Stock Code: 5490

XAC Automation Corporation

Parent-Company-Only Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

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<u>*Notice to Reader*</u>

For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

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Independent Auditors' Report

To the Board of Directors of XAC Automation Corporation:

Opinion

We have audited the consolidated financial statements of XAC Automation Corporation, which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statement for the year ended December 31, 2022. These matters were addressed in the contest of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgements, the key audit matters should be communicated in the audit report are as follows:

I. Revenue recognition

Please refer to Note 4 (14) revenue recognition for the accounting policy and Note 6 (18) Revenue of Customer Contracts for the explanation of revenue recognition to the parent-company-only financial statements.

Explanation of key audit matters:

Revenue is measured based on the consideration that XAC Automation Corporation expects to be entitled in the transfer of goods or services to a customer. XAC Automation Corporation recognizes revenue when it satisfies a performance obligation by transferring control over a good or service to a customer. Since revenue contracts with clients usually contain more than one performance obligation, in accordance with IFRS 15 “Revenue” is recognized when control of the promised goods or services has been transferred to the customer, it is highly probable that the consideration will be collected, the related costs and possible product returns can be reliably estimated, there is no continuing involvement in the management of the goods, and the revenue amount can be reliably measured. The timing of recognition must be assessed separately for each performance obligation in terms of when control over the goods or services is transferred. Due to the varying terms of each contract, it is possible that the transfer of control of goods or services stipulated in the contract has not been appropriately considered, resulting in the recognition of revenue at an inappropriate time. Therefore, this has been listed as a key audit matter for the auditor.

Auditing Procedures:

Our main audit procedures for the aforementioned key audit matters include understanding and testing the relevant internal control of the sales and collection cycle; understanding the form, contractual terms and transaction conditions of the main revenue to assess whether the revenue recognition point is appropriate; selecting and reviewing contracts to assess the impact of contractual terms and transaction conditions on revenue recognition and confirming whether the accounting treatment is appropriate.

II. Inventory valuation

Please refer to Note 4 (8) Inventory for the accounting policy and Note 6 (5) Inventory for the explanation of inventory valuation to the parent-company-only financial statements.

Explanation of key audit matters:

XAC Automation Corporation’s accounted inventory may be due to normal wear and tear, obsolescence or no market value of sales, and then offset the inventory cost to net realizable value. This valuation may be due to the introduction of new products in the market, the original product is obsolete or no longer meet the market demand, resulting in significant changes in product demand, and this may lead to a possible decrease in demand and price, which may, in turn, create a risk that the cost of inventory exceeds its net realizable value. Consequently, the inventory valuation tests are an important part of our assessment in performing our audit of XAC Automation Corporation’s financial statements.

Auditing Procedures:

Our principal audit procedures included: Obtaining the inventory aging report and checking the accuracy with the general ledger, and testing the accuracy of the aging of inventory based on the available documents of the last transaction; understanding the management’s method of calculating the net realizable value, and to perform testing by vouching relevant documents to the testing samples; evaluating the reasonableness of the accounting policy for inventory write-down or slow-moving provision, and making an assessment of their adequacy for aging inventories; as well as considering the appropriateness of XAC Automation Corporation’s disclosures in the accounts.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, the management is responsible for assessing XAC Automation Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate XAC Automation Corporation or to cease operations or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing XAC Automation Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those parent-company-only financial statements.

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

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

II. Obtain an understanding of the internal controls relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of XAC Automation Corporation's internal controls.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by management.

IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on XAC Automation Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause XAC Automation Corporation to cease to continue as a going concern.

V. Evaluated the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in entities accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hai-Ning Huang and Mei-Yu Tseng.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2023

<u>*Notices to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying parent-company-only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

		2022.12.31		2021.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 578,390	29	458,402	21
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	-	-	338	-
1136	Financial assets at amortized cost – current (Note 6 (3))	354,560	18	304,382	14
1140	Contract assets - current (Note 6 (18))	44,418	2	23,977	1
1170	Accounts receivable, net (Notes 6 (4) and (18))	206,726	11	598,359	28
130X	Inventories (Note 6 (5))	180,510	9	163,483	8
1479	Other current assets	6,155	-	10,960	1
	Total current assets	1,370,759	69	1,559,901	73
	Non-current assets:				
1535	Financial assets at amortized cost – non-current (Note 8)	2,000	-	2,000	-
1550	Investments accounted for using equity method (Note 6(6))	488,498	25	478,413	22
1600	Property, plant and equipment (Note 6 (7))	65,803	3	71,414	3
1755	Right-of-use assets (Note 6 (8))	17,430	1	20,921	1
1780	Intangible assets (Note 6 (9))	3,149	-	191	-
1840	Deferred tax assets (Note 6 (13))	46,763	2	11,053	1
1920	Refundable deposits	528	-	528	-
	Total non-current assets	624,171	31	584,520	27
	Total assets	**$ 1,994,930**	**100**	**2,144,421**	**100**

		2022.12.31		2021.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss - current (Note 6 (2))	$ 111	-	13	-
2170	Accounts payable	11,883	1	39,440	2
2180	Accounts payables to related parties (Note 7)	105,806	6	250,916	12
2201	Salaries and bonuses payable	58,636	3	66,394	3
2230	Current tax liabilities	4,482	-	29,707	1
2280	Lease liabilities – current (Note 6 (10))	3,926	-	3,992	-
2300	Other current liabilities (Notes 6 (11), (18) and 9)	44,117	2	59,116	3
	Total current liabilities	228,961	12	449,578	21
	Non-current liabilities:				
2550	Provision –non-current (Note 6 (11))	344,965	17	2,528	-
2570	Deferred tax liabilities (Note 6 (13))	41,829	2	43,875	2
2580	Lease liabilities – non-current (Note 6 (10))	13,621	1	17,258	1
2640	Net defined benefit liabilities – non-current (Note 6 (12))	14,681	1	19,219	1
	Total non-current liabilities	415,096	21	82,880	4
	Total liabilities	644,057	33	532,458	25
	Equity (Notes 6 (14) and (15)):				
3110	Common stock	961,562	48	962,131	45
3200	Capital surplus	85,997	4	85,428	4
	Retained earnings:				
3310	Legal reserve	430,820	22	417,277	19
3320	Special reserve	19,169	1	19,169	1
3350	Undistributed earnings (accumulated deficit)	(52,067)	(3)	238,359	11
		397,922	20	674,805	31
3400	Other Equity	(11,790)	(1)	(27,554)	(1)
3500	Treasury stock	(82,818)	(4)	(82,847)	(4)
	Total equity	1,350,873	67	1,611,963	75
	Total liabilities and equity	**$ 1,994,930**	**100**	**2,144,421**	**100**

(See accompanying notes to the parent-company-only financial statement)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars, except for Earnings (loss) per share)

		2022		2021	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue** (Note 6 (18))	$ 1,404,417	100	1,578,931	100
5000	**Operating costs** (Notes 6 (5), 7 and 12)	989,283	70	1,111,415	70
	Gross profit	415,134	30	467,516	30
	Operating expenses (Notes 6 (12), (17), 7 and 12):				
6100	Selling and marketing expenses	28,161	2	21,425	1
6200	General and administrative expenses	69,701	5	83,625	5
6300	Research and development expenses	210,360	15	231,500	15
6450	Expected credit impairment gain (Note 6 (4))	(167)	-	(1,278)	-
	Total operating expenses	308,055	22	335,272	21
	Net operating profit	107,079	8	132,244	9
	Non-operating revenue and expenses:				
7020	Other gains and losses (Note 6 (19))	(313,800)	(23)	(2,285)	-
7070	Share of profit (loss) of subsidiaries accounted for using equity method (Note 6(6))	(4,393)	-	33,001	2
7100	Interest revenue (Note 6 (19))	4,565	-	3,880	-
7510	Interest expense (Notes 6 (10) and (19))	(262)	-	(274)	-
		(313,890)	(23)	34,322	2
	Net profit (loss) before tax	(206,811)	(15)	166,566	11
7950	**Income tax expense (gain)** (Note 6 (13))	(41,337)	(3)	33,306	2
	Profit (loss) for the year	(165,474)	(12)	133,260	9
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurement of defined benefit plan (Note 6 (12))	5,238	-	2,717	-
8349	Income tax related to items that will not be reclassified subsequently (Note 6 (13))	(1,048)	-	(543)	-
		4,190	-	2,174	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	12,478	1	1,975	-
8399	Income tax related to items that may be reclassified subsequently (Note 6 (13))	(2,495)	-	(395)	-
	Total items that may be reclassified subsequently to profit or loss	9,983	1	1,580	-
8300	**Other comprehensive income**	14,173	1	3,754	-
	Total comprehensive income	$ (151,301)	(11)	137,014	9
	Earnings per share (NT$)(Note 6 (16))				
	Basic earnings per share	$ (1.79)		1.41	
	Diluted earnings per share	$ (1.79)		1.38	

(See accompanying notes to the parent-company-only financial statement)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

