

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

Consolidated Financial Statements
With Independent Auditors' Review Report
June 30, 2023 and 2022

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This is the translation of the financial statements.
CPAs do not audit or review on this translation.

For the convenience of readers and for information purpose only, the independent auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors' review report and financial statements shall prevail.

Independent Auditors' Review Report

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

Introduction

We have reviewed the consolidated financial statements of Flytech Technology Co., Ltd.(the "Company") and its subsidiaries(the "Group"), which comprise the consolidated balance sheet of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended June 30, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended June 30, and notes to the consolidated financial statements, including a summary of significant accounting policies. The 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 International Accounting Standards ("IASs") 34, *Interim Financial Reporting* endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of review

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

Conclusion

Based on our reviews, the consolidated financial statements in all material respects mentioned above have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and the International Accounting Standards ("IASs") 34, *Interim Financial Reporting*. The Consolidated Financial Statements reasonably expressed the financial position of the Group at June 30, 2022 and 2021, and the financial performance of the Group for three-month and six-month periods ended June 30, 2023 and 2022, and the cash flows for six-month periods ended June 30, respectively.

KPMG

Taipei, Taiwan (Republic of China)

August 10, 2023

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2023, December 31, 2022 and June 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

	Assets	June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%
Current assets:							
1100	Cash and cash equivalents (note 6(a))	\$ 3,017,996	50	2,814,795	46	2,225,036	35
1110	Financial assets at fair value through profit or loss — current (note 6(b))	9,614	-	9,521	-	9,478	-
1136	Financial assets at amortised cost — current (notes 6(c) and 8)	165,727	3	156,224	3	88,687	1
1150-1170	Notes and accounts receivable (notes 6(d) and (s))	709,902	12	760,115	13	1,351,099	21
130X	Inventories (note 6(e))	698,365	11	918,989	15	1,166,981	19
1410-1470	Prepayments and other current assets	<u>35,592</u>	-	<u>17,774</u>	-	<u>42,089</u>	<u>1</u>
	Total current assets	<u>4,637,196</u>	<u>76</u>	<u>4,677,418</u>	<u>77</u>	<u>4,883,370</u>	<u>77</u>
Non-current assets:							
1535	Financial assets at amortised cost — non-current (note 6(c))	97,934	2	96,941	2	109,387	2
1550	Investments accounted for using equity method (note 6(f))	13,265	-	14,748	-	4,821	-
1600	Property, plant and equipment (note 6(i))	1,026,346	17	1,016,813	17	1,037,784	16
1755	Right-of-use assets (note 6(j))	39,159	1	44,690	1	27,525	1
1780	Intangible assets (note 6(k))	201,842	3	203,103	3	220,992	3
1840	Deferred income tax assets	41,826	1	41,802	-	36,010	1
1915	Prepayments for equipment	9,234	-	12,853	-	12,105	-
1920	Refundable deposits	<u>1,916</u>	-	<u>1,804</u>	-	<u>2,137</u>	-
	Total non-current assets	<u>1,431,522</u>	<u>24</u>	<u>1,432,754</u>	<u>23</u>	<u>1,450,761</u>	<u>23</u>
	Total assets	<u>\$ 6,068,718</u>	<u>100</u>	<u>6,110,172</u>	<u>100</u>	<u>6,334,131</u>	<u>100</u>

(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 Balance Sheets (Continued)

June 30, 2023, December 31, 2022 and June 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
Current liabilities:						
2120	Financial liabilities at fair value through profit or loss — current (note 6(b))					
	-	-	-	-	277	-
2130	Contract liabilities — current (note 6(s))					
	39,185	-	56,723	1	20,756	-
2150-2170	Notes and accounts payable					
	302,658	5	355,515	6	563,783	9
2200	Other payables (note 6(t))					
	287,235	5	275,952	4	289,474	5
2216	Dividends payable					
	786,843	13	-	-	572,249	9
2230	Current income tax liabilities					
	90,498	1	272,716	4	151,148	2
2250	Provisions — current (note 6(n))					
	31,151	1	34,461	1	38,446	1
2280	Lease liabilities — current (note 6(m))					
	12,979	-	12,580	-	7,380	-
2300	Other current liabilities					
	<u>45,568</u>	<u>1</u>	<u>45,122</u>	<u>1</u>	<u>32,710</u>	<u>1</u>
	Total current liabilities					
	<u>1,596,117</u>	<u>26</u>	<u>1,053,069</u>	<u>17</u>	<u>1,676,223</u>	<u>27</u>
Non-current liabilities:						
2570	Deferred income tax liabilities					
	1,460	-	4,642	-	43,933	1
2640	Net defined benefit liabilities					
	15,106	-	15,317	-	16,764	-
2580	Lease liabilities — non-current (note 6(m))					
	<u>28,187</u>	<u>1</u>	<u>33,313</u>	<u>1</u>	<u>20,726</u>	<u>-</u>
	Total non-current liabilities					
	<u>44,753</u>	<u>1</u>	<u>53,272</u>	<u>1</u>	<u>81,423</u>	<u>1</u>
	Total liabilities					
	<u>1,640,870</u>	<u>27</u>	<u>1,106,341</u>	<u>18</u>	<u>1,757,646</u>	<u>28</u>
Equity attributable to shareholders of the parent						
(note 6(f)(g) and (q)):						
3110	Common stock					
	1,430,623	24	1,430,623	24	1,430,623	23
3200	Capital surplus					
	538,938	9	536,947	9	524,609	8
Retained earnings:						
3310	Legal reserve					
	1,300,259	21	1,196,570	20	1,196,570	19
3320	Special reserve					
	49,435	1	73,473	1	73,473	1
3350	Unappropriated earnings					
	1,078,632	18	1,741,308	28	1,329,693	21
3400	Other equity					
	<u>(32,620)</u>	<u>(1)</u>	<u>(49,411)</u>	<u>(1)</u>	<u>(65,224)</u>	<u>(1)</u>
	Equity attributable to shareholders of the Company					
	<u>4,365,267</u>	<u>72</u>	<u>4,929,510</u>	<u>81</u>	<u>4,489,744</u>	<u>71</u>
36XX	Non-controlling interests (note 6(g)(h) and (q))					
	<u>62,581</u>	<u>1</u>	<u>74,321</u>	<u>1</u>	<u>86,741</u>	<u>1</u>
	Total equity					
	<u>4,427,848</u>	<u>73</u>	<u>5,003,831</u>	<u>82</u>	<u>4,576,485</u>	<u>72</u>
	Total liabilities and equity					
	<u>\$ 6,068,718</u>	<u>100</u>	<u>6,110,172</u>	<u>100</u>	<u>6,334,131</u>	<u>100</u>

(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 six-month periods ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, except earnings per share amounts)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

