

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

Consolidated Financial Statements
With Independent Auditors' Review Report
September 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 September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended September 30, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended September 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 September 30, 2022 and 2021, and the financial performance of the Group for three-month and nine-month periods ended September 30, 2023 and 2022, and the cash flows for nine-month periods ended September 30, respectively.

KPMG
Taipei, Taiwan (Republic of China)
November 2, 2023

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2023, December 31, 2022 and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

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

	Assets	September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%
Current assets:							
1100	Cash and cash equivalents (note 6(a))	\$ 2,457,586	45	2,814,795	46	1,972,888	32
1110	Financial assets at fair value through profit or loss – current (note 6(b))	9,657	-	9,521	-	9,408	-
1136	Financial assets at amortised cost – current (notes 6(c) and 8)	258,150	5	156,224	3	192,391	3
1150-1170	Notes and accounts receivable (notes 6(d) and (t))	645,139	12	760,115	13	1,391,626	22
130X	Inventories (note 6(e))	683,360	12	918,989	15	1,178,318	19
1410-1470	Prepayments and other current assets	<u>35,024</u>	<u>-</u>	<u>17,774</u>	<u>-</u>	<u>32,982</u>	<u>1</u>
	Total current assets	<u>4,088,916</u>	<u>74</u>	<u>4,677,418</u>	<u>77</u>	<u>4,777,613</u>	<u>77</u>
Non-current assets:							
1535	Financial assets at amortised cost – non-current (note 6(c))	103,662	2	96,941	2	96,961	1
1550	Investments accounted for using equity method (note 6(f))	11,451	-	14,748	-	3,203	-
1600	Property, plant and equipment (note 6(i))	1,032,367	19	1,016,813	17	1,031,425	17
1755	Right-of-use assets (note 6(j))	35,752	1	44,690	1	36,256	1
1780	Intangible assets (note 6(k))	202,402	4	203,103	3	211,741	3
1840	Deferred income tax assets	41,894	-	41,802	-	36,132	1
1915	Prepayments for equipment	1,858	-	12,853	-	13,627	-
1920	Refundable deposits	<u>1,955</u>	<u>-</u>	<u>1,804</u>	<u>-</u>	<u>1,834</u>	<u>-</u>
	Total non-current assets	<u>1,431,341</u>	<u>26</u>	<u>1,432,754</u>	<u>23</u>	<u>1,431,179</u>	<u>23</u>
	Total assets	<u>\$ 5,520,257</u>	<u>100</u>	<u>6,110,172</u>	<u>100</u>	<u>6,208,792</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)

September 30, 2023, December 31, 2022 and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