			Retained earnings				Other equity items				
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings (accumulated deficit)	Total	Exchange differences on translation of foreign operations	Unearned employee compensation	Total	Treasury stock	Total equity
Balance as of January 1, 2021	$ 962,836	84,723	396,587	17,793	314,852	729,232	(19,171)	(22,372)	(41,543)	-	1,735,248
Net profit	-	-	-	-	133,260	133,260	-	-	-	-	133,260
Other comprehensive income	-	-	-	-	2,174	2,174	1,580	-	1,580	-	3,754
Total comprehensive income	-	-	-	-	135,434	135,434	1,580	-	1,580	-	137,014
Appropriation and distribution of earnings:											
Legal reserve	-	-	20,690	-	(20,690)	-	-	-	-	-	-
Special reserve	-	-	-	1,376	(1,376)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(189,861)	(189,861)	-	-	-	-	(189,861)
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(82,847)	(82,847)
Compensation costs of restricted stock award	-	-	-	-	-	-	-	12,409	12,409	-	12,409
Cancellation of restricted stock award	(705)	705	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2021	962,131	85,428	417,277	19,169	238,359	674,805	(17,591)	(9,963)	(27,554)	(82,847)	1,611,963
Net loss	-	-	-	-	(165,474)	(165,474)	-	-	-	-	(165,474)
Other comprehensive income	-	-	-	-	4,190	4,190	9,983	-	9,983	-	14,173
Total comprehensive income	-	-	-	-	(161,284)	(161,284)	9,983	-	9,983	-	(151,301)
Appropriation and distribution of earnings:											
Legal reserve	-	-	13,543	-	(13,543)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(115,599)	(115,599)	-	-	-	-	(115,599)
Discounts on the acquisition of treasury shares	-	-	-	-	-	-	-	-	-	29	29
Compensation costs of restricted stock award	-	-	-	-	-	-	-	5,781	5,781	-	5,781
Cancellation of restricted stock award	(569)	569	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	**$ 961,562**	**85,997**	**430,820**	**19,169**	**(52,067)**	**397,922**	**(7,608)**	**(4,182)**	**(11,790)**	**(82,818)**	**1,350,873**

(See accompanying notes to the parent-company-only financial statement)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

	2022	2021
Cash flows from operating activities:		
Net profit (loss) before income tax	$ (206,811)	166,566
Adjustments:		
Adjustments to reconcile loss (profit)		
Depreciation	11,086	11,286
Amortization	199	88
Expected credit impairment reversal gains	(167)	(1,278)
Interest expenses	262	274
Interest revenue	(4,565)	(3,880)
Compensation costs of share-based payment	3,781	8,456
Provision (reversal) for inventory valuation and obsolescence loss	7,533	(400)
Share of profit (loss) of subsidiaries accounted for using equity method	4,393	(33,001)
Unrealized valuation loss on financial assets and liabilities	436	362
Gains on lease modifications	(315)	-
Total adjustment to reconcile profit	22,643	(18,093)
Changes in assets and liabilities:		
Increase in contract assets	(20,441)	(22,047)
Decrease (increase) in accounts receivable	391,800	(145,900)
Increase in inventories	(24,560)	(92,649)
Decrease (increase) in other operating assets	4,891	(4,956)
Increase (decrease) in accounts payable	(27,557)	5,732
Decrease in accounts payables to related parties	(145,110)	(15,893)
Increase (decrease) in provision	330,377	(5,709)
Increase (decrease) in other operating liabilities	(21,384)	16,780
Increase (decrease) in net defined benefit liabilities	(348)	628
Total changes in assets and liabilities	487,668	(264,014)
Cash generated from (used in) operations	303,500	(115,541)
Interest received	4,387	3,940
Interest paid	(262)	(274)
Income tax paid	(24,225)	(53,074)
Net cash generated from (used in) operating activities	283,400	(164,949)
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(4,337)	(3,157)
Disposal of property, plant and equipment	-	1,191
Acquisition of intangible assets	(164)	(230)
(Increase) decrease in financial assets at amortized cost	(50,000)	70,000
Net cash generated from (used in) investing activities	(54,501)	67,804
Cash flows from financing activities:		
Cash dividends paid	(115,599)	(189,861)
Adjustment of the acquisition of treasury shares	29	(82,847)
Repayment of lease liabilities	(4,028)	(3,471)
Net cash flows used in financing activities	(119,598)	(276,179)
Effects of exchange rate changes on cash and cash equivalents	10,687	-
Net increase (decrease) in cash and cash equivalents	119,988	(373,324)
Cash and cash equivalents at the beginning of the period	458,402	831,726
Cash and cash equivalents at the end of the period	$ 578,390	458,402

(See accompanying notes to the parent-company-only financial statement)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

XAC Automation Corporation

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Unless otherwise stated, all amounts are in thousands of NTD)

I. Company history

XAC Automation Corporation (hereinafter referred to as "the Company") was founded in Hsinchu Science Park on April 8, 1997, with the registered address at 4th Floor, No. 30, Gongye East 9th Road, Hsinchu Science Park. The Company's ordinary shares were publicly listed on the Taiwan Stock Exchange on May 14, 2001. The main business items of the Company are research, development, production, manufacture and sale of electronic financial transaction terminals and their components, transaction data security protection equipment and their components as well as multi-function smart cards, card readers and writers and their components.

II. The authorization of financial statements

The parent-company-only financial statements were approved and authorized for issue by the Board of Directors on March 15, 2023.

III. Application of new and revised standards and interpretations

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

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

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

(II) The impact of IFRSs issued by the FSC but not yet effective

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

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

(III) The impact of IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC

The Company 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 "Sales or Contributions 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 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IFRS 16 "Requirements for Sale and Leaseback Transactions"

IV. Summary of significant accounting policies

The summary of significant accounting policies used in the parent-company-only financial statements is as follows. Unless otherwise stated, the following accounting policies have been applied consistently for all periods of presentation of the parent-company-only financial statements.

(I) Compliance declaration

The parent-company-only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the Regulations).

(II) Basis of preparation

1. Measurement bases

The parent-company-only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

(1) Financial assets at fair value through profit or loss are measured at fair value;

(2) The net defined benefit liabilities are measured as the fair value of the plan assets, less the present value of the defined benefit obligation.

2. Functional and presentation currency

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. Unless otherwise noted, all financial information presented in NTD has been rounded to the nearest thousand.

(III) Foreign currencies

1. Foreign currency transactions

Foreign currency transactions are converted into functional currencies at the exchange rate of the date of the transactions. At the end of subsequent period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are retranslated at the rate prevailing at the date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated at the rate prevailing at the transaction date.

The foreign currency exchange differences arising from the conversion are usually recognized in profit or loss.

2. Foreign operation

The assets and liabilities of foreign operations, including the goodwill and fair value adjustments arising at the time of acquisition, are translated into NTD at the exchange rate on the reporting date; income and expense items are translated at the average exchange rate for the period. Exchange differences arising on the translation are recognized in other comprehensive income.

When the disposal of a foreign operation results in loss of control, joint control or significant influence, the cumulative exchange difference associated with the foreign operation is reclassified as profit or loss. When partial disposal includes subsidiaries of the foreign operation, the cumulative exchange differences are proportionately re-attributed to non-controlling interests. When partial disposal includes associates or joint venture investment of foreign operations, the cumulative exchange differences are proportionately reclassified to profit or loss.

Foreign currency exchange gains or losses arising on monetary receivables or payables of foreign operations are considered to be part of the net investment in the foreign operations and are recognized in other comprehensive income if there is no repayment plan and it is not possible to repay it in the foreseeable future.

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

Assets that meet one of the following conditions are classified as current assets, and all other assets are classified as non-current assets:

1. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
2. It is held primarily for trading purposes.
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or cash equivalents unless there are other limitations on the asset being exchanged or used to settle liabilities at least twelve months after the reporting period.

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities are classified as non-current liabilities:

1. It expects to settle the liability in its normal operating cycle.
2. It is held primarily for trading purposes.
3. It is due to be settled within twelve months after the reporting period; or
4. It does have an unconditional right to defer settlement for at least twelve months after the reporting period. The terms of the liability may, depending on the choice of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(V) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are recognized as cash equivalents.

(VI) Financial instruments

Accounts receivable and debt securities issued are initially recognized at the time of generation. All other financial assets and financial liabilities were initially recognized when the Company becomes a party to the contractual provisions of the instruments. A financial assets (unless it is an accounts receivable without significant financial components) or financial liability is initially measured at fair value plus, for an item not at fair value though profit or loss, transaction costs that are directly attributable to its acquisition or issue. Accounts receivable, excluding significant financial components, are initially measured at the transaction price.

1. Financial assets

For financial assets purchased or sold through the regular way purchase or sale, the Company uniformly applies the trade date or settlement date accounting treatment to all financial assets that are classified in the same manner.

On initial recognition, financial assets are measured as financial assets at amortized cost and financial assets at fair value through profit or loss. The Company will only reclassify all affected financial assets if it changes the business model of managing financial assets from the first day of the next reporting period.