	For the three-month periods ended June 30				For the six-month periods ended June 30				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Revenue (notes 6(s) (n))	\$ 921,162	100	1,643,478	100	1,690,907	100	3,157,646	100
5000	Cost of revenue (notes 6 (e)(i)(j)(k)(m)(n)(o)(t) and 7, 12)	(571,954)	(62)	(1,036,862)	(63)	(1,086,630)	(64)	(2,047,186)	(65)
	Gross profit	349,208	38	606,616	37	604,277	36	1,110,460	35
	Operating expenses (notes 6 (d)(i)(j)(k)(n)(o)(t) and 7, 12) :								
6100	Selling expenses	(87,445)	(9)	(93,975)	(6)	(171,853)	(10)	(192,629)	(6)
6200	Administrative expenses	(44,651)	(5)	(50,343)	(3)	(93,597)	(6)	(116,421)	(4)
6300	Research and development expenses	(64,768)	(7)	(71,491)	(4)	(125,244)	(7)	(132,128)	(4)
		(196,864)	(21)	(215,809)	(13)	(390,694)	(23)	(441,178)	(14)
	Operating income	152,344	17	390,807	24	213,583	13	669,282	21
	Non-operating income and loss (notes 6(f)(h)(m) and (u)) :								
7100	Interest income	13,737	1	1,847	-	24,356	1	3,197	-
7190	Other income	413	-	797	-	1,102	-	2,748	-
7020	Other gains and losses	27,327	3	22,938	1	18,773	1	58,396	2
7050	Finance costs	(276)	-	(197)	-	(564)	-	(663)	-
7370	Share of loss of associates accounted for using equity method	(1,830)	-	(1,181)	-	(3,474)	-	(1,954)	-
	Total non-operating income and loss	39,371	4	24,204	1	40,193	2	61,724	2
7900	Income before income tax	191,715	21	415,011	25	253,776	15	731,006	23
7950	Less: Income tax expenses (note 6(p))	(46,533)	(5)	(65,609)	(4)	(61,781)	(4)	(109,716)	(3)
8200	Net Income	145,182	16	349,402	21	191,995	11	621,290	20
	Other comprehensive income (loss) (note 6(q)):								
8360	Items that will be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign operations	14,685	1	(4,949)	-	16,874	1	8,646	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		14,685	1	(4,949)	-	16,874	1	8,646	-
	Other comprehensive income (loss) for the year	14,685	1	(4,949)	-	16,874	1	8,646	-
8500	Total comprehensive income for the year	\$ 159,867	17	344,453	21	208,869	12	629,936	20
	Net income attributable to:								
8610	Shareholders of the Company	\$ 151,507	17	356,346	21	203,818	12	631,538	20
8620	Non-controlling interests	(6,325)	(1)	(6,944)	-	(11,823)	(1)	(10,248)	-
		\$ 145,182	16	349,402	21	191,995	11	621,290	20
	Total comprehensive income attributable to:								
8710	Shareholders of the Company	\$ 166,043	18	351,079	21	220,609	13	639,270	20
8720	Non-controlling interests	(6,176)	(1)	(6,626)	-	(11,740)	(1)	(9,334)	-
		\$ 159,867	17	344,453	21	208,869	12	629,936	20
	Earnings per share (in New Taiwan dollars) (note 6(r)) :								
9750	Basic earnings per share	\$ 1.06		2.49		1.42		4.41	
9850	Diluted earnings per share	\$ 1.06		2.48		1.42		4.38	

(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 six-month periods ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, except earnings per share amounts)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

	Equity attributable to shareholders of the Company											
	Common stock	Capital surplus	Retained earnings			Total	Total other equity interest			Total equity of the Company	Non-controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated earnings		Foreign currency translation differences	Remeasurements of defined benefit plans	Total			
Balance at January 1, 2022	\$ 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)
Disposal of subsidiaries	-	-	-	-	-	-	517	-	517	517	(285,854)	(285,337)
Changes in ownership interests in subsidiaries	-	(3,746)	-	-	(6,263)	(6,263)	-	-	-	(10,009)	10,009	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	63,000	63,000
Net income	-	-	-	-	631,538	631,538	-	-	-	631,538	(10,248)	621,290
Other comprehensive income (loss) for the period	-	-	-	-	-	-	7,732	-	7,732	7,732	914	8,646
Total comprehensive income (loss) for the period	-	-	-	-	631,538	631,538	7,732	-	7,732	639,270	(9,334)	629,936
Balance at June 30, 2022	\$ 1,430,623	524,609	1,196,570	73,473	1,329,693	2,599,736	(60,667)	(4,557)	(65,224)	4,489,744	86,741	4,576,485
Balance at January 1, 2023	\$ 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
Appropriation of earnings:												
Legal reserve	-	-	103,689	-	(103,689)	-	-	-	-	-	-	-
Special reserve	-	-	-	(24,038)	24,038	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(786,843)	(786,843)	-	-	-	(786,843)	-	(786,843)
Changes in ownership interest in subsidiaries using equity method	-	1,991	-	-	-	-	-	-	-	1,991	-	1,991
Net income	-	-	-	-	203,818	203,818	-	-	-	203,818	(11,823)	191,995
Other comprehensive income (loss) for the period	-	-	-	-	-	-	16,791	-	16,791	16,791	83	16,874
Total comprehensive income (loss) for the period	-	-	-	-	203,818	203,818	16,791	-	16,791	220,609	(11,740)	208,869
Balance at June 30, 2023	\$ 1,430,623	538,938	1,300,259	49,435	1,078,632	2,428,326	(29,222)	(3,398)	(32,620)	4,365,267	62,581	4,427,848

(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 six-month periods ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

	For the six-month periods ended June 30	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 253,776	731,006
Adjustments for:		
Adjustments to reconcile profit (loss)		
Depreciation	39,448	45,178
Amortization	19,267	21,666
Expected (reveral) credit loss	(1,834)	899
Share of loss of associates accounted for using equity method	3,474	1,954
Proceeds on disposal of property, plant and equipment	-	(220)
Property, plant, and equipment transferred to expenses	-	438
Interest expense	564	663
Interest income	(24,356)	(3,197)
Disposition of subsidiaries loss (interests)	42	(22,042)
Impairment loss on non-financial assets	-	10,915
Total non-cash profit and loss	<u>36,605</u>	<u>56,254</u>
Changes in operating assets and liabilities :		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(93)	2,044
Financial assets at amortized cost	250	-
Notes and accounts receivable	51,994	(258,056)
Inventories	220,624	(86,084)
Prepayments and other current assets	(18,709)	(26,251)
Net changes in operating assets	<u>254,066</u>	<u>(368,347)</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	-	277
Contract liabilities	(17,538)	(27,323)
Notes and accounts payable	(52,857)	(60,069)
Other payables	11,284	4,460
Provisions – current	(3,310)	8,030
Other current liabilities	446	(2,733)
Net defined benefit liabilities	(212)	(1,108)
Net changes in operating liabilities	<u>(62,187)</u>	<u>(78,466)</u>
Total changes in operating assets and liabilities	<u>191,879</u>	<u>(446,813)</u>
Cash provided by operations	482,260	340,447
Income taxes paid	(247,721)	(159,776)
Net cash provided by operating activities	<u>234,539</u>	<u>180,671</u>

(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 six-month periods ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

	For the six-month periods ended June 30	
	2023	2022
Cash flows from investing activities:		
Additions of financial assets at amortized cost	(15,129)	(37,363)
Disposal of financial assets at amortized cost	-	21,700
Proceeds from disposal of subsidiaries	-	92,613
Additions to property, plant and equipment	(50,336)	(38,172)
Proceeds from disposal of property, plant and equipment	-	416
Additions of intangible assets	(3,944)	(2,002)
Increase in refundable deposits	(112)	(661)
Interest received	28,676	1,571
Net cash flows provided (used in) by investing activities	(40,845)	38,102
Cash flows from financing activities:		
Decrease in short-term borrowings	-	(10,067)
Payment of lease liabilities	(6,346)	(6,682)
Capital injection from non-controlling interests	-	63,000
Interest paid	(564)	(663)
Net cash flows provided (used in) financing activities	(6,910)	45,588
Effect of foreign exchange rate changes	16,417	6,385
Net increase in cash and cash equivalents	203,201	270,746
Cash and cash equivalents at beginning of period	2,814,795	1,954,290
Cash and cash equivalents at end of period	<u>\$ 3,017,996</u>	<u>2,225,036</u>

(See accompanying notes to consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
For the six-month periods ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)
(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

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, Xing-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 August 10, 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. 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 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”

(b) 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”
- Amendments to IFRS 16 “Lease liability in a sale and leaseback”
- Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’
- Amendments to IAS 12, ‘International tax reform - pillar two model rules’

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4. Summary of significant accounting policies

Subject to the following, the material accounting policies used in this consolidated financial report are the same as those in the 2022 consolidated financial statements, which refer to Note 4 for the 2022 consolidated reports.