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

Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%
Current liabilities:							
2120	Financial liabilities at fair value through profit or loss — current (note 6(b))	-	-	-	-	4,803	-
2130	Contract liabilities — current (note 6(t))	41,856	1	56,723	1	20,156	-
2150-2170	Notes and accounts payable	373,861	7	355,515	6	575,271	9
2200	Other payables (note 6(u))	307,571	6	275,952	4	329,862	6
2230	Current income tax liabilities	119,589	2	272,716	4	206,420	3
2250	Provisions — current (note 6(n))	28,143	-	34,461	1	38,945	1
2280	Lease liabilities — current (note 6(m))	13,087	-	12,580	-	10,252	-
2300	Other current liabilities	49,198	1	45,122	1	38,296	1
	Total current liabilities	<u>933,305</u>	<u>17</u>	<u>1,053,069</u>	<u>17</u>	<u>1,224,005</u>	<u>20</u>
Non-current liabilities:							
2570	Deferred income tax liabilities	1,458	-	4,642	-	41,977	1
2640	Net defined benefit liabilities	1,606	-	15,317	-	16,754	-
2580	Lease liabilities — non-current (note 6(m))	25,002	-	33,313	1	26,878	-
	Total non-current liabilities	<u>28,066</u>	<u>-</u>	<u>53,272</u>	<u>1</u>	<u>85,609</u>	<u>1</u>
	Total liabilities	<u>961,371</u>	<u>17</u>	<u>1,106,341</u>	<u>18</u>	<u>1,309,614</u>	<u>21</u>
Equity attributable to shareholders of the parent							
(note 6(f)(g) and (q)):							
3110	Common stock	1,430,623	26	1,430,623	24	1,430,623	23
3200	Capital surplus	538,938	10	536,947	9	524,609	9
Retained earnings:							
3310	Legal reserve	1,300,259	23	1,196,570	20	1,196,570	19
3320	Special reserve	49,435	1	73,473	1	73,473	1
3350	Unappropriated earnings	1,205,314	22	1,741,308	28	1,647,923	27
3400	Other equity	(20,535)	-	(49,411)	(1)	(54,102)	(1)
	Equity attributable to shareholders of the Company	<u>4,504,034</u>	<u>82</u>	<u>4,929,510</u>	<u>81</u>	<u>4,819,096</u>	<u>78</u>
36XX	Non-controlling interests (note 6(g)(h) and (q))	54,852	1	74,321	1	80,082	1
	Total equity	<u>4,558,886</u>	<u>83</u>	<u>5,003,831</u>	<u>82</u>	<u>4,899,178</u>	<u>79</u>
	Total liabilities and equity	<u>\$ 5,520,257</u>	<u>100</u>	<u>6,110,172</u>	<u>100</u>	<u>6,208,792</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 nine-month periods ended September 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 September 30				For the nine-month periods ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Revenue (notes 6(t) 7, 14)	\$ 802,550	100	1,413,061	100	2,493,457	100	4,570,707	100
5000 Cost of revenue (notes 6 (e)(i)(j)(k)(m)(n)(o)(u) and 7, 12)	<u>(494,785)</u>	<u>(62)</u>	<u>(876,887)</u>	<u>(62)</u>	<u>(1,581,415)</u>	<u>(63)</u>	<u>(2,924,073)</u>	<u>(64)</u>
Gross profit	<u>307,765</u>	<u>38</u>	<u>536,174</u>	<u>38</u>	<u>912,042</u>	<u>37</u>	<u>1,646,634</u>	<u>36</u>
Operating expenses (notes 6 (d)(i)(j)(k)(n)(o)(r)(u) and 7, 12) :								
6100 Selling expenses	(83,794)	(10)	(102,760)	(7)	(255,647)	(10)	(295,389)	(6)
6200 Administrative expenses	(37,859)	(5)	(54,687)	(4)	(131,456)	(6)	(171,108)	(4)
6300 Research and development expenses	<u>(70,837)</u>	<u>(9)</u>	<u>(74,062)</u>	<u>(5)</u>	<u>(196,081)</u>	<u>(8)</u>	<u>(206,190)</u>	<u>(5)</u>
	<u>(192,490)</u>	<u>(24)</u>	<u>(231,509)</u>	<u>(16)</u>	<u>(583,184)</u>	<u>(24)</u>	<u>(672,687)</u>	<u>(15)</u>
Operating income	<u>115,275</u>	<u>14</u>	<u>304,665</u>	<u>22</u>	<u>328,858</u>	<u>13</u>	<u>973,947</u>	<u>21</u>
Non-operating income and loss (notes 6(f)(h)(m) and (v)) :								
7100 Interest income	7,166	1	1,768	-	31,522	1	4,965	-
7190 Other income	1,451	-	3,862	-	2,553	-	6,610	-
7020 Other gains and losses	27,967	4	56,703	4	46,740	2	115,099	3
7050 Finance costs	(272)	-	(204)	-	(836)	-	(867)	-
7370 Share of loss of associates accounted for using equity method	<u>(1,814)</u>	<u>-</u>	<u>(1,618)</u>	<u>-</u>	<u>(5,288)</u>	<u>-</u>	<u>(3,572)</u>	<u>-</u>
Total non-operating income and loss	<u>34,498</u>	<u>5</u>	<u>60,511</u>	<u>4</u>	<u>74,691</u>	<u>3</u>	<u>122,235</u>	<u>3</u>
7900 Income before income tax	149,773	19	365,176	26	403,549	16	1,096,182	24
7950 Less: Income tax expenses (note 6(p))	<u>(31,040)</u>	<u>(4)</u>	<u>(54,140)</u>	<u>(4)</u>	<u>(92,821)</u>	<u>(4)</u>	<u>(163,856)</u>	<u>(4)</u>
8200 Net Income	<u>118,733</u>	<u>15</u>	<u>311,036</u>	<u>22</u>	<u>310,728</u>	<u>12</u>	<u>932,326</u>	<u>20</u>
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	12,305	1	11,657	1	29,179	2	20,303	1
8399 Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the period	<u>12,305</u>	<u>1</u>	<u>11,657</u>	<u>1</u>	<u>29,179</u>	<u>2</u>	<u>20,303</u>	<u>1</u>
8500 Total comprehensive income for the period	<u>\$ 131,038</u>	<u>16</u>	<u>322,693</u>	<u>23</u>	<u>339,907</u>	<u>14</u>	<u>952,629</u>	<u>21</u>
Net income attributable to:								
8610 Shareholders of the Company	\$ 126,682	16	318,230	23	330,500	13	949,768	20
8620 Non-controlling interests	<u>(7,949)</u>	<u>(1)</u>	<u>(7,194)</u>	<u>(1)</u>	<u>(19,772)</u>	<u>(1)</u>	<u>(17,442)</u>	<u>-</u>
	<u>\$ 118,733</u>	<u>15</u>	<u>311,036</u>	<u>22</u>	<u>310,728</u>	<u>12</u>	<u>932,326</u>	<u>20</u>
Total comprehensive income attributable to:								
8710 Shareholders of the Company	\$ 138,767	17	329,352	23	359,376	15	968,622	21
8720 Non-controlling interests	<u>(7,729)</u>	<u>(1)</u>	<u>(6,659)</u>	<u>-</u>	<u>(19,469)</u>	<u>(1)</u>	<u>(15,993)</u>	<u>-</u>
	<u>\$ 131,038</u>	<u>16</u>	<u>322,693</u>	<u>23</u>	<u>339,907</u>	<u>14</u>	<u>952,629</u>	<u>21</u>
Earnings per share (in New Taiwan dollars) (note 6(r)) :								
9750 Basic earnings per share	<u>\$ 0.89</u>		<u>2.22</u>		<u>2.31</u>		<u>6.64</u>	
9850 Diluted earnings per share	<u>\$ 0.88</u>		<u>2.20</u>		<u>2.30</u>		<u>6.56</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 Changes in Equity
For the nine-month periods ended September 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	-	-	-	-	949,768	949,768	-	-	-	949,768	(17,442)	932,326
Other comprehensive income (loss) for the period	-	-	-	-	-	-	18,854	-	18,854	18,854	1,449	20,303
Total comprehensive income (loss) for the period	-	-	-	-	949,768	949,768	18,854	-	18,854	968,622	(15,993)	952,629
Balance at September 30, 2022	\$ 1,430,623	524,609	1,196,570	73,473	1,647,923	2,917,966	(49,545)	(4,557)	(54,102)	4,819,096	80,082	4,899,178
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	-	-	-	-	330,500	330,500	-	-	-	330,500	(19,772)	310,728
Other comprehensive income (loss) for the period	-	-	-	-	-	-	28,876	-	28,876	28,876	303	29,179
Total comprehensive income (loss) for the period	-	-	-	-	330,500	330,500	28,876	-	28,876	359,376	(19,469)	339,907
Balance at September 30, 2023	\$ 1,430,623	538,938	1,300,259	49,435	1,205,314	2,555,008	(17,137)	(3,398)	(20,535)	4,504,034	54,852	4,558,886

(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 nine-month periods ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