(1) Financial assets at amortized cost

Financial assets are measured at amortized cost when they meet the following conditions and are not designated as measured at fair value through profit or loss:

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

These assets are subsequently measured at the original recognition amount plus or minus the accumulated amortization calculated using the effective interest method, and adjusted for the amortized cost measurement of any allowance for losses. Interest revenue, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Financial assets at fair value through profit or loss

Financial assets not measured at cost after amortization and measured at fair value through other comprehensive income described as above are measured at fair value through profit or loss, including derivative financial assets. In order to eliminate or significantly reduce accounting mismatch, at the time of original recognition, the Company may irrevocably designate financial assets that meet the criteria for measurement at amortized cost or fair value through other comprehensive income as financial assets at fair value through profit or loss.

These assets are subsequently measured at fair value. Net gains or losses are recognized in profit or loss.

(3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, refundable deposits, and other financial assets) and contract assets.

The following financial assets are measured in terms of the amount of allowance for expected credit losses for 12 months, and the rest are measured in terms of the amount of expected credit losses during the holding period:

- Determine that the credit risk of debt securities is low on the reporting date; and
- The credit risk of other debt securities and bank deposits (i.e., the risk of default during the expected duration of the financial instrument) has not increased significantly since the initial recognition.

Loss allowance for accounts receivable and contract assets are recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

In determining whether there has been a significant increase in credit risk since the initial recognition, the Company considers reasonable and verifiable information (available without undue cost or input), including qualitative and quantitative information, and analysis based on the historical experience, credit assessment and forward-looking information of the Company.

If the credit risk rating of a financial instrument corresponds to, or is higher than, the globally defined "investment grade" (i.e., Standard & Poor's investment grade BBB-, Moody's investment grade Baa3, or Taiwan Ratings Corp.'s investment grade twA, or higher), the Company considers the credit risk of the debt security to be low.

The Company assumes that the credit risk of the financial assets has increased significantly if it is more than 90 days past due.

If the contractual payments are more than 180 days past due, or if the borrower is unlikely to fulfil his credit obligations to pay the full amount to the Company, the Company considers the financial asset to be in default.

Expected credit losses during the holding period refer to expected credit losses arising from all possible defaults during the expected holding period of a financial instrument.

Twelve-month expected credit loss is the expected credit loss (or a shorter period if the expected duration of the financial instrument is shorter than twelve months) arising from a potential default of the financial instrument within twelve months after the reporting date.

Expected credit losses are measured is the maximum contract period for which the Company is exposed to credit risk.

Expected credit losses are weighted estimates of the probability of credit losses during the expected holding period of the financial instrument. Credit losses are measured at the present value of all cash receipts, i.e., the difference between the Company can collect under the contract and the Company is expected to collect. Expected credit losses are discounted at the effective interest rate of financial assets.

At each reporting date, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred. Evidence of credit impairment of financial assets includes observable information on the following matters:

- Significant financial difficulties of the borrower or the issuer;

- Default, such as delay or overdue for more than 90 days;
- For economic or contractual reasons related to the borrower's financial difficulties, the Company makes concessions to the borrower that it would not otherwise consider;
- The borrower is likely to file for bankruptcy or other financial restructurings; or
- Due to financial difficulties, the active market of the financial asset disappeared.

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

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

(4) Derecognition of financial assets

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

2. Financial liabilities and equity instruments

(1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contractual arrangement and the definition of financial liabilities and equity instruments.

(2) Equity Transactions

The equity instrument is any contract that recognizes the Company's residual interest in the assets after deducting all of its liabilities. The equity instruments issued by the Company are recognized based on the amount obtained after deducting the direct issuance cost.

(3) Treasury shares

The consideration paid (including the direct attributable cost) is recognized as a decrease in equity when the Company repurchases the recognized equity instruments. Repurchased shares are classified as treasury shares. For subsequent sale or re-issuance of treasury shares, the amount received is recognized as an increase in equity, and the surplus or loss generated by the transaction is recognized as a capital surplus or retained earnings (if the capital surplus is insufficiently offset).

(4) Financial liabilities

Financial liabilities are classified as measured at amortized or measured at fair value through profit or loss. Financial liabilities held for trading, derivative instruments or designated at the time of initial recognition are classified as measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value, with the related net profits and losses, including any interest expenses, recognized in profit or loss.

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

(5) Derecognition of financial liabilities

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

When derecognizing financial liabilities, the difference between the carrying amount and the total consideration paid or payable (including any transferred non-cash assets or assumed liabilities) is recognized in profit or loss.

(6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and expressed as net amounts in the statement of balance sheet if the Company has a legally enforceable right to offset and intends to do net settlement or simultaneously realize the assets and settle the liabilities.

3. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are recognized initially at fair value. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are directly recognized in profit or loss.

(VII) Inventories

Inventories are stated at the lower of cost or net realizable value. Costs include the acquisition, production or conversion costs and other costs incurred to make it available at the place and state where it is available, and are calculated using the weighted average method. In the case of manufactured inventories and work in progress, the cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value refers to the estimated selling price under normal operations, less the estimated cost of completion and the estimated costs necessary to make the sale.

(VIII) Investment in subsidiaries

The Company's subsidiaries are accounted for using the equity method when preparing their parent-company-only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

The changes in the parent's interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(IX) Property, plant, and equipment

1. Recognition and Measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

If significant components of property, plant and equipment have a different useful life, they are accounted for as separate items (major components) of property, plant and equipment."

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent expenditure

   Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company.

3. Depreciation

   Depreciation is calculated based on the cost of assets less residual value and is recognized in profit or loss using a straight-line method within the estimated useful life of each component.

   The estimated useful life for the current period and the comparison period is as follows:

   (1) Buildings and ancillary equipment: 6-35 years

   (2) Machinery and equipment: 5 years

   (3) Office equipment: 3-5 years

   (4) Research and development and other equipment: 3-9 years

   (5) The major components of buildings and ancillary equipment mainly include factory buildings, mechanical and electrical equipment and engineering and office reconstruction projects, and are depreciated according to their useful life of 35 years, 9-10 years and 6-8 years, respectively.

   The Company reviews depreciation methods, useful life and residual value at each reporting date and make adjustment as necessary.

(X) Leases

The Company assesses whether the contract is or contains a lease on the date of its formation and if the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is or contains a lease.

Lessee

The Company recognizes the right-of-use assets and lease liabilities on the lease commencement date. The right-of-use assets are initially measured at cost, which includes the initial measured amount of the lease liabilities, adjusts any lease payments paid on or before the lease commencement date, and adds up the initial direct costs incurred and the estimated costs of dismantling, removing and restoring the underlying asset and its location or underlying asset, while subtracting any lease incentives collected.

The right-of-use asset is subsequently depreciated by the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease terms. In addition, the Company regularly assesses whether the right-of-use assets are impaired and handles any impairment losses that have occurred, and adjusts the right-of-use assets in the event that the lease liabilities are re-measured.

Lease liabilities are initially measured at the present value of the unpaid lease payments as of the commencement date of the lease. If the interest rate implicit in the lease can be easily determined, the discount rate shall be that interest rate; if it is not, the incremental borrowing rate of the Company should be used. In general, the Company uses its incremental borrowing rate as the discount rate.

Lease payment measured by lease liabilities include:

1. Fixed payments, including substantive fixed payments;
2. Depending on the index or rate, the index or rate of the lease start date is used as the initial measurement;
3. Expected residual value guarantee amount to be paid; and
4. Payment for purchase or termination options that are reasonably certain to be exercised.

Lease liabilities are subsequently measured at amortized cost using the effective interest method and the amount is remeasured when:

1. Changes in future lease payments due to changes in the index or rate used to determine lease payments;
2. Changes in the expected residual value guarantee amount;
3. The valuation of the underlying asset purchase options has changed;
4. An estimate of whether the option to extend or terminate has been exercised has changed and an assessment of the lease term has been changed;
5. Modification of the subject, scope or other terms of the lease.

When the lease liability is remeasured due to changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension or termination of the options, the carrying amount of the right-of-use asset is adjusted accordingly, and the remaining re-measurement amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or total termination of the lease, and the difference between it and the remeasurement amount of the lease liability is recognized in profit or loss.

The Company presents the right-of-use assets and lease liabilities that do not meet the definition of investment property in the balance sheet separately as line items.

For short-term leases and low-value targets such as leased motor vehicle parking spaces and Multi-Functional Photocopiers, the Company chose not to recognize the right-of-use assets and lease liabilities, but to recognize the relevant lease payments as expenses during the lease period on a straight-line basis.

(XI) Intangible assets

1. Recognition and measurement

Expenditures related to research activities are recognized in profit or loss when incurred.

Development expenditures are capitalized only if they are reliably measurable, the technical or commercial feasibility of the product or process has been achieved, future economic benefits are highly probable to flow to the Company, and the Company intends and has sufficient resources to complete the development and use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. After initial recognition, capitalized development expenditure is measured at its cost less accumulated amortization and accumulated impairment.

The acquisition of other intangible assets with a limited useful life by the Company is measured at cost less the amount of accumulated amortization and accumulated impairment.