(a) Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the "Preparation regulations") and No. 34 "Interim Financial Report" of the IFRSs endorsed and issued into effect by the FSC. The Consolidated Financial Statements does not include all necessary information required to be disclosed in accordance with the IFRs, International Accounting Standards, Interpretations and bulletins of interpretations recognized by the FSC and issued in force (hereinafter referred to as "the FSA-endorsed IFRs").

(b) Basis of consolidation

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

Name of Investor	Name of Investee	Principal activities	Percentage of Ownership			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	Flytech USA International Co., Ltd. (Flytech USA BVI)	Investment holding	100.00%	100.00%	100.00%	-
The Company	Flytech HK International Co., Ltd. (Flytech HK BVI)	Investment holding	100.00%	100.00%	100.00%	-
The Company	Flytech CN International Co., Ltd. (Flytech CN BVI)	Investment holding	100.00%	100.00%	100.00%	-
The Company	Fei Shiun Investment Co. Ltd. (Fei Shiun Investment)	Investment holding	100.00%	100.00%	100.00%	-
The Company	inefi Holding Co., Ltd. (inefi Holding)	Investment holding	100.00%	100.00%	100.00%	-
The Company	Box Technologies (Holdings) Ltd. (Box Holdings)	Investment holding	100.00%	100.00%	100.00%	-
Box Holdings	Box Technologies Limited (Box UK)	Sale of computers and peripheral equipment	100.00%	100.00%	100.00%	-
Box Holdings	BTechnologies AB (Box Nordic)	Sale of computers and peripheral equipment	-	100.00%	100.00%	(Note 1))
inefi Holdings	Inefi Incorporation	Consulting software services, to provide a unified endpoint management platform	100.00%	100.00%	100.00%	-
Flytech USA BVI	Flytech Technology (U.S.A.) Inc. (Flytech USA)	Sale of computers and peripheral equipment	100.00%	100.00%	100.00%	-
Flytech HK BVI	Flytech Technology Hong Kong Ltd. (Flytech HK)	Sale of computers and peripheral equipment	100.00%	100.00%	100.00%	-
Flytech CN BVI	Flytech Electronic (Shanghai) Co., Ltd. (Flytech CN)	Sale of computers and peripheral equipment	100.00%	100.00%	100.00%	-
Fei Shiun Investment	iRuggy System Co., Ltd. (iRuggy System)	Sale of computers and peripheral equipment	-	-	100.00%	(Note 2)
Fei Shiun Investment	Berry AI Inc. (Berry AI)	Operating software design and data processing services, and integrating software and hardware services	70.00%	70.00%	70.00%	-
Berry AI	Berry AI International Co., Ltd (Berry AI BVI)	Investment holding	70.00%	70.00%	70.00%	-
Berry AI BVI	Berry AI USA INC	Operating software design and data processing services, and integrating software and hardware services	70.00%	70.00%	70.00%	-

Note 1: Box Nordic was liquidated in May 2023. °

Note 2: iRuggy System was liquidated in November 2022.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(c) Employee benefits

The defined benefit plan pension for the mid-term period is calculated on the basis of actuarial calculations on the reporting date of the previous year, calculated on the basis of the beginning of the year to the end of the current period, and adjusted for major market fluctuations in the future of the reporting date, as well as major reductions, liquidations or other major one-time events.

(d) Income Tax

The Consolidated Company measures and discloses income tax expense for the interim period in accordance with Paragraph B12 of No. 34 "Interim Financial Statements" in the IFRSs Gazette. Income tax expenses are measured by multiplying net profit before tax for the period reported in the interim by management's best estimate of the projected effective tax rate for the total surplus for the full year and is fully recognized as income tax expenses for the current period.

Income tax expense, which is directly attributable to equity items or other comprehensive profit or loss items, is a temporary difference between the carrying amount of the relevant assets and liabilities for financial reporting purposes and their tax basis, measured by the applicable tax rate at the time of expected realization or liquidation.

5. Critical accounting judgments and key sources of estimation uncertainty

In preparing the consolidated financial statement in accordance with the preparation standards and No.34 "Interim Financial Report" of FAC as recognized by the FSC, managements must make judgments, estimates and assumptions that will affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial statements, the significant judgments made by management in adopting the accounting policies of the consolidated companies and the major sources of estimated uncertainty are consistent with Note 5 in the Consolidated Financial Statement for 2022.

6. Significant account disclosures

Subject to the following, the statements of important accounting items in this consolidated financial report are not materially different from those of the consolidated financial report for 2022, which refer to Note 6 for the 2022 consolidated reports.

(a) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	\$ 898	836	862
Demand deposits and checking accounts	2,335,027	2,016,209	2,012,225
Time deposits with original maturities less than 3 months	682,071	797,750	211,949
	<u>\$ 3,017,996</u>	<u>2,814,795</u>	<u>2,225,036</u>

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	June 30, 2023	December 31, 2022	June 30, 2022
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Convertible bonds	<u>\$ 9,614</u>	<u>9,521</u>	<u>9,478</u>
	June 30, 2023	December 31, 2022	June 30, 2022
Held-for trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign currency forward contracts	<u>\$ -</u>	<u>-</u>	<u>(277)</u>

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:

	June 30, 2022		
	Contract amount (in thousands)	Sell / Buy	Maturity period
Foreign currency forward contract	USD 3,000	USD/NTD	2022.7~8

(c) Financial assets measured at amortised cost

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits with original maturities more than 3 months	\$ 259,880	244,751	191,594
Other receivable	396	646	299
Interest receivable	<u>3,385</u>	<u>7,768</u>	<u>6,181</u>
	<u>\$ 263,661</u>	<u>253,165</u>	<u>198,074</u>
Ledger Account			
Financial assets at amortized cost - current	\$ 165,727	156,224	88,687
Financial assets at amortized cost - non-current	<u>97,934</u>	<u>96,941</u>	<u>109,387</u>
	<u>\$ 263,661</u>	<u>253,165</u>	<u>198,074</u>

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.