	For the nine-month periods ended September 30	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 403,549	1,096,182
Adjustments for:		
Adjustments to reconcile profit (loss)		
Depreciation	59,754	66,160
Amortization	21,239	32,210
Expected (reveral) credit loss	(2,046)	1,210
Share of loss of associates accounted for using equity method	5,288	3,572
Proceeds on disposal of property, plant and equipment	-	(217)
Property, plant, and equipment transferred to expenses	-	438
Interest expense	836	867
Interest income	(31,522)	(4,965)
Disposition of subsidiaries loss (interests)	1,143	(22,042)
Impairment loss on non-financial assets	-	10,915
Total non-cash profit and loss	<u>54,692</u>	<u>88,148</u>
Changes in operating assets and liabilities :		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(136)	2,114
Financial assets at amortized cost	315	-
Notes and accounts receivable	116,933	(298,856)
Inventories	235,629	(97,421)
Prepayments and other current assets	(18,102)	(17,134)
Net changes in operating assets	<u>334,639</u>	<u>(411,297)</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	-	4,803
Contract liabilities	(14,867)	(27,923)
Notes and accounts payable	18,346	(48,581)
Other payables	31,619	44,848
Provisions-current	(6,318)	8,529
Other current liabilities	4,076	2,853
Net defined benefit liabilities	(13,711)	(1,118)
Net changes in operating liabilities	<u>19,145</u>	<u>(16,589)</u>
Total changes in operating assets and liabilities	<u>353,784</u>	<u>(427,886)</u>
Cash provided by operations	812,025	756,444
Income taxes paid	(249,909)	(160,469)
Net cash provided by operating activities	<u>562,116</u>	<u>595,975</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 nine-month periods ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

	For the nine-month periods ended September 30	
	2023	2022
Cash flows from investing activities:		
Additions of financial assets at amortized cost	(112,554)	(128,696)
Disposal of financial assets at amortized cost	-	22,391
Proceeds from disposal of subsidiaries	-	92,613
Additions to property, plant and equipment	(64,957)	(51,297)
Proceeds from disposal of property, plant and equipment	-	416
Additions of intangible assets	(6,486)	(2,562)
Increase in refundable deposits	(151)	(358)
Interest received	35,169	2,778
Net cash flows used in investing activities	(148,979)	(64,715)
Cash flows from financing activities:		
Decrease in short-term borrowings	-	(10,067)
Payment of lease liabilities	(9,630)	(9,225)
Cash dividends distributed to shareholders	(786,843)	(572,249)
Capital injection from non-controlling interests	-	63,000
Interest paid	(836)	(867)
Net cash flows used in financing activities	(797,309)	(529,408)
Effect of foreign exchange rate changes	26,963	16,746
Net increase in cash and cash equivalents	(357,209)	18,598
Cash and cash equivalents at beginning of period	2,814,795	1,954,290
Cash and cash equivalents at end of period	\$ 2,457,586	1,972,888

(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 nine-month periods ended September 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 December 2, 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”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12, ‘International tax reform - pillar two model rules’

(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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’
- Amendments to IFRS 16 “Lease liability in a sale and leaseback”

(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:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 21 “Lack of exchangeability”

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
			September 30, 2023	December 31, 2022	September 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 Holding	inefi Incorporation (inefi)	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

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 833	836	814
Demand deposits and checking accounts	2,068,427	2,016,209	1,730,810
Time deposits with original maturities less than 3 months	<u>388,326</u>	<u>797,750</u>	<u>241,264</u>
	<u>\$ 2,457,586</u>	<u>2,814,795</u>	<u>1,972,888</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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Convertible bonds	<u>\$ 9,657</u>	<u>9,521</u>	<u>9,408</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Held-for trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign currency forward contracts	<u>\$ -</u>	<u>-</u>	<u>(4,803)</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:

	<u>September 30, 2022</u>		
	<u>Contract amount (in thousands)</u>		<u>Sell / Buy</u>
			<u>Maturity period</u>
Foreign currency forward contract	USD	3,000	USD/NTD 2022.10

(c) Financial assets measured at amortised cost

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Time deposits with original maturities more than 3 months	\$ 357,305	244,751	282,289
Other receivable	331	646	246
Interest receivable	<u>4,176</u>	<u>7,768</u>	<u>6,817</u>
	<u>\$ 361,812</u>	<u>253,165</u>	<u>289,352</u>
Ledger Account			
Financial assets at amortized cost - current	\$ 258,150	156,224	192,391
Financial assets at amortized cost - non-current	<u>103,662</u>	<u>96,941</u>	<u>96,961</u>
	<u>\$ 361,812</u>	<u>253,165</u>	<u>289,352</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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Notes receivable— from operating activities	\$ 3,689	3,020	1,470
Accounts receivable— measured as amortized cost	641,702	759,305	1,392,762
Less: loss allowance	<u>(252)</u>	<u>(2,210)</u>	<u>(2,606)</u>
	<u>\$ 645,139</u>	<u>760,115</u>	<u>1,391,626</u>

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:

	<u>September 30, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 531,108	-	-
Past due 0-30 days	107,339	-	-
Past due 31-60 days	6,237	0%~12.68%	60
Past due 61-180 days	685	0%~65.16%	176
Past due over 180 days	<u>22</u>	<u>70.77%~100.00%</u>	<u>16</u>
	<u>\$ 645,391</u>		<u>252</u>

	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
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	<u>187</u>	<u>100.00%</u>	<u>187</u>
	<u>\$ 762,325</u>		<u>2,210</u>

	<u>September 30, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,032,780	0%~0.69%	583
Past due 0-30 days	266,761	0%~6.51%	1,402
Past due 31-60 days	83,572	0%~13.37%	33
Past due 61-180 days	9,523	0%~64.57%	203
Past due over 180 days	<u>1,596</u>	<u>24.12%~100.00%</u>	<u>385</u>
	<u>\$ 1,394,232</u>		<u>2,606</u>

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 nine-month periods ended September 30	
	2023	2022
	Balance at January 1	\$ 2,210
Impairment losses (reversed) recognized	(2,046)	1,210
Write-off	-	(75)
Amount of excluded subsidiaries	-	(59)
Effect of exchange rate changes	88	(109)
Balance at September 30	\$ 252	2,606

(e) Inventories

(i) The information of inventories was as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 384,318	517,523	712,890
Work in process	137,674	119,735	290,496
Finished goods	72,077	160,299	62,377
Merchandise	89,291	121,432	112,555
	\$ 683,360	918,989	1,178,318

(ii) For the three-month periods ended September 30, 2023 and September 30 2022, and the nine-month periods ended September 30, 2023 and September 30 2022, the amounts of inventories recognized as cost of revenue were \$480,530, \$877,185, \$1,531,196 and \$2,894,624, respectively. The write-downs (reversal of write-downs) of inventories to net realizable value amounted to \$39,999, \$13,856, \$85,350 and \$21,121, respectively.