2. Subsequent expenditures

Subsequent expenditures are capitalized only to the extent that they increase the future economic benefits of the particular asset in question. All other expenses are recognized in profit or loss when incurred.

3. Amortization

Amortization is calculated based on the asset cost less estimated residual value and is recognized in profit or loss on a straight-line method over the useful life of 3-5 years from the date when it is available for use.

The Company reviews the amortization method, useful life and residual value of intangible assets at each reporting date and adjusts them as necessary.

(XII) Impairment of non-financial assets

At each reporting date, the Company assesses whether there are indications that the carrying amounts of non-financial assets (other than inventories, contract assets and deferred tax assets) may be impaired. If any such indication exists, then the recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (CGU). The recoverable amount is the greater of the fair value of the individual asset or CGU less disposal costs, and its value in use. In assessing the value in use, the estimated future cash flows are converted to the present value at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk to the asset or CGU.

Recoverable amounts of individual assets or CGU are recognized as impairment losses if they are less than the carrying amount.

Impairment losses are recognized immediately in profit or loss, and first, the carrying amount of the CGU is reduced by the carrying amount of the amortized goodwill, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

Non-financial assets other than goodwill are reversed only within the scope that does not exceed the carrying amount (less depreciation or amortization) determined when the asset is not recognized as an impairment loss in the previous year.

(XIII) Provision

The recognition of a provision for liabilities is a present obligation arising from past events, where it is probable that the Company will need to outflow economically beneficial resources in the future to settle the obligation, and the amount of that obligation can be reliably estimated. The provision is discounted based on the pre-tax discount rate that reflects the current market's view of the time value of money and the assessment of specific risks associated with the liability. The unwinding of the discount is recognized as interest expense.

1. Warranties

The provision for warranties of the Company is estimated on the basis of historical warranty data of the merchandise, and the Company expects that most of the liabilities will occur in the year following the sale.

2. Loss of arbitration claim

Regularly evaluate the occurrence of legal litigation and other obligations and related legal costs, and if the present obligations are probable to be incurred and the amount can be reasonably estimated, recognize the provision for related legal matters.

(XIV) Recognition of revenue

1. Revenue from contracts with customers

Revenue is measured by the consideration to which the transfer of goods or services is expected to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of goods or services to a customer. The description of the Company according to major revenue items is as follows:

(1) Sale of goods

The Company mainly researches, develops, produces, manufactures and sells electronic financial transaction terminals and transaction data security protection equipment and other products. The Company recognizes revenue at the time of transfer of control over the products. The transfer of control of the product means that the product has been delivered to the customer, the customer can fully determine the sales channel and price of the product, and there is no longer any outstanding obligation that will affect the customer’s acceptance of the product. Delivery occurs when the product has been shipped to a specific location, the risk of obsolescence and loss has been transferred to the customer, and ether the customer has accepted the product based on a sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Please refer to Note 6 (10) for details on the obligation of the Company to provide standard warranty and therefore is liable for a refund for defects, and the provision for warranty liabilities has been recognized in respect of the obligation.

The Company recognizes accounts receivable at the time of delivery of the goods because the Company has the right to receive consideration unconditionally at that time.

(2) Provision of technical services

The revenues generated by the Company from providing technical labor services to customers are recognized according to the degree of completion of the transaction on the reporting date. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Under a fixed-price contract, the customer pays a fixed amount according to the agreed time schedule. Contractual assets are recognized when the services rendered exceed the payments; contractual liabilities are recognized when the payments exceed the services rendered.

If it is not possible to reasonably measure the degree of completion of the performance obligations of the project contract, the contract revenue is recognized only within the scope of the expected recoverable cost.

A provision of onerous contract is recognized when the expected benefits derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(3) Financial component

The Company expects all customer contracts will transfer goods or services to customer within one year after the customer pays for the goods or services. As a consequence, the Company does not adjust the transaction price for the monetary time.

(XV)Employee benefits

1. Defined contribution plans

The contribution obligation to defined contribution plans is recognized as an expense during the period of service provided by the employee.

2. Defined benefit plans

   The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that the amount and deducting the fair value of any plan assets.

   The defined benefit obligation is actuarially performed annually by a qualified actuary using the projected unit credit method. When the results of the calculation may be beneficial to the Company, the recognized assets are limited to the present value of any economic benefits that can be obtained in the form of a refund of appropriations from the plan or reduction of future appropriations for the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

   Remeasurement of the net defined benefit liabilities, including actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (excluding interest) is immediately recognized in other comprehensive income and accrued in retained earnings. The net interest expense (revenue) of the net defined benefit liabilities (assets) determined by the Company is the net defined benefit liabilities (assets) and the discount rate determined at the beginning of the annual period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

   When the plan is amended or curtailed, any resulting benefit changes related to past service cost or curtailment gain or loss are recognized immediately in profit or loss. The Company recognizes the settlement gain or loss of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

   Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense when providing related services.

   A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as result of past service provided by the employee and the obligation can be estimated reliably.

(XVI) Share-based payment transactions

Equity-settled share-based payment arrangements are recognized at the fair value on the grant date. The expense is recognized over the vesting period of the award, with a corresponding increase in equity. Expense recognition is adjusted based on the number of awards that are expected to meet the related service and non-market performance conditions, such that the amount ultimately is recognized as an expense is basis on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The grant date on which the Board of Directors approves the Subscription Price and approves the number of Subscribed Shares and the date on which a consensus is reached between the Company and the Employee on the terms and conditions of the Agreement shall be considered the date of payment of the Share-based payment to the Company.

(XVII) Income tax

Income taxes comprise current tax and deferred tax. Except for expenses related to business combination, direct recognition in equity or other comprehensive income, current tax and deferred tax should be recognized in profit or loss.

The Company has determined that the interest or penalties related to income tax (including those with indeterminate tax treatment) do not meet the definition of income tax and should therefore be accounted for in accordance with IAS 37.

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

Deferred tax is recognized by measuring the temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and their tax base. Temporary differences arising under the following circumstances are not recognized as deferred income tax:

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects accounting or taxable profits (losses) at the time of the transaction;

2. Temporary differences arising from investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of temporary differences and it is probable that they will reverse in the foreseeable future.

Deferred tax is measured at the tax rate at the time of the expected reversal of the temporary difference, based on the tax rate enacted or substantively enacted at the reporting date, and reflects uncertainty related to income tax.

The Company will only offset deferred tax assets and liabilities when the following conditions are met simultaneously:

1. The Company has the legally enforceable right to offset the current tax assets and liabilities; and

2. Deferred tax assets and deferred tax liabilities are related to one of the following taxable entities subject to income tax levied by the same tax authority;

   (1) the same taxpayer; or

   (2) Different taxpayers, except that each entity intends to settle current tax liabilities and assets on a net basis or to realize assets and liabilities simultaneously in each future period which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The unused tax loss and unused tax credits carried forward, and deductible temporary differences, it is recognized as deferred tax assets to the extent that it is probable that there will be future taxable income available for utilization. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reduction are reversed when the probability of future taxable profits improves.

(XVIII) Earnings per share

The Company presents basic and diluted earnings per share attributable to the ordinary equity holders of the Company. The basic earnings per share of the Company are the profit or loss attributable to the ordinary equity holders of the Company, divided by the weighted average number of outstanding ordinary shares. Diluted earnings per share are calculated after adjusting respectively for the effect of all potentially diluted ordinary shares by the loss or gain attributable to holders of ordinary shares of the Company and the weighted average number of ordinary shares outstanding. Potentially diluted ordinary shares of the Company include employee remuneration through the issuance of shares and unvested restricted stock awards.

(XIX) Segment information

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

V. Critical accounting judgement and key sources of estimates and assumptions uncertainty

The preparation of the parent-company-only financial statements in conformity with the Regulations and the management needs to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimations and assumptions. Management recognized the changes in accounting estimations during the period and the impact of those changes in accounting estimates in the following period.

Among the uncertainties in the estimates and assumptions, the information related to the significant risks that will cause material adjustments in the following year is as follows:

(I) Recognition of service revenue

Revenue from services rendered under the contract is recognized according to the degree of completion of the contract performance obligations. The degree of contract performance is measured by the proportion of the accumulated cost of inputs to the estimated total contract cost. Management will first estimate the total contract cost when the contract is signed, and review the progress of the contract performance obligations at the end of each month. If necessary, adjust the original estimated total cost. Any changes in the above basis may cause material adjustments to the estimated amount.

(II) Valuation of inventory

Inventories are measured at lower of cost or net realizable value. The Company assesses that the net realizable value of inventories for normal wear and tear, obsolescence, or unmarketable items at the end of the reporting period, and the cost is written down to the net realizable value. This inventory valuation may be due to the introduction of new products in the market, the original product is obsolete or no longer meet the market demand. This may result in significant changes in product demand and prices, potentially leading to a decline in demand and prices, and ultimately, the risk of the inventory cost exceeding its net realizable value.