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Notes and accounts receivable, and other receivables

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable— from operating activities	\$ 2,503	3,020	4,399
Accounts receivable— measured as amortized cost	707,828	759,305	1,349,031
Less: loss allowance	(429)	(2,210)	(2,331)
	\$ 709,902	760,115	1,351,099

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:

June 30, 2023			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 635,837	-	-
Past due 0-30 days	72,669	-	-
Past due 31-60 days	1,517	0%~12.96%	153
Past due 61-180 days	47	0%~66.57%	18
Past due over 180 days	261	72.29%~100.00%	258
	\$ 710,331		429
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
June 30, 2022			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,163,877	0%~0.71%	703
Past due 0-30 days	178,104	0%~6.68%	375
Past due 31-60 days	7,230	0%~13.72%	53
Past due 61-180 days	2,458	0%~66.2%	127
Past due over 180 days	1,761	55.93%~100%	1,073
	\$ 1,353,430		2,331

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:

	For the six-month periods ended June 30	
	2023	2022
Balance at January 1	\$ 2,210	1,639
Impairment losses (reversed) recognized	(1,834)	899
Amount of excluded subsidiaries	-	(59)
Effect of exchange rate changes	53	(148)
Balance at June 30	\$ 429	2,331

(e) Inventories

(i) The information of inventories was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 382,020	517,523	715,087
Work in process	119,659	119,735	256,194
Finished goods	72,285	160,299	85,048
Merchandise	124,401	121,432	110,652
	\$ 698,365	918,989	1,166,981

(ii) For the three-month periods ended June 30, 2023 and June 30 2022, and the six-month periods ended June 30, 2023 and June 30 2022, the amounts of inventories recognized as cost of revenue were \$554,798, \$1,024,068, \$1,050,666 and \$2,017,439, respectively. The write-downs (reversal of write-downs) of inventories to net realizable value amounted to \$9,809, \$7,824, \$45,351 and \$7,265, respectively.

(f) Investments accounted for using the equity method

Name of Associates	Business Relationship	Principal place of business/Registration country	June 30, 2023		December 31, 2022		June 30, 2022	
			Percentage of voting rights	Carrying amount	Percentage of voting rights	Carrying amount	Percentage of voting rights	Carrying amount
TAC Dynamics	Sale of machinery and equipment	Taiwan	18.91%	\$ 13,265	20.82%	\$ 14,748	35.00%	4,821
			For the three-month periods ended June 30		For the six-month periods ended June 30			
			2023	2022	2023	2022		

Attributable to the Group:

Net loss (total comprehensive income (loss))	\$ (1,830)	(1,181)	(3,474)	(1,954)
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On June 30, 2023, 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 20.82% to 18.91%. Because the Group still serves three directors of TAC and participates in decision-making, it still has significant influence on it. Its capital surplus to increase by \$1,991, recognized as change in the investment accounted for using equity method.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Except as described below, the non-controlling interests of the subsidiaries of the Consolidated Company were not subject to significant changes for the six-month ended June 30, 2023 and 2022. Refer to Note 6(g) to the Consolidated Financial Statement in 2022 for details.

In March 2022, the Group's subsidiary, Berry AI, issued new shares for cash for a consideration of \$252,000, wherein the Group subscribed above 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.

(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		<u>(932)</u>
Total consideration received		<u>309,688</u>
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		<u>(517)</u>
Gain on disposal of subsidiary	\$	<u><u>22,042</u></u>

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Net consideration received of Poindus Systems

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)
	\$	<u>572,983</u>

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Mold equipment</u>	<u>Furniture and fixtures</u>	<u>Other equipment</u>	<u>Total</u>
Cost:							
Balance at January 1, 2023	\$ 319,238	782,513	297,152	476,223	72,261	37,239	1,984,626
Additions	-	-	33,584	3,010	3,881	627	41,102
Reclassification	-	-	-	-	27	-	27
Disposals	-	(142)	(3,974)	-	-	-	(4,116)
Effect of exchange rate changes	-	(414)	511	-	303	758	1,158
Balance at June 30, 2023	<u>\$ 319,238</u>	<u>781,957</u>	<u>327,273</u>	<u>479,233</u>	<u>76,472</u>	<u>38,624</u>	<u>2,022,797</u>
Balance at January 1, 2022	\$ 319,238	779,838	302,200	514,731	82,308	44,301	2,042,616
Additions	-	-	1,534	19,530	1,848	4,224	27,136
Disposal of subsidiary	-	-	(356)	(64,779)	(15,192)	(14,385)	(94,712)
Reclassification	-	-	-	(144)	(113)	2,046	1,789
Disposals	-	-	(1,046)	(643)	(1,193)	(200)	(3,082)
Effect of exchange rate changes	-	1,896	(239)	167	264	(60)	2,028
Balance at June 30, 2022	<u>\$ 319,238</u>	<u>781,734</u>	<u>302,093</u>	<u>468,862</u>	<u>67,922</u>	<u>35,926</u>	<u>1,975,775</u>
Accumulated depreciation:							
Balance at January 1, 2023	\$ -	211,519	249,305	427,620	59,435	19,934	967,813
Depreciation	-	9,174	5,178	12,858	2,658	2,523	32,391
Reclassification	-	-	-	-	27	-	27
Disposals	-	(142)	(3,974)	-	-	-	(4,116)
Effect of exchange rate changes	-	(488)	267	-	216	341	336
Balance at June 30, 2023	<u>\$ -</u>	<u>220,063</u>	<u>250,776</u>	<u>440,478</u>	<u>62,336</u>	<u>22,798</u>	<u>996,451</u>
Balance at January 1, 2022	\$ -	191,466	242,402	450,271	66,968	24,413	975,520
Depreciation	-	9,744	7,314	15,607	2,908	2,285	37,858
Disposal of subsidiary	-	-	(356)	(52,014)	(12,483)	(8,542)	(73,395)
Reclassification	-	-	-	-	-	(210)	(210)
Disposals	-	-	(1,046)	(520)	(1,120)	(200)	(2,886)
Effect of exchange rate changes	-	805	(101)	58	208	134	1,104
Balance at June 30, 2022	<u>\$ -</u>	<u>202,015</u>	<u>248,213</u>	<u>413,402</u>	<u>56,481</u>	<u>17,880</u>	<u>937,991</u>
Carrying amount:							
Balance at June 30, 2023	<u>\$ 319,238</u>	<u>561,894</u>	<u>76,497</u>	<u>38,755</u>	<u>14,136</u>	<u>15,826</u>	<u>1,026,346</u>
Balance at January 1, 2023	<u>\$ 319,238</u>	<u>570,994</u>	<u>47,847</u>	<u>48,603</u>	<u>12,826</u>	<u>17,305</u>	<u>1,016,813</u>
Balance at June 30, 2022	<u>\$ 319,238</u>	<u>579,719</u>	<u>53,880</u>	<u>55,460</u>	<u>11,441</u>	<u>18,046</u>	<u>1,037,784</u>

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Right-of-use assets

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 45,297	16,283	61,580
Write-off	-	(578)	(578)
Effect of exchange rate changes	1,516	769	2,285
Balance at June 30, 2023	<u>\$ 46,813</u>	<u>16,474</u>	<u>63,287</u>
Balance at January 1, 2022	\$ 81,009	7,095	88,104
Additions	3,442	383	3,825
Disposal of subsidiary	(39,959)	(1,331)	(41,290)
Write-off	(1,517)	(879)	(2,396)
Effect of exchange rate changes	(101)	(47)	(148)
Balance at June 30, 2022	<u>\$ 42,874</u>	<u>5,221</u>	<u>48,095</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 14,847	2,043	16,890
Depreciation	5,024	2,033	7,057
Write-off	-	(578)	(578)
Effect of exchange rate changes	627	132	759
Balance at June 30, 2023	<u>\$ 20,498</u>	<u>3,630</u>	<u>24,128</u>
Balance at January 1, 2022	\$ 14,814	4,607	19,421
Depreciation	6,418	902	7,320
Disposal of subsidiary	(3,823)	(209)	(4,032)
Write-off	(1,517)	(879)	(2,396)
Effect of exchange rate changes	278	(21)	257
Balance at June 30, 2022	<u>\$ 16,170</u>	<u>4,400</u>	<u>20,570</u>
Carrying amount:			
Balance at June 30, 2023	<u>\$ 26,315</u>	<u>12,844</u>	<u>39,159</u>
Balance at January 1, 2023	<u>\$ 30,450</u>	<u>14,240</u>	<u>44,690</u>
Balance at June 30, 2022	<u>\$ 26,704</u>	<u>821</u>	<u>27,525</u>