(f) Investments accounted for using the equity method

Name of Associates	Business Relationship	Principal place of business/Registration country	September 30, 2023		December 31, 2022		September 30, 2022	
			Percentage of voting rights	Carrying amount	Percentage of voting rights	Carrying amount	Percentage of voting rights	Carrying amount
TAC	Sale of machinery		18.91%	\$ <u>11,451</u>	20.82%	\$ <u>14,748</u>	35.00%	<u>3,203</u>
Dynamics	and equipment	Taiwan	18.91%	\$ <u>11,451</u>	20.82%	\$ <u>14,748</u>	35.00%	<u>3,203</u>
			For the three-month periods ended September 30		For the nine-month periods ended September 30			
			2023	2022	2023	2022		

Attributable to the Group:

Net loss (total comprehensive income (loss))	\$ (1,814)	(1,618)	(5,288)	(3,572)
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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 nine-month ended September 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><u>\$ 572,983</u></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	-	-	40,538	14,703	7,231	627	63,099
Reclassification	-	-	-	-	27	-	27
Disposals	-	(144)	(3,974)	-	-	-	(4,118)
Effect of exchange rate changes	-	1,114	504	-	562	904	3,084
Balance at September 30, 2023	<u>\$ 319,238</u>	<u>783,483</u>	<u>334,220</u>	<u>490,926</u>	<u>80,081</u>	<u>38,770</u>	<u>2,046,718</u>
Balance at January 1, 2022	\$ 319,238	779,838	302,200	514,731	82,308	44,301	2,042,616
Additions	-	-	1,524	24,468	5,938	6,009	37,939
Disposal of subsidiary	-	-	(356)	(64,779)	(15,192)	(14,385)	(94,712)
Reclassification	-	-	-	(144)	(113)	2,046	1,789
Disposals	-	-	(1,046)	(643)	(1,219)	(200)	(3,108)
Effect of exchange rate changes	-	3,653	(359)	168	605	(29)	4,038
Balance at September 30, 2022	<u>\$ 319,238</u>	<u>783,491</u>	<u>301,963</u>	<u>473,801</u>	<u>72,327</u>	<u>37,742</u>	<u>1,988,562</u>
Accumulated depreciation:							
Balance at January 1, 2023	\$ -	211,519	249,305	427,620	59,435	19,934	967,813
Depreciation	-	13,759	8,265	19,051	4,212	3,788	49,075
Reclassification	-	-	-	-	27	-	27
Disposals	-	(144)	(3,974)	-	-	-	(4,118)
Effect of exchange rate changes	-	363	274	-	427	490	1,554
Balance at September 30, 2023	<u>\$ -</u>	<u>225,497</u>	<u>253,870</u>	<u>446,671</u>	<u>64,101</u>	<u>24,212</u>	<u>1,014,351</u>
Balance at January 1, 2022	\$ -	191,466	242,402	450,271	66,968	24,413	975,520
Depreciation	-	14,495	10,691	22,785	4,460	3,565	55,996
Disposal of subsidiary	-	-	(356)	(52,014)	(12,483)	(8,542)	(73,395)
Reclassification	-	-	-	-	-	(210)	(210)
Disposals	-	-	(1,046)	(520)	(1,143)	(200)	(2,909)
Effect of exchange rate changes	-	1,441	(159)	58	474	321	2,135
Balance at September 30, 2022	<u>\$ -</u>	<u>207,402</u>	<u>251,532</u>	<u>420,580</u>	<u>58,276</u>	<u>19,347</u>	<u>957,137</u>
Carrying amount:							
Balance at September 30, 2023	<u>\$ 319,238</u>	<u>557,986</u>	<u>80,350</u>	<u>44,255</u>	<u>15,980</u>	<u>14,558</u>	<u>1,032,367</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 September 30, 2022	<u>\$ 319,238</u>	<u>576,089</u>	<u>50,431</u>	<u>53,221</u>	<u>14,051</u>	<u>18,395</u>	<u>1,031,425</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	-	(590)	(590)
Effect of exchange rate changes	<u>1,765</u>	<u>751</u>	<u>2,516</u>
Balance at September 30, 2023	<u>\$ 47,062</u>	<u>16,444</u>	<u>63,506</u>
Balance at January 1, 2022	\$ 81,009	7,095	88,104
Additions	11,334	3,700	15,034
Disposal of subsidiary	(39,959)	(1,331)	(41,290)
Write-off	(7,864)	(4,462)	(12,326)
Effect of exchange rate changes	<u>94</u>	<u>(75)</u>	<u>19</u>
Balance at September 30, 2022	<u>\$ 44,614</u>	<u>4,927</u>	<u>49,541</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 14,847	2,043	16,890
Depreciation	7,631	3,048	10,679
Write-off	-	(590)	(590)
Effect of exchange rate changes	<u>655</u>	<u>120</u>	<u>775</u>
Balance at September 30, 2023	<u>\$ 23,133</u>	<u>4,621</u>	<u>27,754</u>
Balance at January 1, 2022	\$ 14,814	4,607	19,421
Depreciation	8,851	1,313	10,164
Disposal of subsidiary	(3,823)	(209)	(4,032)
Write-off	(7,864)	(4,462)	(12,326)
Effect of exchange rate changes	<u>94</u>	<u>(36)</u>	<u>58</u>
Balance at September 30, 2022	<u>\$ 12,072</u>	<u>1,213</u>	<u>13,285</u>
Carrying amount:			
Balance at September 30, 2023	<u>\$ 23,929</u>	<u>11,823</u>	<u>35,752</u>
Balance at January 1, 2023	<u>\$ 30,450</u>	<u>14,240</u>	<u>44,690</u>
Balance at September 30, 2022	<u>\$ 32,542</u>	<u>3,714</u>	<u>36,256</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:

	<u>Trademarks</u>	<u>Patents and technology</u>	<u>Customer relationships</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 34,133	-	238,074	175,358	16,612	464,177
Additions	-	-	-	-	6,486	6,486
Other reclassification	-	-	-	-	13,814	13,814
Effect of exchange rate changes	-	-	-	-	238	238
Balance at September 30, 2023	<u>\$ 34,133</u>	<u>-</u>	<u>238,074</u>	<u>175,358</u>	<u>37,150</u>	<u>484,715</u>
Balance at January 1, 2022	\$ 99,692	102,847	320,021	202,652	22,777	747,989
Additions	392	-	-	-	2,170	2,562
Disposal of subsidiary	(65,951)	(102,847)	(81,947)	(27,294)	(11,005)	(289,044)
Disposals	-	-	-	-	(122)	(122)
Other reclassification	-	-	-	-	800	800
Effect of exchange rate changes	-	-	-	-	(32)	(32)
Balance at September 30, 2022	<u>\$ 34,133</u>	<u>-</u>	<u>238,074</u>	<u>175,358</u>	<u>14,588</u>	<u>462,153</u>
Accumulated amortization:						
Balance at January 1, 2023	\$ 31,766	-	223,903	-	5,405	261,074
Amortization	2,367	-	14,171	-	4,701	21,239
Balance at September 30, 2023	<u>\$ 34,133</u>	<u>-</u>	<u>238,074</u>	<u>-</u>	<u>10,106</u>	<u>282,313</u>
Balance at January 1, 2022	\$ 92,864	102,847	265,809	6,248	11,322	479,090
Amortization	3,639	-	25,954	-	2,617	32,210
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 September 30, 2022	<u>\$ 30,552</u>	<u>-</u>	<u>215,400</u>	<u>-</u>	<u>4,460</u>	<u>250,412</u>
Carrying amount:						
Balance at September 30, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>175,358</u>	<u>27,044</u>	<u>202,402</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 September 30, 2022	<u>\$ 3,581</u>	<u>-</u>	<u>22,674</u>	<u>175,358</u>	<u>10,128</u>	<u>211,741</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 September 30, 2023 and 2022 and showed no signs of impairment

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(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 September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Cost of revenue	\$ 106	33	306	33
Selling expenses	1,866	10,511	20,933	32,177
	<u>\$ 1,972</u>	<u>10,544</u>	<u>21,239</u>	<u>32,210</u>

(l) Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unused credit facilities	<u>\$ 1,458,828</u>	<u>1,221,422</u>	<u>1,226,133</u>
Interest rate	<u>-</u>	<u>-</u>	<u>-</u>

(m) Lease liabilities

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

	September 30, 2023	December 31, 2022	September 30, 2022
Current	<u>\$ 13,087</u>	<u>12,580</u>	<u>10,252</u>
Non-current	<u>\$ 25,002</u>	<u>33,313</u>	<u>26,878</u>

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

The amounts recognized in profit or loss were as follows:

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 267</u>	<u>207</u>	<u>831</u>	<u>744</u>
Expenses relating to short-term leases	<u>\$ 62</u>	<u>259</u>	<u>111</u>	<u>1,231</u>
Expenses relating to leases of low-value assets	<u>\$ 9</u>	<u>8</u>	<u>26</u>	<u>40</u>

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

	For the nine-month periods ended September 30	
	2023	2022
Total cash outflow for leases	<u>\$ 10,598</u>	<u>11,240</u>

(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.

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(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 nine-month periods ended September 30	
	2023	2022
Balance at January 1	\$ 34,461	33,979
Provisions made	(2,741)	10,808
Amount utilized	(4,782)	(1,907)
Disposal of subsidiary	-	(2,786)
Effect of exchange rate changes	1,205	(1,149)
Balance at September 30	\$ 28,143	38,945

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 September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Operating expenses	\$ 47	33	143	100

(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.

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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 September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Operating cost	\$ 1,188	1,544	3,512	3,778
Operating expenses	<u>4,423</u>	<u>4,240</u>	<u>12,775</u>	<u>13,543</u>
	<u>\$ 5,611</u>	<u>5,784</u>	<u>16,287</u>	<u>17,321</u>

(p) Income taxes

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

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Income Tax Expense	<u>\$ 31,040</u>	<u>54,140</u>	<u>92,821</u>	<u>163,856</u>

(ii) The consolidated company did not have income tax under directly recognized equity or other comprehensive income (loss) for the nine-month ended September 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 nine-month ended September 30, 2023 and 2022. Refer to Note 6(q) to the Consolidated Financial Statement in 2022 for details.

(i) Common stock

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

(ii) Capital surplus

	September 30, 2023	December 31, 2022	September 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	<u>15</u>	<u>15</u>	<u>15</u>
	<u>\$ 538,938</u>	<u>536,947</u>	<u>524,609</u>

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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.

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	<u>786,843</u>	4.00	<u>572,249</u>

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(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	<u>28,876</u>	<u>-</u>	<u>28,876</u>
Balance at September 30, 2023	<u>\$ (17,137)</u>	<u>(3,398)</u>	<u>(20,535)</u>
Balance at January 1, 2022	\$ (68,916)	(4,557)	(73,473)
Exchange differences on subsidiaries accounted for using equity method	18,854	-	18,854
Disposal of subsidiary	<u>517</u>	<u>-</u>	<u>517</u>
Balance at September 30, 2022	<u>\$ (49,545)</u>	<u>(4,557)</u>	<u>(54,102)</u>

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

	For the nine-month periods ended September 30	
	2023	2022
Balance at January	\$ 74,321	308,920
Equity attributable to non-controlling interest:		
Net loss	(19,772)	(17,442)
Decrease in non-controlling interests	-	(222,854)
Foreign currency translation differences	303	1,449
Changes in ownership interest in subsidiaries	<u>-</u>	<u>10,009</u>
	<u>\$ 54,852</u>	<u>80,082</u>