The accounting policies and disclosures include the fair value to measure financial and non-financial assets and liabilities. The Finance Department of the Company is responsible for carrying out fair value verification, keeping the evaluation results in line with market conditions through independent source data, confirming that the data source is independent, reliable and representative of the executable prices, and periodically calibrate the evaluation model, performs retrospective test, updates inputs together with any necessary fair value adjustments to ensure that the valuation results are reasonable.

When measuring assets and liabilities, the Company uses market-observable inputs whenever possible. The fair value hierarchy depends on the valuation technique used and is categorized as follows:

Level 1: Quoted prices (unadjusted) in the active market for identified assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., price) or indirectly (i.e., derived from price).

Level 3: Inputs for assets or liabilities that are not based on observable market data (non-observable inputs).

For any transfer within the fair value hierarchy, the Company recognizes the transfer on the reporting date. For the assumptions used to measure fair value, please refer to Note 6 (20) of the financial instruments.

VI. Details of significant accounts

(I) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash, checking deposits and demand deposits	$ 281,948	139,447
Time deposits	296,442	318,955
	$ 578,390	458,402

Please refer to Note 6 (20) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

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

	2022.12.31	2021.12.31
Mandatory financial assets at fair value through profit or loss:		
Forward exchange contracts	$ -	338
Financial liabilities held for trading:		
Forward exchange contracts	$ 111	13

Engaging in derivative financial instruments transactions is used to avoid the exchange rate risk exposed by operating activities. The following derivatives instruments, which were no qualified for hedge accounting, held by the Company, were recognized as financial assets at fair value:

	2022.12.31			
	Notional principal (US $ in thousands)	Currency	Maturity Date	Book value
Derivative financial assets:				
Sell forward exchange	$ 250	USD to NTD	2023.02.06	$ -
Derivative financial liabilities:				
Sell forward exchange	$ 1,750	USD to NTD	2023.02.16~2023.03.20	$ 111

	2021.12.31			
	Notional principal (US $ in thousands)	Currency	Maturity Date	Book value
Derivative financial assets:				
Sell forward exchange	$ 4,500	USD to NTD	2022.01.10~2022.03.31	$ 338
Derivative financial liabilities:				
Sell forward exchange	$ 750	USD to NTD	2022.03.18	$ 13

(III) Financial assets at amortized cost - current

	2022.12.31	2021.12.31
Time deposits	$ 354,290	304,290
Others	270	92
	354,560	304,382
Less: allowance for impairment loss	-	-
	$ 354,560	304,382

The assessment of the Company is that the assets are held to the maturity to collect the contractual cash flows, which consist solely of payments of principal and interest on the amount of principal outstanding. Therefore, these financial assets are classified as financial assets measured at amortized cost.

1. The Company holds domestic and foreign time deposits with an annual interest rate of 0.190% to 1.215% in 2022 and matures from January 17, 2023 to June 30, 2023. The annual interest rate of 2021 was 0.490% to 0.585%, due from January 17, 2022 to June 30, 2022.

2. For credit risk information, please refer to Note 6 (19).

(IV) Accounts receivable

	2022.12.31	2021.12.31
Accounts receivable	$ 208,046	599,846
Less: allowance for doubtful accounts	(1,320)	(1,487)
	$ 206,726	598,359

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision were determined as follows:

	2022.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not Past Due	$ 181,525	0.56%	1,015
Past due 1-30 days	13,450	1.64%	220
Past due 31-60 days	3,853	2.21%	85
Past due 61-90 days	582	-	-
Past due 91-180 days	8,636	-	-
Total	**$ 208,046**		**1,320**

	2021.12.31		
	Carrying amount of accounts receivable	**Weighted average expected credit loss rate**	**Loss allowance for lifetime expected credit losses**
Not Past Due	$ 473,966	0.07%	332
Past due 1-30 days	86,789	0.29%	249
Past due 31-60 days	38,823	2.19%	851
Past due 61-90 days	268	20.40%	55
Total	**$ 599,846**		**1,487**

The movements in the allowance for accounts receivable were as follows:

	For the years ended December 31,	
	2022	**2021**
Beginning balance	$ 1,487	2,765
Reversal impairment loss	(167)	(1,278)
Ending balance	**$ 1,320**	**1,487**

The allowance for accounts receivable is used to record the expense of bad debts. However, when the Company considers the receivables cannot be collected, it offsets directly offsetting allowance for doubtful accounts against financial assets.

The Company did not provide any accounts receivable as pledge collateral.

(V) Inventories

	2022.12.31	2021.12.31
Raw materials	$ 83,867	88,800
Work in process	13,436	-
Semi-finished products	39,920	47,308
Finished goods	40,287	27,375
	$ 180,510	163,483

For the years ended December 31, 2022 and 2021, the details of cost of sales were as follows:

	For the years ended December 31, 2022	2021
Cost of goods sold	$ 932,002	1,081,800
Allowance for inventory valuation loss (gain on recovery)	7,533	(400)
Labor cost	40,903	29,363
Repairs and others	8,845	652
	$ 989,283	1,111,415

The inventories of the Company were not pledged.

(VI) Investments accounted for using equity method

The summary of the Company's financial information for investments accounted for using the equity method at the reporting date was as follows:

	2022.12.31	2021.12.31
Subsidiaries	$ 488,498	478,413

1. Subsidiaries

   For related information, please refer to consolidated financial statements for the year ended December 31, 2022.

   The shares of profits (losses) of subsidiaries accounted for using equity method amounted to $(4,393) and $33,001 for the years ended December 31, 2022 and 2021, respectively.

2. Guarantee

   The Company did not provide any investments accounted for using equity method as pledge collaterals.

(VII) Property, plant, and equipment

For the years ended December 31, 2022 and 2021, the details of the cost and depreciation of property, plant and equipment of the Company were as follows:

	Buildings and ancillary equipment	Machinery and equipment	Office Equipment	Research & development and other equipment	Equipment to be inspected	Total
Cost:						
Balance as of January 1, 2022	$ 159,620	1,721	5,927	20,990	843	189,101
Addition	84	-	542	1,345	2,366	4,337
Disposal	-	-	(79)	(323)	-	(402)
Reclassifications	216	-	-	-	3,209	(2,993)
Balance as of December 31, 2022	**$ 159,920**	**1,721**	**6,390**	**22,012**	**-**	**190,043**
Balance as of January 1, 2021	$ 159,532	1,721	5,040	21,056	-	187,349
Addition	88	-	927	1,299	843	3,157
Disposal	-	-	(40)	(1,365)	-	(1,405)
Balance as of December 31, 2021	**$ 159,620**	**1,721**	**5,927**	**20,990**	**843**	**189,101**
Accumulated depreciation:						
Balance as of January 1, 2022	$ 93,301	502	4,535	19,349	-	117,687
Current year depreciation	4,932	344	839	840	-	6,955
Disposal	-	-	(79)	(323)	-	(402)
Balance as of December 31, 2022	**$ 98,233**	**846**	**5,295**	**19,866**	**-**	**124,240**
Balance as of January 1, 2021	$ 88,396	158	3,870	17,743	-	110,167
Current year depreciation	4,905	344	706	1,779	-	7,734
Disposal	-	-	(41)	(173)	-	(214)
Balance as of December 31, 2021	**$ 93,301**	**502**	**5,295**	**19,349**	**-**	**117,687**
Carrying value:						
Balance as of December 31, 2022	**$ 61,687**	**875**	**1,095**	**2,146**	**-**	**65,803**
Balance as of January 1, 2021	**$ 71,136**	**1,563**	**1,170**	**3,313**	**-**	**77,182**
Balance as of December 31, 2021	**$ 66,319**	**1,219**	**1,392**	**1,641**	**843**	**71,414**

The property, plant and equipment of the Company were not pledged.

(VIII) Right-of-use assets

The Company leased many assets including land, housing and construction and transportation equipment were as follows:

	Land	Housing and Construction	Transportation Equipment	Total
Cost:				
Balance as of January 1, 2022	$ 17,371	3,691	3,729	24,791
Addition	640	-	-	640
Balance as of December 31, 2022	$ 18,011	3,691	3,729	25,431
Balance as of January 1, 2021	$ 17,371	5,333	1,652	24,356
Addition	-	3,692	3,729	7,421
Decrease	-	(5,334)	(1,652)	(6,986)
Balance as of December 31, 2021	$ 17,371	54,527	3,729	24,791
Accumulated depreciation:				
Balance as of January 1, 2022	$ 2,992	153	725	3,870
Depreciation charges	1,042	1,846	1,243	4,131
Balance as of December 31, 2022	$ 4,034	1,999	1,968	8,001
Balance as of January 1, 2021	$ 1,995	3,657	1,652	7,304
Depreciation charges	997	1,830	725	3,552
Decrease	-	(5,334)	(1,652)	(6,986)
Balance as of December 31, 2021	$ 2,992	153	725	3,870
Carrying value:				
Balance as of December 31, 2022	$ 13,977	1,692	1,761	17,430
Balance as of January 1, 2021	$ 15,376	1,676	-	17,052
Balance as of December 31, 2021	$ 14,379	3,538	3,004	20,921

(IX) Intangible assets

For the years ended December 31, 2022 and 2021, the details of the cost and amortization of intangible assets of the Company were as follows:

	Computer Software
Cost:	
Balance as of January 1, 2022	$ 11,814
Additions	164
Reclassifications	2,993
Balance as of December 31, 2022	**$ 14,971**
Balance as of January 1, 2021	$ 11,584
Additions	230
Balance as of December 31, 2021	**$ 11,814**
Amortization:	
Balance as of January 1, 2022	$ 11,623
Amortization	199
Balance as of December 31, 2022	**$ 11,822**
Balance as of January 1, 2021	$ 11,535
Amortization	88
Balance as of December 31, 2021	**$ 11,623**
Carrying value:	
Balance as of December 31, 2022	**$ 3,149**
Balance as of January 1, 2021	**$ 49**
Balance as of December 31, 2021	**$ 191**

The intangible assets of the Company were not pledged.