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, 2023	\$ 34,133	-	238,074	175,358	16,612	464,177
Additions	-	-	-	-	3,944	3,944
Other reclassification	-	-	-	-	13,814	13,814
Effect of exchange rate changes	-	-	-	-	248	248
Balance at June 30, 2023	<u>\$ 34,133</u>	<u>-</u>	<u>238,074</u>	<u>175,358</u>	<u>34,618</u>	<u>482,183</u>
Balance at January 1, 2022	\$ 99,692	102,847	320,021	202,652	22,777	747,989
Additions	392	-	-	-	1,610	2,002
Disposal of subsidiary	(65,951)	(102,847)	(81,947)	(27,294)	(11,005)	(289,044)
Disposals	-	-	-	-	(122)	(122)
Effect of exchange rate changes	-	-	-	-	35	35
Balance at June 30, 2022	<u>\$ 34,133</u>	<u>-</u>	<u>238,074</u>	<u>175,358</u>	<u>13,295</u>	<u>460,860</u>
Accumulated amortization:						
Balance at January 1, 2023	\$ 31,766	-	223,903	-	5,405	261,074
Amortization	2,367	-	14,171	-	2,729	19,267
Balance at June 30, 2023	<u>\$ 34,133</u>	<u>-</u>	<u>238,074</u>	<u>-</u>	<u>8,134</u>	<u>280,341</u>
Balance at January 1, 2022	\$ 92,864	102,847	265,809	6,248	11,322	479,090
Amortization	2,424	-	17,452	-	1,790	21,666
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 June 30, 2022	<u>\$ 29,337</u>	<u>-</u>	<u>206,898</u>	<u>-</u>	<u>3,633</u>	<u>239,868</u>
Carrying amount:						
Balance at June 30, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>175,358</u>	<u>26,484</u>	<u>201,842</u>
Balance at January 1, 2023	<u>\$ 2,367</u>	<u>-</u>	<u>14,171</u>	<u>175,358</u>	<u>11,207</u>	<u>203,103</u>
Balance at June 30, 2022	<u>\$ 4,796</u>	<u>-</u>	<u>31,176</u>	<u>175,358</u>	<u>9,662</u>	<u>220,992</u>

(ii) Goodwill acquired by a consolidated company should be impaired from testing at least annually in accordance with IAS No.36, and there is no impairment loss on the basis of the results of the Impairment test performed by the consolidated company on December 31 2022. Refer to Note 6(k) to the Consolidated Financial Statement in 2022. The estimation of the expected operating income and net operating profit of the cash-generating units of goodwill was assessed as of June 30, 2023 and 2022 and showed no signs of impairment.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Cost of revenue	\$ 100	-	200	-
Selling expenses	8,367	10,513	19,067	21,666
	\$ 8,467	10,513	19,267	21,666

(l) Short-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
Unused credit facilities	\$ 1,444,165	1,221,422	1,214,459
Interest rate	-	-	-

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.

(m) Lease liabilities

Carrying amount of lease liabilities of the consolidated company are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	\$ 12,979	12,580	7,380
Non-current	\$ 28,187	33,313	20,726

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

The amounts recognized in profit or loss were as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Interest on lease liabilities	\$ 276	193	564	537
Expenses relating to short-term leases	\$ (61)	247	49	972
Expenses relating to leases of low-value assets	\$ 9	9	17	32

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

	For the six-month periods ended June 30	
	2023	2022
Total cash outflow for leases	\$ 6,976	8,233

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Real estate leases

The Group leases buildings for its offices and factories, 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

	For the six-month periods ended June 30	
	2023	2022
Balance at January 1	\$ 34,461	33,979
Provisions made	(901)	9,530
Amount utilized	(3,664)	(1,500)
Amount of excluded subsidiaries	-	(2,786)
Effect of exchange rate changes	1,255	(777)
Balance at June 30	\$ 31,151	38,446

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

As there were no significant market fluctuations and significant reductions, liquidations or other material one-time events after the end of the previous financial year, the Group used the actuarial costs of December 31, 2022 and 2021 to measure and disclose pension costs for the mid-period.

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Operating expenses	\$ 48	34	96	67

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The definitive redeployment scheme of the Company and other domestic consolidated subsidiaries is based on the provisions of the Labor Pension Ordinance and the individual account for the labour pension of the Labor Insurance Bureau at a rate of 6% of the monthly wages of the worker, under which the consolidated company shall allocate a fixed amount in accordance with the provision, and there is no statutory or presumptive obligation to pay the additional amount. Foreign subsidiaries withdraw and pay pensions in accordance with local laws and regulations.

The details of expenses under the scheme for determining the retirement of pensions by the consolidated company is as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
	Operating cost	\$ 1,158	1,079	2,324
Operating expenses	4,187	3,961	8,352	9,303
	<u>\$ 5,345</u>	<u>5,040</u>	<u>10,676</u>	<u>11,537</u>

(p) Income taxes

(i) The details of income tax expenses of the consolidated corporate are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
	Income Tax Expense	<u>\$ 46,533</u>	<u>65,609</u>	<u>61,781</u>

(ii) The consolidated company did not have income tax under directly recognized equity or other comprehensive income (loss) for the six-month ended June 30, 2023 and 2022.

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

(q) Capital and other equity

Except as described below, no significant changes in share capital and other interests of the consolidated company for the six-month ended June 30, 2023 and 2022. Refer to Note 6(q) to the Consolidated Financial Statement in 2022 for details.

(i) Common stock

As of June 30, 2023, December 31, 2022 and June 30, 2022, 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.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Capital surplus

	June 30, 2023	December 31, 2022	June 30, 2022
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	522,161
Forfeited employee stock options	2,433	2,433	2,433
Changes in equity of associates accounted for using equity method	14,329	12,338	-
Gains on disposal of assets	15	15	15
	\$ 538,938	536,947	524,609

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.

