subsidiaries are numbered in order starting from "1"

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified as "2" the endorser/guarantor which the parent company owns directly more than 50% of its voting shares.

Note 3: The Company provides guarantee to a subsidiary which the parent company owns directly 100% of its voting shares; the limit on endorsement or guarantee provided by the Company to a single party should not exceed 20% of its net worth. The total amount of endorsement or guarantee provided by the Company should not exceed 50% of its net worth.

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(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):

(Amounts in Thousands of New Taiwan Dollars and shares)

| Investing Company | Marketable Securities Type and Name | Relationship with the Securities Issuer | Financial Statement Account | Ending Balance | | | | Maximum Percentage of Ownership during 2022 | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares | Carrying Value | Percentage of Ownership | Fair value | Number of Shares | Percentage of Ownership | |
| The Company | Convertible bond: Nextronics engineering core | - | Financial assets at fair value through profit or loss－current | 0.1 | 9,521 | - | 9,521 | 0.1 | - | - |
| Flytech CN BVI | Convertible bond: Astra cloud holdings | - | Financial assets at fair value through profit or loss－current | - | - | - | - | - | - | - |

(iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed $300 million or 20% of the paid-in capital:

(Amounts in Thousands of New Taiwan Dollars and shares)

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-Party | Name of Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Amount | Shares | Amount | Shares | Amount | Carrying Value | Gain (Loss) on Disposal | Shares | Amount |
| Fei Shiun Investment | Stock: Poindus System | Investment accounted for using equity method | Compal Electronics Inc. | Non-related party | 10,354 | 274,720 | - | - | 10,354 | 309,688 | 287,646 | 22,042 | - | - |

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: None

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None

(Continued)

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## FLYTECH TECHNOLOGY CO., LTD.
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(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases / (Sales) | Amount (Note 3) | % of Total Purchases/ (Sales) | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total Notes/Accounts Receivable (Payable) | |
| The Company | Box UK | Subsidiary | (Sales) | 299,397 | 6.20% | EOM 75 | (Note 1) | (Note 2) | 72,912 | 10.00% | - |

Note 1: The selling prices with related parties are influenced by the economic environment and market competitiveness in each regions.
Note 2: The trade terms of sales with related parties are EOM 75 days, and the trade terms with third parties are OA 30~75 days.
Note 3: The intercompany transactions are disclosed only for the amounts of sales; the corresponding purchases are not disclosed.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

| Company Name | Counter-Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action Taken | | |
| The Company | Box UK | Subsidiary | 72,912 | 3.20 | - | | 42,854 | - |

(ix) Transactions in derivative instruments: Refer to note 6(b)

(x) Business relationships and significant intercompany transactions:

| Number (Note 1) | Company Name | Counter-Party | Relationship | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account (Note 2) | Amount | Transaction Terms | Percentage of Consolidated Total Revenues or Total Assets (Note 3) |
| 0 | The Company | Box UK | Subsidiary | Sales | 299,397 | EOM 75 | 5.40% |
| 0 | The Company | Box UK | Subsidiary | Accounts receivable | 72,912 | EOM 75 | 1.19% |

Note 1: Parties to intercompany transactions are identified and numbered as follows:
1. “0” represents the Company.
2. Subsidiaries are numbered from “1”

Note 2: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated revenue or total assets. The corresponding purchases and accounts payables are not disclosed.

Note 3: Based on the transaction amount divided by consolidated revenue or total assets.

Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(Continued)

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(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(Amounts in Thousands of shares, foreign currency and New Taiwan Dollars)