(X) Lease liabilities

The carrying amount of the lease liabilities of the Company were as follows:

	2022.12.31	2021.12.31
Current	**$ 3,926**	**3,992**
Non-current	**$ 13,621**	**17,258**

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2022	2021
Interest on lease liabilities	$ 253	274
Expenses relating to short-term leases	$ -	381
Expenses relating to low-value leased assets (excluding low-value leases for short-term leases)	$ 639	751

The amounts recognized in the cash flow statement were as follows:

	For the years ended December 31,	
	2022	2021
Total cash flows on lease	$ 4,920	4,877

1. Lease of land, houses and buildings

   As of December 31, 2022 and 2021, the Company leased land, housing and construction as office space and factories. The leases typically ran for a period of 20 years, 2 years and 3 years, respectively. Some leases include the option to renew the same period as the original contract upon expiration of the lease period.

   The leasing payment of the land contract depends on the locally announced land price and is adjusted after the amortization of the public facilities' construction costs reinvested in each park, which are usually incurred once a year.

   Some lease contracts contain options for lease extensions, which are administered separately from each entity within the Group, so the individual terms and conditions are inconsistent. These options are only enforceable by the Company and not by the lessor. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

2. Other leases

   The lease term of the transportation equipment leased by the Company is 3 years.

   In addition, the Company leases motor vehicle parking spaces and Multi-Functional Photocopiers for short-term leases and low-value leases, and the Company chooses to apply for the exemption instead of recognizing its relevant right-of-use assets and lease liabilities.

(XI) Provision for liabilities

	Warranty	Loss of Arbitration Claim	Total
Balance as of January 1, 2022	$ 5,131	-	5,131
Additions (reversals)	(1,352)	331,730	330,378
Reclassifications	(2,000)	2,000	-
Effects of changes in exchange rates	-	10,687	10,687
Balance as of December 31, 2022	**$ 1,779**	**344,417**	**346,196**
Current (accounted as other current liabilities)	$ 1,231	-	1,231
Non-current	548	344,417	344,965
Balance as of December 31, 2022	**$ 1,779**	**344,417**	**346,196**
Balance as of January 1, 2021	$ 10,841	-	10,841
Reversals	(3,214)	-	(3,214)
Usage	(2,496)	-	(2,496)
Balance as of December 31, 2021	**$ 5,131**	-	**5,131**
Current (accounted as other current liabilities)	$ 2,603	-	2,603
Non-current	2,528	-	2,528
Balance as of December 31, 2021	**$ 5,131**	-	**5,131**

1. Warranty

The provision for warranty liabilities of the Company is estimated on the basis of historical warranty data of the merchandise, and the Company expects that most of the liabilities will occur in the year following the sale.

2. Loss of arbitration claim

The Company was notified of the arbitration case by the Singapore International Arbitration Centre on April 12, 2021. The arbitration case is related to the product development and design in the sales contract signed between E LA CARTE, INC. and the Company in October 2014. E LA CARTE, INC. has demanded the Company pay compensation of US$ 35 million. The Company has appointed a lawyer to handle the case and carry out the necessary subsequent procedures to protect the Company’s rights and interests. The hearing was held in April 2022, and both parties provided evidence and written statements to the arbitration tribunal for defense. E LA CARTE, INC. has requested a change in the compensation amount to be paid by the Company to US$17.36

million. Received the arbitration result on June 28, 2022, the Company shall compensate US$11.17 million and pay the arbitration fee of SGD$187,000, and the Company has recognized the relevant provision for liabilities. On August 12, 2022, the Company was notified by the arbitral tribunal and agreed to reduce the amount of compensation by US$70,000 based on the objection raised by the Company, and the Company reversed the amount of compensation to US$11.1 million. The Company will discuss with the lawyer the next relevant countermeasures and possible strategies.

(XII) Employee benefits

1. Defined benefit plan

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

		2022.12.31	2021.12.31
Present value of defined benefit obligation	$	56,556	60,891
Fair value of plan assets		(41,875)	(41,672)
Net defined benefit liabilities	$	14,681	19,219

The defined benefit plan of the Company is allocated to the Labor Retirement Reserve Fund account of the Bank of Taiwan. Retirement payments for each employee under the Labor Standards Law are calculated based one years of service and average salary the six months prior to retirement.

(1) Component of plan asset

The retirement fund allocated by the Company in accordance with the Labor Standards Law is managed by the Bureau of Labor Fund of the Ministry of Labor (hereinafter referred to as the Labor Fund Bureau). In accordance with the provisions of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum earnings shall be no less than the earnings attainable from two-year time deposit with interest rates offered by local bank.

As of December 31, 2022, the Company's Bank of Taiwan labor pension reserve account balance amounted to $41,875. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds Ministry of Labor.

(2) Movements in the present value of defined benefit obligation

The movements in the present value of the defined benefit obligations of the Company for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31, 2022	2021
Defined benefit obligations as of January 1	$ 60,891	68,865
Benefit paid by the plan	(3,556)	(6,714)
Current service cost and interests	978	770
Net remeasurements of defined benefit liability		
- Actuarial losses arising from changes in demographic assumptions	-	1,086
- Actuarial gain arising from changes in financial assumptions	(2,085)	(1,889)
- Actuarial losses (gains) arising from changes in experience	328	(1,227)
Defined benefit obligations as of December 31	**$ 56,556**	**60,891**

(3) Movements in the fair value of plan assets

The movements in the fair value of assets of the Company's defined benefit plan for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31, 2022	2021
Fair value of plan assets as of January 1	$ 41,672	47,556
Benefit paid by the plan	(3,556)	(6,714)
Expected return on plan assets	278	143
Net remeasurements of defined benefit assets (liabilities)		
- Return on plan asset (excluding current interest)	3,481	687
Fair value of plan assets as of December 31	**$ 41,875**	**41,672**

(4) Expenses recognized in profit or loss

The Company's expenses recognized in profit and loss for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Current service costs	$ 566	564
Net interest on net defined benefit liabilities	134	64
	$ 700	628
Selling and marketing expenses	$ (2)	(1)
General and administrative expenses	737	638
Research and development expenses	(35)	(9)
	$ 700	628

(5) Actuarial assumptions

The significant actuarial assumptions used by the Company to determine the present value of benefit obligations at the reporting date were as follows:

	2022.12.31	2021.12.31
Discount rate	1.20%	0.70%
Future salary increment	3.00%	3.00%

The Company expects to pay 0 thousand dollars towards the provision of the defined benefit plan for the one-year period after December 31, 2022.

The weighted average lifetime of the defined benefit plan is 7 years.

(6) Sensitivity analysis

The impact of changes in major actuarial assumptions adopted as of December 31, 2022 and 2021 on the determination of the present value of defined benefit obligations were as follows:

	Impact on defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2022		
Discount rate	$ (984)	1,023
Future salary increment	$ 923	(895)
December 31, 2021		
Discount rate	$ (1,121)	1,166
Future salary increment	$ 1,046	(1,013)

There was no change in other assumptions when performing the aforementioned sensitivity analysis. In practice, many of the relevant actuarial assumptions are correlated to each other. Sensitivity analysis is consistent with the method used in calculating the net defined benefit liability on the balance sheet.

The methodology and assumptions used to compile the sensitivity analysis was the same as those of the prior year.

2. Defined contribution plans

The Company sets aside 6% of the contribution rate of the employee's monthly wages to the labor pension personal account of the Labor Pension Fund of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company shall have no statutory or constructive obligation to pay any additional amount after making a fixed contribution to the Bureau of the Labor Insurance under this defined contribution plan.

The Company's pension expenses under the defined contribution plan were $8,042 and $7,808 for the years ended December 31, 2022 and 2021, respectively.