(r) Share-based payment

The cash-settled virtual stock appreciation rights plan

The Group's subsidiary, Berry AI Inc.(Berry AI)issued cash-settled virtual stock appreciation rights plan to qualified employees and consultants of Berry AI, the plan stipulates that the recipients are eligible to exercise the rights granted after completing a service period ranging from three months to three years in the future. cash settlement will be made upon the exercise of the rights, with the cash amount determined based on the agreed-upon price differential. The relevant information for the cash-settled stock appreciation rights plan is as follows:

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	For the nine-month periods ended September 30	
	Qty (in thousand units)	Weighted average exercise price(USD)
Unvested quantity at January 1	1,318	\$ 0.52
Granted quantity for the period	265	0.64
Vested quantity for the period	-	-
Unvested quantity at September 30	1,583	0.54

Barry AI estimated the fair value on grant date of share-based payment using the Black-Scholes Model. Relevant information is as follows:

	For the nine-month periods ended September 30, 2023
Fair value on measurement date (dollars)	11.83
Expected price volatility (%)	100.93%
Expected duration (years)	8
Risk-free interest rate (%)	3.94%

For the nine-month ended September 30, 2023, the expense arising from the share-based payment of Barry AI amount to \$3,000 recognized as operating expenses.

(s) Earnings per share (“EPS”)

(i) Basic EPS

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Profit attributable to shareholders of the Company	\$ 126,682	318,230	330,500	949,768
Weighted-average number of ordinary shares outstanding (in thousands)	143,062	143,062	143,062	143,062
Basic EPS (dollars)	\$ 0.89	2.22	2.31	6.64

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(ii) Diluted EPS

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Profit attributable to shareholders of the Company (diluted)	\$ 126,682	318,230	330,500	949,768
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	476	1,457	913	1,804
Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock)	143,538	144,519	143,975	144,866
Diluted EPS (dollars)	<u>0.88</u>	<u>2.20</u>	<u>2.30</u>	<u>6.56</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Primary geographical markets:				
Domestic sales	\$ 20,771	231,879	46,954	338,722
Export:				
Asia	114,313	140,043	344,220	381,033
America	393,965	711,997	1,191,016	2,406,619
Europe and Africa	273,501	329,142	911,267	1,444,333
	<u>781,779</u>	<u>1,181,182</u>	<u>2,446,503</u>	<u>4,231,985</u>
	<u>\$ 802,550</u>	<u>1,413,061</u>	<u>2,493,457</u>	<u>4,570,707</u>
Major products:				
Industrial computers	\$ 681,240	1,250,237	2,112,537	3,969,092
Peripherals	94,879	122,962	277,567	501,733
Others	26,431	39,862	103,353	99,882
	<u>\$ 802,550</u>	<u>1,413,061</u>	<u>2,493,457</u>	<u>4,570,707</u>

(ii) Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts receivable	\$ 645,391	762,325	1,394,232
Less: loss allowance	(252)	(2,210)	(2,606)
	<u>\$ 645,139</u>	<u>760,115</u>	<u>1,391,626</u>
	September 30, 2023	December 31, 2022	September 30, 2022
Contract liabilities — current	<u>\$ 41,856</u>	<u>56,723</u>	<u>20,156</u>

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Please refer to Note 6(d) for details on notes and accounts receivable and its loss allowance.

The contract liabilities primarily arises from the time difference between the point at which the Group transfers goods to customers to fulfill contractual obligations and the point at which customers make payments

The amount of revenue recognized for the nine-month ended September 30, 2023 and 2022 that was included in the contract liability balance at the beginning of period were \$35,710 and \$35,046, respectively.

(u) 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 September 30, 2023 and 2022, and for the nine-month periods ended September 30, 2023 and 2022, the Company accrued the remuneration to its employees amounting to \$10,400, \$34,125, \$31,200 and \$100,375, respectively, and the remuneration to its directors amounting to \$1,800千元, \$875, \$5,400 and \$2,625, 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.

(v) Non-operating income and loss

(i) Interest income

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Interest income from bank deposit	\$ 7,166	1,768	31,522	4,965

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(ii) Other gains and losses

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Gains on disposal of property, plant and equipment	\$ -	(3)	-	217
Gains(losses) on disposal of subsidiary (note 6(h))	(1,101)	-	(1,143)	22,042
Foreign currency exchange gains	29,157	66,453	47,879	124,793
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	(89)	(9,745)	4	(21,009)
Impairment loss (Note 6(f)) on investments accounted for using equity method	-	-	-	(10,915)
Others	-	(2)	-	(29)
	<u>\$ 27,967</u>	<u>56,703</u>	<u>46,740</u>	<u>115,099</u>

(iii) Finance costs

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
Interest expense from bank loans	\$ -	(3)	-	123
Interest expense from lease liabilities	267	207	831	744
Interest expense-Others	5	-	5	-
	<u>\$ 272</u>	<u>204</u>	<u>836</u>	<u>867</u>

(w) 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.

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(i) Categories of financial instruments

1) Financial assets

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 9,657</u>	<u>9,521</u>	<u>9,408</u>
Financial assets measured at amortized cost:			
Cash and cash equivalents	\$ 2,457,586	2,814,795	1,972,888
Financial assets measured at amortized cost(including current and non-current)	361,812	253,165	289,352
Notes and accounts receivable	645,139	760,115	1,391,626
Refundable deposits	<u>1,955</u>	<u>1,804</u>	<u>1,834</u>
	<u>\$ 3,466,492</u>	<u>3,829,879</u>	<u>3,655,700</u>

2) Financial liabilities

	September 30, 2023	December 31, 2022	September 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>4,803</u>
Financial liabilities measured at amortized cost			
Notes and accounts payable	373,861	355,515	575,271
Other payables	307,571	275,952	329,862
Lease liabilities (including current and non-current)	<u>38,089</u>	<u>45,893</u>	<u>37,130</u>
	<u>\$ 719,521</u>	<u>677,360</u>	<u>942,263</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 company's primary business relies on marketing products through regional distributors or system integrators, ensuring high financial transparency. As of September 30, 2023, December 31, 2022, and September 30, 2022, the percentages of accounts receivable from the top five customers of the company were 59%, 66%, and 59%. In order to mitigate credit risks of accounts receivable, the company has established the credit policy. According to this policy, the company analyze each

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customer's credit status individually to determine their credit limits. The company also consistently evaluates the financial conditions of customers and reduces risks through insurance.