| Investor | Investee | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2022 | | | Maximum Percentage of Ownership during 2022 | | Net Income (Loss) of the Investee | Investment Income (Loss) (Note 2) | Note (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2022 | December 31, 2021 | Shares | Percentage of Ownership | Carrying value | Shares | Percentage of Ownership | | | |
| The Company | Flytech USA BVI | British Virgin Islands | Investment and holding activity | 38,652 | 38,652 | 100 | 100.00 % | 16,459 | 100 | 100.00 % | (1,526) | (1,526) | - |
| The Company | Flytech HK BVI | British Virgin Islands | Investment and holding activity | 10,392 | 10,392 | 50 | 100.00 % | 159,624 | 50 | 100.00 % | 9,556 | 9,556 | - |
| The Company | Flytech CN BVI | British Virgin Islands | Investment and holding activity | 90,601 | 90,601 | 200 | 100.00 % | 136,633 | 200 | 100.00 % | (1,245) | (1,245) | - |
| The Company | Fei Shiun Investment | Taiwan | Investment and holding activity | 428,000 | 428,000 | 19,000 | 100.00 % | 336,592 | 19,000 | 100.00 % | (37,026) | (37,026) | - |
| The Company | inefi Holding | Cayman Islands | Investment and holding activity | 83,634 | - | 17,000 | 100.00 % | 64,227 | 17,000 | 100.00 % | (20,110) | (20,110) | - |
| The Company | Box Holdings | United Kingdom | Investment and holding activity | 511,307 | 511,307 | 4 | 100.00 % | 418,818 | 4 | 100.00 % | 40,973 | 9,908 | - |
| Flytech USA BVI | Flytech USA | USA | Sale of computers and peripheral equipment | 36,358 (USD 1,072) | 36,358 (USD 1,072) | 700 | 100.00 % | 15,395 (USD 501) | 700 | 100.00 % | (1,530) (USD (51)) | - | - |
| Flytech HK BVI | Flytech HK | Hong Kong | Sale of computers and peripheral equipment | 10,433 (USD 298) | 10,433 (USD 298) | 1,000 | 100.00 % | 160,252 (USD 5,216) | 1,000 | 100.00 % | 9,556 (USD 321) | - | - |
| Fei Shiun Investment | iRUGGY System | Taiwan | Sale of computers and peripheral equipment | - | 60,000 | - | - | - | 6,000 | 100.00 % | 11,492 | - | Note 4 |
| Fei Shiun Investment | Berry AI | Taiwan | Operating software design and data processing services, and integrating software and hardware services | 306,600 | 117,600 | 21,000 | 70.00 % | 173,416 | 21,000 | 70.00 % | (84,763) | - | - |
| Fei Shiun Investment | TAC Dynamics | Taiwan | Sale of machinary and equipment | 18,000 | 18,000 | 653 | 20.82 % | 14,748 | 653 | 35.00 % | (12,472) | - | - |
| Fei Shiun Investment | Poindus Systems | Taiwan | Sale of computers and peripheral equipment | - | 308,070 | - | - | - | 10,354 | 49.31 % | 6,550 | - | Note 3 |
| Poindus Systems | Poindus Investment | Taiwan | Investment and holding activity | - | 4,100 | - | - | - | (Note 5) | 100.00 % | - | - | - |
| Poindus Systems | Adasys | Germany | Sale of computers and peripheral equipment | - | 57,712 (EUR 1,730) | - | - | - | 0.002 | 100.00 % | (1,071) | - | - |
| Poindus Systems | Poindus UK | United Kingdom | Sale of computers and peripheral equipment | - | 14,297 (GBP 300) | - | - | - | 300 | 100.00 % | (365) | - | - |
| Poindus Investment | Poindus GmbH | Germany | Sale of computers and peripheral equipment | - | 1,721 (EUR 40) | - | - | - | (Note 5) | 100.00 % | - | - | - |
| Box Holdings | Box UK | United Kingdom | Sale of computers and peripheral equipment | 472 (GBP 10) | 472 (GBP 10) | 10 | 100.00 % | 322,950 (GBP 8,711) | 10 | 100.00 % | 45,475 (GBP 1,236) | - | - |
| Box Holdings | Box Nordic | Sweden | Sale of computers and peripheral equipment | 2,330 (GBP 49) | 2,330 (GBP 49) | 5 | 100.00 % | 1,597 (GBP 43) | 5 | 100.00 % | (4,502) (GBP (122)) | - | - |
| inefi Holding | Inefi Incorporation | Taiwan | Consulting software services to provide a unified endpoint management platform | 80,000 (USD 2,858) | - | 8,000 | 100.00 % | 61,117 (USD 1,989) | 8,000 | 100.00 % | (18,883) (USD (625)) | - | - |
| Berry AI | Berry AI BVI | British Virgin Islands | Investment and holding activity | 30,000 | 30,000 | 50 | 100.00 % | 24,301 | 50 | 100.00 % | (8,044) | - | - |
| Berry AI BVI | Berry AI USA | USA | Operating software design and data processing services, and integrating software and hardware services | 27,965 (USD 1,000) | 27,965 (USD 1,000) | 1,000 | 100.00 % | 22,113 (USD 720) | 1,000 | 100.00 % | (8,027) (USD (269)) | - | - |

Note 1: The intercompany transactions have been eliminated when preparing the consolidated financial statements.
Note 2: Investment income (loss) included the movement in unrealized gross profit or loss.
Note 3: The Group disposed all of its shares in Poindus Systems in February 2022.
Note 4: iRUGGY System was liquidated in November 2022.
Note 5: There were no shares as the company is a limited liability company.