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.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The distribution of earnings for 2022 and 2021 had been approved in the meetings of shareholders held on June 9, 2023, and June 8, 2022 respectively. The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	Dividends per share (in dollars)	Total amount	Dividends per share (in dollars)	Total amount
Dividends distributed to shareholders:				
Cash	\$ 5.50	786,843	4.00	572,249

(iv) Other equity items (net after tax)

	Foreign currency translation differences	Remeasurement of defined benefit plans	Total
Balance at January 1, 2023	\$ (46,013)	(3,398)	(49,411)
Exchange differences on subsidiaries accounted for using equity method	16,791	-	16,791
Balance at June 30, 2023	\$ (29,222)	(3,398)	(32,620)
Balance at January 1, 2022	\$ (68,916)	(4,557)	(73,473)
Exchange differences on subsidiaries accounted for using equity method	7,732	-	7,732
Disposal of subsidiary	517	-	517
Balance at June 30, 2022	\$ (60,667)	(4,557)	(65,224)

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

	For the six-month periods ended June 30	
	2023	2022
Balance at January	\$ 74,321	308,920
Equity attributable to non-controlling interest:		
Net loss	(11,823)	(10,248)
Decrease in non-controlling interests	-	(222,854)
Foreign currency translation differences	83	914
Changes in ownership interest in subsidiaries	-	10,009
	\$ 62,581	86,741

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Earnings per share (“EPS”)

(i) Basic EPS

	For the three-month periods ended		For the six-month periods ended	
	June 30		June 30	
	2023	2022	2023	2022
Profit attributable to shareholders of the Company	\$ 151,507	356,346	203,818	631,538
Weighted-average number of ordinary shares outstanding (in thousands)	143,062	143,062	143,062	143,062
Basic EPS (dollars)	<u>\$ 1.06</u>	<u>2.49</u>	<u>1.42</u>	<u>4.41</u>

(ii) Diluted EPS

	For the three-month periods ended		For the six-month periods ended	
	June 30		June 30	
	2023	2022	2023	2022
Profit attributable to shareholders of the Company (diluted)	\$ 151,507	356,346	203,818	631,538
Weighted-average number of ordinary shares outstanding (in thousands)	143,062	143,062	143,062	143,062
Effect of potentially dilutive common shares:				
Effect of employee bonuses	286	721	946	1,080
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	143,348	143,783	144,008	144,142
Diluted EPS (dollars)	<u>\$ 1.06</u>	<u>2.48</u>	<u>1.42</u>	<u>4.38</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three-month periods ended		For the six-month periods ended	
	June 30		June 30	
	2023	2022	2023	2022
Primary geographical markets:				
Domestic sales	\$ 13,133	57,642	26,183	106,843
Export:				
Asia	117,424	120,689	229,907	240,990
America	499,821	956,680	797,051	1,694,622
Europe and Africa	290,784	508,467	637,766	1,115,191
	<u>908,029</u>	<u>1,585,836</u>	<u>1,664,724</u>	<u>3,050,803</u>
	<u>\$ 921,162</u>	<u>1,643,478</u>	<u>1,690,907</u>	<u>3,157,646</u>
Major products:				
Industrial computers	\$ 778,503	1,422,188	1,431,297	2,718,855
Peripherals	107,368	186,850	182,688	378,771
Others	35,291	34,440	76,922	60,020
	<u>\$ 921,162</u>	<u>1,643,478</u>	<u>1,690,907</u>	<u>3,157,646</u>

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Contract balances

	June 30, 2023	December 31, 2022	June 30, 2022
Notes and accounts receivable	\$ 710,331	762,325	1,353,430
Less: loss allowance	(429)	(2,210)	(2,331)
Total	\$ 709,902	760,115	1,351,099
	June 30, 2023	December 31, 2022	June 30, 2022
Contract liabilities – current	\$ 39,185	56,723	20,756

Please refer to Note 6(d) for details on notes and accounts receivable and its loss allowance. The amount of revenue recognized for the six-month ended June 30, 2023 and 2022 that was included in the contract liability balance at the beginning of period were \$28,803 and \$34,641, 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 three-month periods ended June 30, 2023 and 2022, and for the six-month periods ended June 30, 2023 and 2022, the Company accrued the remuneration to its employees amounting to \$15,500, \$38,125, \$20,800 and \$66,250, respectively, and the remuneration to its directors amounting to \$1,800千元, \$875, \$3,600 and \$1,750, 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. ◦ If the Company's board of directors decides to distribute remuneration to its employees as stock dividends, the basis for calculating the number of shares is based on the closing price of common stock on the day before the board meeting day.

For the year 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. 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.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(u) Non-operating income and loss

(i) Interest income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Interest income from bank deposit	<u>\$ 13,737</u>	<u>1,847</u>	<u>24,356</u>	<u>3,197</u>

(ii) Other gains and losses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Gains on disposal of property, plant and equipment	\$ -	-	-	220
Gains(losses) on disposal of subsidiary (note 6(h))	(42)	-	(42)	22,042
Foreign currency exchange gains	27,317	29,255	18,722	58,340
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	52	(6,320)	93	(11,264)
Impairment loss (Note 6(f)) on investments accounted for using equity method	-	-	-	(10,915)
Others	-	3	-	(27)
	<u>\$ 27,327</u>	<u>22,938</u>	<u>18,773</u>	<u>58,396</u>

(iii) Finance costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Interest expense from bank loans	\$ -	4	-	126
Interest expense from lease liabilities	276	193	564	537
	<u>\$ 276</u>	<u>197</u>	<u>564</u>	<u>663</u>

(v) Financial instruments

Except as described below, there is no significant change in the exposure of the consolidated company to credit risk, liquidity risk, and market risk (including currency risk and interest rate risk) due to financial instruments. Refer to Note 6(v)(w) to the Consolidated Financial Statement in 2022 for details.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Categories of financial instruments

1) Financial assets

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 9,614</u>	<u>9,521</u>	<u>9,478</u>
Financial assets measured at amortized cost:			
Cash and cash equivalents	\$ 3,017,996	2,814,795	2,225,036
Financial assets measured at amortized cost(including current and non-current)	263,661	253,165	198,074
Notes and accounts receivable	709,902	760,115	1,351,099
Refundable deposits	<u>1,916</u>	<u>1,804</u>	<u>2,137</u>
	<u>\$ 3,993,475</u>	<u>3,829,879</u>	<u>3,776,346</u>

2) Financial liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Financial liabilities at fair value through profit or loss:			
Financial assets at fair value through profit or loss:			
Foreign currency forward contracts	<u>\$ -</u>	<u>-</u>	<u>277</u>
Financial liabilities measured at amortized cost			
Notes and accounts payable	302,658	355,515	563,783
Other payables	287,235	275,952	289,474
Dividends payable	786,843	-	572,249
Lease liabilities (including current and non-current)	<u>41,166</u>	<u>45,893</u>	<u>28,106</u>
	<u>\$ 1,417,902</u>	<u>677,360</u>	<u>1,453,612</u>

(ii) Credit risk

1) The maximum exposure to 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.

2) Concentration of credit risk

Due to the main business model of the Group is selling products through distributors or SI in various regions. There is no significant concentration of transactions with a single customer, and the sales area is scattered, so there is no significant concentration of credit risk on accounts receivable.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Credit risk of notes and accounts receivables

For credit risk exposure of notes and accounts receivables refer to Note 6(d).

Other financial assets measured at amortized cost are considered including other receivables and time deposit(ledger account: Financial assets measured at amortized cost are considered) are low-credit-risk financial assets, and thus, loss allowances are measured using 12-months ECL(The measurement of low-credit-risk refers to Note 4 (g) to the Consolidated Financial Statement in 2022 for details.). As of June 30, 2023 December 31, 2022 and June 30, 2022, no loss allowance was provided for these financial assets after management's assessment.

(iii) 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 June 30, 2023, December 31, 2022 and June 30, 2022, the Group had unused credit facilities of \$1,444,165, \$1,221,422 and \$1,214,459, respectively.