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 September 30, 2023 December 31, 2022 and September 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 September 30, 2023, December 31, 2022 and September 30, 2022, the Group had unused credit facilities of \$1,458,828, \$1,221,422 and \$1,226,133, respectively.

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

	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1-2 years</u>	<u>More than 2 years</u>
September 30, 2023				
Non-derivative financial liabilities:				
Notes and accounts payable	\$ 373,861	373,861	-	-
Other payables	307,571	307,571	-	-
Lease liabilities	<u>39,741</u>	<u>13,938</u>	<u>12,439</u>	<u>13,365</u>
	<u>\$ 721,173</u>	<u>695,370</u>	<u>12,439</u>	<u>13,365</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>

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	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1-2 years</u>	<u>More than 2 years</u>
September 30, 2022				
Non-derivative financial liabilities:				
Notes and accounts payable	575,271	575,271	-	-
Other payables	329,862	329,862	-	-
Lease liabilities	<u>38,887</u>	<u>11,037</u>	<u>10,825</u>	<u>17,025</u>
	<u>\$ 944,020</u>	<u>916,170</u>	<u>10,825</u>	<u>17,025</u>
Derivative financial instruments:				
Foreign currency forward contracts:				
Outflow	\$ 95,356	95,356	-	-
Inflow	<u>(90,553)</u>	<u>(90,553)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,803</u>	<u>4,803</u>	<u>-</u>	<u>-</u>

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)

September 30, 2023					
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Change in magnitude</u>	<u>Pre-tax effect on profit or loss</u>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 24,682	32.28	796,619	1%	7,966
RMB	9,737	4.41	42,982	1%	430
GBP	2,011	39.25	78,939	1%	789
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	6,329	32.28	204,272	1%	2,043

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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

September 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	\$	40,215	31.77	1,277,631	1%	12,776
EUR		28	31.27	876	1%	9
GBP		5,473	35.51	194,346	1%	1,943
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		4,891	31.77	155,387	1%	1,554
EUR		31	31.27	969	1%	10
GBP		161	35.51	5,717	1%	57

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(v) 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:

	September 30, 2023				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
— Convertible bonds	\$ 9,657	-	-	9,657	9,657

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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	\$ 9,521	-	-	9,521	9,521
		September 30, 2022			
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
– Convertible bonds	\$ 9,408	-	-	9,408	9,408
Financial liabilities held-for-trading					
– Foreign currency forward contracts	\$ 4,803	-	4,803	-	4,803

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.

B. Derivative financial instruments

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Transfers between fair value levels

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

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

	For the nine-month periods ended September 30	
	2023	2022
Balance at January 1	\$ 9,521	9,581
Recognized in profit loss	136	(173)
Balance at September 30	\$ 9,657	9,408

(x) 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.

(y) 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

(z) 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:

	Non-cash changes					September 30, 2023
	January 1, 2023	Cash flows	Change in lease	Foreign currency exchange movement		
Lease liabilities(Total liabilities from financing activities)	\$ 45,893	(9,630)	-	1,826	38,089	

	Non-cash changes					September 30, 2022
	January 1, 2022	Cash flows	Disposal of subsidiary	Change in lease	Foreign currency exchange movement	
Short-term borrowings	\$ 10,334	(10,067)	(268)	-	1	-
Lease liabilities	68,919	(9,225)	(37,542)	15,034	(56)	37,130
Total liabilities from financing activities	\$ 79,253	(19,292)	(37,810)	15,034	(55)	37,130

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Notes to the Consolidated Financial Statements

7. Related-party transactions

(a) Names of related parties and relationships

Names of related parties	Relationship with the Group
TAC Dynamics	Associate

(b) Significant related-party transactions:

(i) Operating revenue

The significant sales amounts of the Group to related parties are as follows:

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
	Associate	\$ 414	-	414

The sales prices and terms to above related parties are determined based on the economic environment and market competitiveness in each sales region. As for the payment terms for sales to related parties require prepayment before shipment, and there is no significant difference from general sales practices.

(c) Compensation of key management personnel

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2023	2022	2023	2022
	Short-term employee benefits	\$ 13,674	15,909	37,719
Post-employment benefits	198	225	675	666
	\$ 13,872	16,134	38,394	41,274

8. Pledged assets

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

Pledged assets	Pledged to secure	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits (classified as financial assets measured at amortized cost – current)	Guarantee deposit for custom duties	\$ 691	684	684

9. Significant commitments and contingencies :None

10. Significant losses due to major disasters: None

11. Significant subsequent events: None

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Notes to the Consolidated Financial Statements

12. Others

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

By function	For the three-month periods ended September 30, 2023			For the three -month periods ended September 30, 2022		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	31,923	121,022	152,945	41,096	139,260	180,356
Insurance	3,179	7,772	10,951	2,718	7,154	9,872
Pension	1,188	4,470	5,658	1,544	4,273	5,817
Others	1,046	2,506	3,552	1,116	2,734	3,850
Depreciation	11,874	8,432	20,306	13,267	7,715	20,982
Amortization	106	1,866	1,972	33	10,511	10,544

By function	For the nine-month periods ended September 30, 2023			For the nine-month periods ended September 30, 2022		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	95,101	348,308	443,409	126,117	402,633	528,750
Insurance	9,707	22,438	32,145	9,161	21,859	31,020
Pension	3,512	12,918	16,430	3,778	13,643	17,421
Others	3,191	8,498	11,689	3,482	8,424	11,906
Depreciation	35,108	24,646	59,754	42,158	24,002	66,160
Amortization	306	20,933	21,239	33	32,177	32,210

- (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 nine-month periods ended September 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:

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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	900,807	40,000	40,000	-	-	0.89%	2,252,017	Y	N	N

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

- The Company is "0"
- 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 or 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.