(XIII) Income tax

1. Income tax expense (gain)

The component of income tax expense (gain) for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	**2021**
Current tax expense (gain)		
Current period	-	23,424
Adjustment of prior period	(38)	(65)
	(38)	23,359
Deferred tax expense (gain)		
Origination and reversal of temporary differences	$ (41,299)	9,947
Income tax expense (gain)	**$ (41,337)**	**33,306**

The amounts of income tax benefits recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Items not reclassified to profit or loss:		
Remeasurement of defined benefit plans	$ 1,048	543
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on the translation of foreign financial statements	$ 2,495	395

Reconciliation of income tax (gain) and income (loss) before income tax were as follows:

	For the years ended December 31,	
	2022	2021
Profit (loss) before tax	$ (206,811)	166,566
Income tax calculated based on the Company's statutory tax rate	(41,362)	33,313
Permanent difference adjustment	63	58
Prior-period tax adjustments	(38)	(65)
	$ (41,337)	33,306

2. The movements of deferred tax assets and liabilities

Deferred income tax assets

	2021.1.1	Recognized in profit and loss	Recognized in other comprehensive income	2021.12.31	Recognized in profit and loss	Recognized in other comprehensive income	2022.12.31
Provision for inventory valuation	$ 1,040	16	-	1,024	(1,507)	-	2,531
Provision for liabilities	2,168	1,142	-	1,026	670	-	356
Accrued pension liabilities	5,458	1,070	543	3,845	(140)	1,048	2,937
Loss carryforwards	-	-	-	-	(35,961)	-	35,961
Exchange gains on the translation of foreign financial statements	3,864	-	395	3,469	-	2,495	974
Others	1,800	111	-	1,689	(2,315)	-	4,004
	$ 14,330	2,339	938	11,053	(39,253)	3,543	46,763

Deferred income tax liabilities

	2021.1.1	Recognized in profit and loss	Recognized in other comprehensive income	2021.12.31	Recognized in profit and loss	Recognized in other comprehensive income	2022.12.31
Recognized share of gain of subsidiaries and associate accounted the equity method	$ (36,107)	6,600	-	(42,707)	(878)	-	(41,829)
Others	(160)	1,008	-	(1,168)	(1,168)	-	-
	$ (36,267)	7,608	-	(43,875)	(2,046)	-	(41,829)

As of December 31, 2022, the Company's recognized deferred tax assets result from loss carryforwards and the expiry year were as follows:

Year of loss	Unused tax loss	Expiry year
2022	$ 179,805	2032

3. The Company's tax returns for the years 2020 were examined and approved by the Taiwan National Tax Administration.

(XIV) Capital and other equity

Reconciliation of shares outstanding for 2022 and 2021 was as follows:

	Common stock	
(expressed in thousands of shares)	**2022**	**2021**
Balance at January 1	92,479	94,916
Vested of restricted stock award	494	563
Repurchase of treasury shares	-	(3,000)
Balance at December 31	92,973	92,479

1. Issuance of ordinary shares

As of December 31, 2022 and 2021, the total authorized share capital of the Company was $1,200,000 (including the reserved employee share options of $50,000), with a par value of $10 per share, and the paid-in share capital was $961,562 and $962,131, respectively.

On June 8, 2018, the Company issued 2,000 thousand restricted stock award the shareholders' meeting, which was approved by the regulator. On November 2, 2018, 350 thousand shares were issued by the Board of Directors, and on February 15, 2019 was set as the base date of capital increase, and the relevant registration procedure has been completed.

On June 10, 2019, the Company issued 2,000 thousand restricted stock award by shareholders' meeting, which was approved by the regulator. For the first time, 1,080 thousand shares were issued by the Board of Directors on October 31, 2019, and on February 17, 2020 was set as the base date of capital increase, and the relevant registration procedure has been completed; for the second time, 570 thousand shares were issued by the Board of Directors on July 14, 2020, and on July 14, 2020 was set as the base date of capital increase, and the relevant registration procedure has been completed.

On November 8, 2021 and November 9, 2022, the Board of Directors resolved to cancel 57 thousand and 71 thousand restricted stock award shares and process the cancellation. Capital reduction cases use November 8, 2021 and November 22, 2022, as the base date of capital reduction, and the relevant cancellation procedure has been completed.

2. Capital surplus

The components of capital surplus of the Company were as follows:

	2022.12.31	2021.12.31
Sellback (redemption) of convertible bonds for reclassification of equity conversion rights	$ 22,124	22,124
Employee Share Option Conversion and Cash Increase - premium	30,348	30,348
Treasury share transactions	5,985	5,985
Conversion of convertible bonds - premium	1,851	1,851
Expired share option	116	116
Reclassification of equity conversion rights of convertible bonds	156	156
Difference between acquisition price and the carrying amount of subsidiaries	345	345
Restricted stock awards	25,072	24,503
	$ 85,997	**85,428**

In accordance with the R.O.C. Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

3. Retained earnings

According to the Articles of Incorporation of the Company, after payment of income taxes and offsetting accumulated deficits, the legal reserve at 10% shall be set aside until the accumulated legal reserve equals the Company's capital; furthermore, depending on the Company's operating and the regulations on special reserve. The remaining current-year earnings together with accumulated undistributed earnings from preceding years, the Board of Directors shall propose a distribution plan for approval by the shareholders' meeting.

The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses in the presence of more than two-thirds of the directors and the resolution of more than half of the directors present, in the form of cash distribution, and to report to the Shareholders' meeting.

The dividend policy of the Company shall be determined in accordance with the provisions of the R.O.C. Company Act and the Articles of Incorporation of the Company, and considered its capital, financial structure, operating, earnings, the nature and cycle of the industry in determining the stock or cash dividends to be paid. The stock dividends shall not exceed fifty percent of the total dividends distributed during the year.

(1) Legal reserve

If the Company has no losses, it may, pursuant to resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve that exceeds 25% of capital may be distributed.

(2) Special reserve

In accordance with the provisions of the Financial Supervisory Commission's letter no. 1010012865 issued on April 6, 2012, when distributing the distributable earnings, the Company had additional special reserve appropriated from the current year net income and undistributed earnings of previous years for the net decrease in other shareholders' equity interests recorded during the current year. A portion of undistributed prior-period earnings shall be reclassified to special reserve to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior period. Amounts of Subsequent reversals pertaining to the reduction of other shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

Earnings distribution for the years 2021 and 2020 was approved by the shareholders' meeting on June 14, 2022 and August 23, 2021, respectively. The dividends distributed were appropriated as follows:

	2021		2020	
	Share Allocation Ratio (NTD)	Amount (NT$ in thousands)	Share Allocation Ratio (NTD)	Amount (NT$ in thousands)
Dividends distributed to ordinary shareholders:				
Cash	$ 1.25	115,599	2.0	189,861

The aforementioned distribution of earnings for the years 2021 and 2020 did not differ from the amount recognized in the financial statements of the Company, and the related information would be available at the Market Observation Post System (MOPS).

The appropriation of earnings in 2022 was approved by the Board of Directors on March 15, 2023, the Board of Directors, is to be presented for approval in the shareholders' meeting. The related information will be available on the Market Observation Post System (MOPS) after the resolution meeting.

(4) Other equity

	Exchange differences on the translation of foreign financial statements	Unearned employee compensation	Total
Balance as of January 1, 2022	$ (17,591)	(9,963)	(27,554)
Exchange differences on the translation of net assets of foreign operations (net of tax)	9,983	-	9,983
Compensation costs of restricted stock award	-	5,781	5,781
Balance as of December 31, 2022	$ (7,608)	(4,182)	(11,790)

		Exchange differences on the translation of foreign financial statements	Unearned employee compensation	Total
Balance as of January 1, 2021	$	(19,171)	(22,372)	(41,543)
Exchange differences on the translation of net assets of foreign operations (net of tax)		1,580	-	1,580
Compensation costs of restricted stock award		-	12,409	12,409
Balance as of December 31, 2021	$	(17,591)	(9,963)	(27,554)

(5) Treasure stock

On November 8, 2021, the Board of Directors of the Company resolved to execute the repurchase of treasury shares and transfer the shares to the employees. From November 12, 2021 to December 29, 2021 the Company repurchased a total of 3,000 thousand shares, totaling $82,847, and the discount amount of the repurchase of treasury shares was $29 in January 2022. It shall be transferred within five years from the date of buyback, and there is no transfer or cancellation as of December 31, 2022.

Pursuant to the Securities and Exchange Act, the number of shares bought back may not exceed 10% of the total number of issued and outstanding of the Company; the total amount of the shares bought back may not exceed the amount of retained earning plus the premium on capital stock plus realized capital reserve. The shares bought back by the Company shall not be pledged. Before transfer, the shareholder’s rights shall not be enjoyed.

(XV) Share-based payment

1. As of December 31, 2022, the Company had the following equity-settled share-based payment transactions:

	Restricted stock award		
	Issued in 2019	**Issued in 2019**	**Issued in 2018**
Grant date	2020.7.14	2019.10.31	2018.11.2
Given quantity (thousands)	570	1,080	350
Contractual life	1-3 years	1-3 years	1-3 years
Vesting condition	Note	Note	Note
Price per share (NTD)	0	0	0
Adjusted exercise price (NTD)	0	0	0

Note: If the conditions of seniority of service and performance in the restricted stock award are reached, the share proportions of the vested condition were as follows:

1 year of service: 30%, 2 years of service: 30% and 3 years of service: 40%.