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
June 30, 2023				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 302,658	302,658	-	-
Other payables	287,235	287,235	-	-
Dividends payable	786,843	786,843	-	-
Lease liabilities	<u>43,077</u>	<u>13,907</u>	<u>13,464</u>	<u>15,706</u>
	<u>\$ 1,419,813</u>	<u>1,390,643</u>	<u>13,464</u>	<u>15,706</u>
December 31, 2022				
Non-derivative financial liabilities:				
Notes and accounts payable	355,515	355,515	-	-
Other payables	275,952	275,952	-	-
Lease liabilities	<u>48,271</u>	<u>13,620</u>	<u>13,390</u>	<u>21,261</u>
	<u>\$ 679,738</u>	<u>645,087</u>	<u>13,390</u>	<u>21,261</u>

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Contractual cash flows	Within 1 years	1-2 years	More than 2 years
June 30, 2022				
Non-derivative financial liabilities:				
Notes and accounts payable	563,783	563,783	-	-
Other payables	289,474	289,474	-	-
Dividends payable	572,249	572,249	-	-
Lease liabilities	29,718	8,056	7,614	14,048
	\$ 1,455,224	1,433,562	7,614	14,048
Derivative financial instruments:				
Foreign currency forward contracts:				
Outflow	\$ 89,162	89,162	-	-
Inflow	(88,885)	(88,885)	-	-
	\$ 277	277	-	-

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

(iv) Foreign currency risk

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (payables) 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)					
June 30, 2023					
	Foreign currency	Exchange rate	NTD	Change in magnitude	Pre-tax effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$	35,342	31.14	1,100,543	1%
RMB		9,744	4.28	41,742	1%
GBP		1,974	39.35	77,677	1%
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD		5,533	31.14	172,308	1%

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2022						
	Foreign currency	Exchange rate	NTD	Change in magnitude		Pre-tax effect on profit or loss
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	43,750	30.73	1,344,438	1%	13,444
RMB		428	4.41	1,887	1%	19
GBP		2,637	37.07	97,754	1%	978
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		4,286	30.73	131,709	1%	1,317
June 30, 2022						
	Foreign currency	Exchange rate	NTD	Change in magnitude		Pre-tax effect on profit or loss
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	47,547	29.72	1,413,097	1%	14,131
EUR		27	31.05	838	1%	8
GBP		3,349	36.13	120,999	1%	1,210
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		10,884	29.72	323,472	1%	3,235
GBP		281	36.13	10,153	1%	102

Due to the varieties of functional currency within the Group, the Group disclosed foreign exchange gain (loss) on monetary items in aggregate. Refer to Note 6(u) for details.

(v) 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.

(vi) Financial instruments that are measured at fair value

The carrying amounts and fair value of the financial assets and financial liabilities of the consolidated company, as measured at fair value, are as follows:

June 30, 2023					
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
— Convertible bonds	<u>\$ 9,614</u>	<u>-</u>	<u>-</u>	<u>9,614</u>	<u>9,614</u>

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 31, 2022			
		Fair Value			
Carrying Amount	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss:					
– Convertible bonds	<u>\$ 9,521</u>	<u>-</u>	<u>-</u>	<u>9,521</u>	
				<u>9,521</u>	
		June 30, 2022			
		Fair Value			
Carrying Amount	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss:					
– Convertible bonds	<u>\$ 9,478</u>	<u>-</u>	<u>-</u>	<u>9,478</u>	
				<u>9,478</u>	
Financial liabilities held-for-trading					
– Foreign currency forward contracts	<u>\$ 277</u>	<u>-</u>	<u>277</u>	<u>-</u>	
				<u>277</u>	

1) Fair value level

The different levels have been defined as follows:

- A. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- B. 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).
- C. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

2) Valuation techniques and assumptions used in fair value measurement

A. 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, 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.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

B. Derivative financial instruments

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

3) Transfers between fair value levels

No transfer of financial assets and financial liabilities to the fair value levels for the six-month periods ended June 30, 2023 and 2022.

4) Movement in financial assets included Level 3 fair value hierarchy:

	For the six-month periods ended June 30	
	2023	2022
Balance at January 1	\$ 9,521	9,581
Recognized in profit loss	93	(103)
Balance at June 30	\$ 9,614	9,478

(w) Financial risk management

There are no material changes to the financial risk management objectives and policies of the consolidated companies and those disclosed in Note 6(w) to the 2022 Consolidated Financial Statement.

(x) Capital management

The capital management objectives, policies and procedures of consolidated company are consistent with those disclosed in the 2022 consolidated financial statements. Refer to Note 6(x) to the 2022 consolidated financial statements

(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) for details..

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

	January 1, 2023	Cash flows	Non-cash changes		June 30, 2023
			Change in lease	Foreign currency exchange movement	
Lease liabilities(Total liabilities from financing activities)	\$ 45,893	(6,346)	-	1,619	41,166

	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Disposal of subsidiary	Change in lease	
Short-term borrowings	\$ 10,334	(10,067)	(268)	-	1
Lease liabilities	68,919	(6,682)	(37,542)	3,825	(414)
Total liabilities from financing activities	\$ 79,253	(16,749)	(37,810)	3,825	(413)

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7. Related-party transactions

(a) Significant related-party transactions: None.

(b) Compensation of key management personnel

	For the three-month periods ended		For the six-month periods ended	
	June 30		June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 10,743	9,979	24,045	24,699
Post-employment benefits	225	225	477	441
	<u>\$ 10,968</u>	<u>10,204</u>	<u>24,522</u>	<u>25,140</u>

8. Pledged assets

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

Pledged assets	Pledged to secure	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits (classified as financial assets measured at amortized cost—current)	Guarantee deposit for custom duties, government grants project and bank loans	<u>\$ 684</u>	<u>684</u>	<u>678</u>

9. Significant commitments and contingencies :None

10. Significant losses due to major disasters: None

11. Significant subsequent events: None

12. Others

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

By function By item	For the three-month periods ended June 30, 2023			For the three -month periods ended June 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	33,254	119,883	153,137	43,769	129,804	173,573
Insurance	3,099	6,872	9,971	3,059	6,700	9,759
Pension	1,158	4,235	5,393	1,079	3,995	5,074
Others	1,058	2,885	3,943	1,094	1,989	3,083
Depreciation	11,529	8,143	19,672	13,405	7,472	20,877
Amortization	100	8,367	8,467	-	10,513	10,513

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

By function By item	For the six-month periods ended June 30, 2023			For the six-month periods ended June 30, 2022		
	Cost of sales	Operating expenses	Cost of sales	Operating expenses	Cost of sales	Operating expenses
Employee benefits:						
Salaries	63,178	227,286	290,464	85,021	263,373	348,394
Insurance	6,528	14,666	21,194	6,443	14,705	21,148
Pension	2,324	8,448	10,772	2,234	9,370	11,604
Others	2,145	5,992	8,137	2,366	5,690	8,056
Depreciation	23,234	16,214	39,448	28,891	16,287	45,178
Amortization	200	19,067	19,267	-	21,666	21,666

- (b) Seasonality of operations: The operations of the consolidated company are not significantly affected by seasonal or cyclical factors.