(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	9,657	-	9,657	-
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	172,308	8.22 %	EM 75	(Note 1)	(Note 2)	17,494	2.99%	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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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	172,308	EM 75	6.91%

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.

(b) Information on investees:

The following is the information on investees for the nine-month periods ended September 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 September 30, 2023			Net Income (Loss) of the Investee	Investment Income (Loss) (note 2)	Note (note 1)
				September 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%	17,979	675	675	
The Company	Flytech HK BVI	British Virgin Islands	Investment and holding activity	10,392	10,392	50	100.00%	187,432	19,976	19,976	
The Company	Flytech CN BVI	British Virgin Islands	Investment and holding activity	90,601	90,601	200	100.00%	140,160	1,944	1,944	
The Company	Fei Shiun Investment	Taiwan	Investment and holding activity	428,000	428,000	19,000	100.00%	288,427	(50,874)	(50,874)	
The Company	inefi Holding	British Cayman Islands	Investment and holding activity	245,076	83,634	28,000	100.00%	199,086	(26,452)	(26,452)	
The Company	Box Holdings	United Kingdom	Investment and holding activity	511,307	511,307	4	100.00%	424,854	11,552	(1,392)	
Flytech USA BVI	Flytech USA	USA	Sale of computers and peripherals	36,358 (USD1,072)	36,358 (USD1,072)	700	100.00%	16,869 (USD523)	668 (USD22)	-	
Flytech HK BVI	Flytech HK	Hong Kong	Sale of computers and peripherals	10,433 (USD298)	10,433 (USD298)	1,000	100.00%	188,601 (USD5,844)	19,976 (USD646)	-	
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%	127,989	(65,908)	-	
Fei Shiun Investment	TAC Dynamics	Taiwan	Sale of machinery and equipment	18,000	18,000	653	18.91%	11,451	(26,277)	-	
Box Holdings	Box UK	United Kingdom	Sale of computers and peripherals	472 (GBP10)	472 (GBP10)	10	100.00%	355,139 (GBP9,047)	12,928 (GBP336)	-	
Box Holdings	Box Nordic	Sweden	Sale of computers and peripherals	-	2,330 (GBP49)	-	-	(GBP-)	(228) (GBP(6))	-	
inefi Holding	inefi Incorporation	Taiwan	Consulting software services to provide a unified endpoint management platform	230,000 (USD7,511)	80,000 (USD2,858)	18,000	100.00%	186,191 (USD5,769)	(24,925) (USD(806))	-	
Berry AI	Berry AI BVI	British Virgin Islands	Investment and holding activity	30,000	30,000	50	100.00%	20,397	(4,944)	-	
Berry AI BVI	Berry AI USA	USA	Operating software design and data processing services, and integrating software and hardware services	27,965 (USD1,000)	27,965 (USD1,000)	1,000	100.00%	18,055 (USD559)	(4,958) (USD(160))	-	

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.

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Notes to the Consolidated Financial Statements

(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 September 30, 2023	Net Income (Loss) of Investee	% of Ownership of Direct and Indirect Investment	Investment Income (Loss)	Carrying Value as of September 30, 2023	Accumulated Inward Remittance of Earnings as of September 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)	1,516 (USD 49)	100%	1,516 (USD 49)	123,593 (USD 3,829)	-

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

(ii) Limits on investment in Mainland China

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

Accumulated investment in Mainland China as of September 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)	2,702,420

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

The Group's direct or indirect significant transactions with Mainland China investee companies for the nine-month periods ended September 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 September 30, 2023				
	Domestic sale segment	European sale segment	Others	Adjustments and eliminations	Total
Revenues from external customers	\$ 602,874	151,512	48,164	-	802,550
Intra-group revenue	31,948	-	79	(32,027)	-
Total segment revenue	<u>\$ 634,822</u>	<u>151,512</u>	<u>48,243</u>	<u>(32,027)</u>	<u>802,550</u>
Segment income before income tax	<u>\$ 156,671</u>	<u>(1,440)</u>	<u>(48,316)</u>	<u>42,858</u>	<u>149,773</u>

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For the three-month periods ended September 30,2022						
	Domestic sale segment	European sale segment	Others	Adjustments and eliminations	Total	
Revenues from external customers	\$ 1,192,602	173,163	47,296	-	1,413,061	
Intra-group revenue	97,048	(3)	431	(97,476)	-	
Total segment revenue	<u>\$ 1,289,650</u>	<u>173,160</u>	<u>47,727</u>	<u>(97,476)</u>	<u>1,413,061</u>	
Segment income before income tax	<u>\$ 371,420</u>	<u>7,048</u>	<u>(42,537)</u>	<u>29,245</u>	<u>365,176</u>	
For the nine-month periods ended September 30,2023						
	Domestic sale segment	European sale segment	Others	Adjustments and eliminations	Total	
Revenues from external customers	\$ 1,878,710	458,071	156,676	-	2,493,457	
Intra-group revenue	216,308	-	84	(216,392)	-	
Total segment revenue	<u>\$ 2,095,018</u>	<u>458,071</u>	<u>156,760</u>	<u>(216,392)</u>	<u>2,493,457</u>	
Segment income before income tax	<u>\$ 419,132</u>	<u>15,768</u>	<u>(117,431)</u>	<u>86,080</u>	<u>403,549</u>	
For the nine -month periods ended September 30,2022						
	Domestic sale segment	European sale segment	Poindus Systems	Others	Adjustments and eliminations	Total
Revenues from external customers	\$ 3,697,884	622,538	146,756	103,529	-	4,570,707
Intra-group revenue	270,602	229	713	581	(272,125)	-
Total segment revenue	<u>\$ 3,968,486</u>	<u>622,767</u>	<u>147,469</u>	<u>104,110</u>	<u>(272,125)</u>	<u>4,570,707</u>
Segment income before income tax	<u>\$ 1,108,399</u>	<u>39,392</u>	<u>8,092</u>	<u>(83,229)</u>	<u>23,528</u>	<u>1,096,182</u>