(Continued)

(c) Information on investments in Mainland China:

(i) Information on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

| Investee | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2022 | Net Income (Loss) of Investee | % of Ownership of Direct and Indirect Investment | Maximum Percentage of Ownership during 2022 | | Investment Income (Loss) (Note 2) | Carrying Value as of December 31, 2022 | Accumulated Inward Remittance of Earnings as of December 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | Shares (in thousands) | Percentage of Ownership | | | |
| Flytech CN | Sale of computers and peripheral euipment | 69,089 (USD 2,000) | (Note 1) | 69,089 (USD 2,000) | - | - | 69,089 (USD 2,000) | (1,402) (USD (361)) | 100.00 % | (Note 3) | 100.00 % | (1,402) (USD (361)) | 121,995 (USD 4,390) | - |
| Qijie | Sale of computers and peripheral equipment | 30,850 (USD 1,000) | (Note 2) | 35,888 (USD 1,200) | - | - | - | (2,459) | - | (Note 3) | 49.31 % | (2,459) | - | - |

Note 1: Indirect investment in Mainland China through a holding company, Flytech CN BVI, established in a third country

Note 2: (1) Flytech CN BVI reinvested the amount of USD 392 thousand incurred from the liquidation of Flytech BJ, together with its own funds, and acquired 40% ownership of Qijie.

(2) In 2019, the Company acquired an additional 20% equity intersts of Qijie through its subsidiary, Flytech CN BVI, for a consideration of USD 200.

(3) In 2020, the sub-subsidiary, Poindus Systems, acquired 60% and 40% ownership of Qijie for considerations of USD 600 and USD 400 from Flytech CN BVI and the third parties, respectively, resulting in Poindus System to fully own Qijie.

(4) In February 2022, the Group's subsidiary, Fei Shiun Investment, disposed the entire equity interests of the sub-subsidiary, Poindus Systems, and lost control of Qijie.

Note 3: There were no shares as the company is a limited liability company.

(ii) Limits on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

| Accumulated investment in Mainland China as of December 31, 2022 | Investment amount authorized by Ministry of Economic Affairs Investment Commission | Upper Limit on Investment |
|---|---|---|
| 90,767 (USD 2,700) | 103,107 (USD 3,100) | 2,957,706 |

(iii) Significant transactions with the investee in Mainland China: None.

(d) Major shareholders:

| Shareholder's Name / Shareholding | Shares | Percentage |
|---|---|---|
| Lam Tai Seng | 16,423,263 | 11.47 % |
| Wang Wei Wei | 11,040,443 | 7.71 % |

## 14. Segment information

### (a) General information

The Group uses income (loss) before income tax as the measurement for segment profit and the basis of resource allocation and performance assessment. The reporting amount is consistent with the report used by chief operating decision maker.

The Group's operating segment information and reconciliation are as follows:

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **Domestic sale segment** | **European sale segment** | **Poindus Systems** | **Others** | **Adjustments and eliminations** | **Total** |
| Revenues from external customers | $ 4,471,156 | 787,619 | 146,755 | 138,695 | - | 5,544,225 |
| Intra-group revenue | 355,963 | 229 | 713 | 582 | (357,487) | - |
| Total segment revenue | **$ 4,827,119** | **787,848** | **147,468** | **139,277** | **(357,487)** | **5,544,225** |
| Segment income before income tax | **$ 1,223,979** | **52,969** | **8,092** | **(122,806)** | **45,381** | **1,207,615** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Domestic sale segment** | **European sale segment** | **Poindus Systems** | **Others** | **Adjustments and eliminations** | **Total** |
| Revenues from external customers | $ 3,231,788 | 802,619 | 967,293 | 183,455 | - | 5,185,155 |
| Intra-group revenue | 615,151 | 4,092 | 7,348 | 921 | (627,512) | - |
| Total segment revenue | **$ 3,846,939** | **806,711** | **974,641** | **184,376** | **(627,512)** | **5,185,155** |
| Segment income before income tax | **$ 797,666** | **55,000** | **72,308** | **(51,000)** | **(51,792)** | **822,182** |

### (b) Product information

Revenues from external customers are detailed below:

| **Products** | **2022** | **2021** |
|---|---|---|
| Industrial computers | $ 4,848,810 | 4,158,331 |
| Peripherals and others | 695,415 | 1,026,824 |
| | **$ 5,544,225** | **5,185,155** |

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenues from external customers are detailed below:

| Region | 2022 | 2021 |
|---|---|---|
| Europe and Africa | $ 1,700,882 | 2,258,670 |
| Americas | 2,789,023 | 2,148,694 |
| Asia | 483,070 | 635,334 |
| Taiwan | 571,250 | 142,457 |
| | $ 5,544,225 | 5,185,155 |

Non-current assets:

| Region | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Taiwan | $ 1,020,479 | 1,064,008 |
| Asia | 19,430 | 27,622 |
| Americas | 8,188 | 1,886 |
| Europe | 229,362 | 312,731 |
| | $ 1,277,459 | 1,406,247 |

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets, but do not include financial instruments and deferred income tax assets.

(d) Major customer information

| | 2022 | 2021 |
|---|---|---|
| Total consolidated revenue from Customer A | $ 1,121,369 | 1,192,703 |