13. Additional disclosures

- (a) Information on significant transactions:

For the six-month periods ended June 30, 2023, in accordance with the provisions of the financial reporting standards for securities issuers, the Group shall re-disclose relevant information on major transactions as follows:

- (i) Financing provided to other parties: None
(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	873,053	40,000	40,000	-	-	0.92%	2,182,634	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.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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				Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair value	
The Company	Convertible bond; Nextronics engineering corp.	-	Financial assets at fair value through profit or loss-current	0.1	9,614	-	9,614	-
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: None

(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

(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
			Sales	Amount (Note3)	% of Total (Purchases) /Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable (Payable)	
The Company	Box UK	Subsidiary	Sales	151,378	10.37 %	EM 75	(Note 1)	(Note 2)	76,298	10.93%	none

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: None

(ix) Transactions in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

Number (Note 1)	Company Name	Counter-party	Relationship	Transaction Details			Percentage of Consolidated Total Revenues or Total Assets (Note 3)
				Account (Note 2)	Amount	Transaction Terms	
0	The Company	Box UK	Subsidiary	Sales	151,378	EM 75	8.96%
0	The Company	Flytech CN	Subsidiary	Sales	17,592	EM 90	1.04%
0	The Company	Box UK	Subsidiary	Accounts receivable	76,298	EM 75	1.26%

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.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the six-month periods ended June 30, 2023 (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 June 30, 2023			Net Income (Loss) of the Investee	Investment Income (Loss) (note 2)	Note (note 1)
				June 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying value			
The Company	Flytech USA BVI	British Virgin Islands	Investment and holding activity	38,652	38,652	100	100.00%	16,372	(288)	(288)	
The Company	Flytech HK BVI	British Virgin Islands	Investment and holding activity	10,392	10,392	50	100.00%	174,008	14,164	14,164	
The Company	Flytech CN BVI	British Virgin Islands	Investment and holding activity	90,601	90,601	200	100.00%	134,397	1,459	1,459	
The Company	Fei Shiun Investment	Taiwan	Investment and holding activity	428,000	428,000	19,000	100.00%	308,176	(30,737)	(30,737)	
The Company	inefi Holding	British Cayman Islands	Investment and holding activity	83,634	83,634	17,000	100.00%	47,874	(16,375)	(16,375)	
The Company	Box Holdings	United Kingdom	Investment and holding activity	511,307	511,307	4	100.00%	408,785	12,907	(36)	
Flytech USA BVI	Flytech USA	USA	Sale of computers and peripherals	36,358 (USD1,072)	36,358 (USD1,072)	700	100.00%	15,303 (USD491)	(294) (USD10)	-	
Flytech HK BVI	Flytech HK	Hong Kong	Sale of computers and peripherals	10,433 (USD298)	10,433 (USD298)	1,000	100.00%	176,078 (USD5,654)	14,164 (USD464)	-	
Fei Shiun Investment	Berry AI	Taiwan	Operating software design and data processing services, and integrating software and hardware services	306,600	306,600	21,000	70.00%	146,023	(39,411)	-	
Fei Shiun Investment	TAC Dynamics	Taiwan	Sale of machinery and equipment	18,000	18,000	653	18.91%	13,265	(16,684)	-	
Box Holdings	Box UK	United Kingdom	Sale of computers and peripherals	472 (GBP 10)	472 (GBP 10)	10	100.00%	356,521 (GBP 9,061)	13,178 (GBP 350)	-	
Box Holdings	Box Nordic	Sweden	Sale of computers and peripherals	-	2,330 (GBP 49)	-	-	- (GBP -)	(228) (GBP (6))	-	
inefi Holding	inefi Incorporation.	Taiwan	Consulting software services to provide a unified endpoint management platform	80,000 (USD 2,858)	80,000 (USD 2,858)	8,000	100.00%	45,742 (USD 1,469)	(15,375) (USD (503))	-	
Berry AI	Berry AI BVI	British Virgin Islands	Investment and holding activity	30,000	30,000	50	100.00%	21,978	(2,628)	-	
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%	19,719 (USD 633)	(2,642) (USD (86))	-	

Note 1: The intercompany transactions have been eliminated when preparing the consolidated financial statements.

Note 2: Included the movement in unrealized gross profit or loss.

(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2023	Net Income (Loss) of Investee	% of Ownership of Direct and Indirect Investment	Investment Income (Loss)	Carrying Value as of June 30, 2023	Accumulated Inward Remittance of Earnings as of June 30, 2023
					Outflow	Inflow						
Flytech CN	Sale of computers and peripherals	69,089 (USD 2,000)	(Note 1)	69,089 (USD 2,000)	-	-	69,089 (USD 2,000)	1,186 (USD 39)	100%	1,186 (USD 39)	119,609 (USD 3,841)	-

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Limits on investment in Mainland China

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

Accumulated investment in Mainland China as of June 30, 2023	Investment amount authorized by Ministry of Economic Affairs Investment Commission	Upper Limit on Investment
90,767 (USD 2,700)	103,107 (USD 3,100)	2,619,160

(iii) Significant transactions with the investee in Mainland China:

The Group's direct or indirect significant transactions with Mainland China investee companies for the six-month periods ended June 30, 2023 have been written off in the Consolidated Financial Statement. Please refer to the "Information on significant transactions" paragraph for details.

(iv) 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. The Group's operating segment information and reconciliation are as follows:

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

	For the three-month periods ended June 30, 2023				
	Domestic sale segment	European sale segment	Others	Adjustments and eliminations	Total
Revenues from external customers	\$ 729,323	133,176	58,663	-	921,162
Intra-group revenue	94,783	-	5	(94,788)	-
Total segment revenue	<u>\$ 824,106</u>	<u>133,176</u>	<u>58,668</u>	<u>(94,788)</u>	<u>921,162</u>
Segment income before income tax	<u>\$ 197,161</u>	<u>3,192</u>	<u>(36,140)</u>	<u>27,502</u>	<u>191,715</u>
	For the three-month periods ended June 30, 2022				
	Domestic sale segment	European sale segment	Others	Adjustments and eliminations	Total
Revenues from external customers	\$ 1,425,417	194,606	23,455	-	1,643,478
Intra-group revenue	78,141	(4)	-	(78,137)	-
Total segment revenue	<u>\$ 1,503,558</u>	<u>194,602</u>	<u>23,455</u>	<u>(78,137)</u>	<u>1,643,478</u>
Segment income before income tax	<u>\$ 420,824</u>	<u>14,456</u>	<u>(38,404)</u>	<u>18,135</u>	<u>415,011</u>

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the six-month periods ended June 30,2023				
	Domestic sale segment	European sale segment	Others	Adjustments and eliminations	Total
Revenues from external customers	\$ 1,275,836	306,559	108,512	-	1,690,907
Intra-group revenue	<u>184,360</u>	<u>-</u>	<u>5</u>	<u>(184,365)</u>	<u>-</u>
Total segment revenue	<u>\$ 1,460,196</u>	<u>306,559</u>	<u>108,517</u>	<u>(184,365)</u>	<u>1,690,907</u>
Segment income before income tax	<u>\$ 262,461</u>	<u>17,208</u>	<u>(69,115)</u>	<u>43,222</u>	<u>253,776</u>

	For the six-month periods ended June 30,2022					
	Domestic sale segment	European sale segment	Poindus Systems	Others	Adjustments and eliminations	Total
Revenues from external customers	\$ 2,505,282	449,375	146,756	56,233	-	3,157,646
Intra-group revenue	<u>173,554</u>	<u>232</u>	<u>713</u>	<u>150</u>	<u>(174,649)</u>	<u>-</u>
Total segment revenue	<u>\$ 2,678,836</u>	<u>449,607</u>	<u>147,469</u>	<u>56,383</u>	<u>(174,649)</u>	<u>3,157,646</u>
Segment income before income tax	<u>\$ 736,979</u>	<u>32,344</u>	<u>8,092</u>	<u>(40,692)</u>	<u>(5,717)</u>	<u>731,006</u>