2. The Company uses the closing stock price on the date of the grant as the fair value of the share-based payment.

3. Restricted stock awards:

   Pursuant to the resolutions made during the shareholders' meeting hold on June 8, 2018, the Company issued 2,000 thousand shares of restricted stock awards, which were granted to the subjects with the conditions of seniority of service and performance by the Company’s method for issuance of restricted stock awards. The issuance has been registered and approved by the Securities and Futures Bureau of the Financial Supervisory Commission and must be issued within one year. On November 2, 2018, the Board of Directors approved a resolution to issue 350 thousand shares of restricted stock awards, with the effective date of the capital increase set on February 15, 2019. The related registrations of the increase of share capital have already been completed.

   Pursuant to the resolutions made during the shareholders’ meeting hold on June 10, 2019, the Company issued 2,000 thousand shares of restricted stock awards, which were granted to the subjects with the conditions of seniority of service and performance by the Company’s method for issuance of restricted stock awards. The issuance has been registered and approved by the Securities and Futures Bureau of the Financial Supervisory Commission and must be issued within one year. For the first time, the Board of Directors approved a resolution to issue 1,080 thousand shares of restricted stock awards on October 31, 2019, with the effective date of the capital increase set on February 17, 2020. For the second time, the Board of Directors approved a resolution to issue 570 thousand shares of restricted stock awards on July 14, 2020, with the effective date of the capital increase set on July 14, 2020. The related registrations of the increase of share capital have already been completed.

   The restricted stock awards allotted to employees shall be delivered to the trustee of the institution designated by the Company in full unless the vesting conditions have been met, and the restricted stock awards may not sell, pledge, transfer, donate, set or do other disposition. Except for the rights restricted prior to delivery to the custody of the trust and failure to meet the vesting conditions, others are the same as the Company’s existing ordinary shareholders. Also, the Company has right to take back all unvested shares without compensation and to cancel all restricted stock awards issued to employee who fail to comply with the vesting condition.

The information of the restricted stock award shares were as follows:

Unit: thousands of shares

	2022	2021
Outstanding at January 1	734	1,368
Vested in the current period	(494)	(563)
Cancellation recovered from resignation in the current period	(57)	(71)
Outstanding at December 31	183	734

In 2020, the Company issued 570 thousand shares of restricted stock awards, resulting in the amount of $13,729 to be recognized as capital surplus - restricted stock awards. As of December 31, 2022 and 2021, the Company has deferred the compensation cost arising from the issuance of restricted stock awards were $209,815 and $356,573, respectively. Such deferred amounts were recorded as deduction of other equity. The compensation costs recognized by the Company in 2022 and 2021 were $5,781 and $12,409, respectively, of which the amount of the subsidiaries was $2,000 and $3,952, respectively.

(XVI) Earnings per Share

	For the years ended December 31,	
	2022	2021
Basic earnings per share:		
Net profit (loss) attributable to ordinary equity holders of the Company	$ (165,474)	133,260
Weighted average number of ordinary shares outstanding (in thousands)	92,600	94,817
Basic earnings per share (NTD)	$ (1.79)	1.41
Diluted earnings per share:		
Net profit (loss) attributable to ordinary equity holders of the Company	$ (165,474)	133,260
Weighted average number of ordinary shares outstanding (in thousands)	92,600	94,817
Effect of employee remuneration in shares (in thousands)	-	694
Effect of restricted stock awards unvested (in thousands)	-	937
	92,600	96,448
Diluted earnings per share (NTD)	$ (1.79)	1.38

In 2022, the operating results of the Company showed a loss. When the calculation of diluted earnings per share result in antidilution effect will not include potential ordinary shares arising from eligible share issuance of employee remuneration in shares and restricted stock awards unvested.

(XVII) Remuneration of employees and directors

According to the Company's Articles of Incorporation, if the Company incurs profit for the year, 3% to 12% shall be allocated for employee remuneration and not more than 3% for director remuneration. In case the Company has an accumulated loss, it shall first be used to offset any deficit.

The recipients of shares and cash may include the employee of the XAC's affiliated companies who meet certain conditions.

The Company did not accrue remuneration to employees and directors due to the loss making position for the year ended December 31, 2022. For the year ended December 31, 2021, the Company accrued and recognized its remuneration to employee amounting to $14,640, and director amounting to $3,660. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage remuneration to employees and directors as specified in the Company's Articles of Incorporation under operating cost or expense. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividend the amount of remuneration by the closing market price on the day before the .approval by the Board of Directors meeting. The relevant information would be available at the Market Observation Post System website. There were no differences between the aforesaid amounts of employees' and directors' remuneration approved by the Board of Directors and the amount in the parent-company-only financial statements of 2021.

(XVIII) Revenue from contracts with customers

1. Disaggregation of revenue

	For the years ended December 31, 2022	2021
Primary geographical markets:		
United States	$ 1,007,077	1,153,362
Saudi Arabia	153,849	222,874
United Kingdom	107,429	117,876
Sweden	81,189	26,931
Other countries	54,873	57,888
	$ 1,404,417	1,578,931

	For the years ended December 31, 2022	2021
Major products:		
Electronic fund transaction terminals	$ 748,958	832,725
Transaction security products	175,453	153,816
Card readers and writers	99,227	124,775
Others	380,779	467,615
	$ 1,404,417	1,578,931

2. Timing of revenue recognition

	For the years ended December 31, 2022	2021
At a point in time	$ 1,344,534	1,531,498
Over time	59,883	47,433
	$ 1,404,417	1,578,931

3. Contract balances

	2022.12.31	2021.12.31	2021.1.1
Accounts receivable	$ 208,046	599,846	453,946
Less: allowance for doubtful accounts	(1,320)	(1,487)	(2,765)
	$ 206,726	598,359	451,181
Contract assets	$ 44,418	23,977	1,930
Less: allowance for doubtful accounts	-	-	-
	$ 44,418	23,977	1,930
Contract liabilities (accounted in other current liabilities)	$ 19,090	15,134	18,676

For disclosure of accounts receivables and loss allowance, please refer to Note 6 (4).

The contract assets were primarily related to the amount of revenue that has been recognized due to the transfer of labor services to customers but have not yet billed at the reporting date. When the Company enjoys unconditional right to the price, the contract assets are reclassified as accounts receivable.

The contract liabilities were primarily related to the advance received from customers, which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2022 and 2021, which included in the contract liability balance at the beginning of the period were $4,585 and $7,977, respectively.

(XIX) Non-operating income and expenses

1. Interest revenue

The details of the Company's interest revenue were as follows:

	For the years ended December 31,	
	2022	**2021**
Interest revenue on bank deposits	$ 4,562	3,876
Other interest revenue	3	4
	$ 4,565	**3,880**

2. Other gains and losses

The details of the Company's other gains and losses were as follows:

	For the years ended December 31,	
	2022	**2021**
Foreign exchange gain (loss), net	$ 40,824	(4,021)
Net gain or loss on financial assets (liabilities) at fair value through profit or loss	(25,427)	2,056
Loss on arbitration compensation (Note 6 (11))	(329,728)	-
Others	531	(320)
	$ (313,800)	**(2,285)**

3. Finance costs

The details of the Company's financial costs were as follows:

	For the years ended December 31,	
	2022	**2022**
Interest expense on bank borrowings	$ 9	-
Interest expense on lease liabilities	253	274
	$ 262	**274**

(XX) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets and contract assets represent the maximum amount of credit risk exposure.

(2) Concentration of credit risk

As of December 31, 2022 and 2021, 81% and 80% of the Company's accounts receivable were comprised of four customers, respectively. Although there is a potential in concentration of credit risk, the Company periodically assesses the recoverability of accounts receivable and made a corresponding allowance for doubtful accounts. The management does not expect significant losses to occur.

(3) Credit risk of accounts receivable and debt securities

For credit risk and exposure information on accounts receivable, please refer to Note 6 (4). Other financial assets at amortized cost include term deposits, details of related investments and impairment provision, please refer to Note 6 (3).
All of the above are financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

2. Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2years	2-5years	More than 5 years
December 31, 2022							
Non-derivative financial liabilities							
Accounts payable	$ 117,689	(117,689)	(117,689)	-	-	-	-
Salaries and bonuses payable	58,636	(58,636)	(58,636)	-	-	-	-
Lease liabilities — current and non-current	17,547	(18,798)	(2,141)	(1,985)	(1,669)	(3,417)	(9,586)
Deposits for guarantees (accounted in other current liabilities)	97	(97)	-	(97)	-	-	-
Financial liabilities at fair value through profit or loss - current							
Outflow	111	(53,415)	(53,415)	-	-	-	-
Inflow	-	53,304	53,304	-	-	-	-
	$ 194,080	**(195,331)**	**(178,577)**	**(2,082)**	**(1,669)**	**(3,417)**	**(9,586)**

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2years	2-5years	More than 5 years
December 31, 2021							
Non-derivative financial liabilities							
Accounts payable (included related parties)	$ 290,356	(290,356)	(290,356)	-	-	-	-
Salaries and bonuses payable	66,394	(66,394)	(52,049)	(14,345)	-	-	-
Accrued remuneration of directors (recorded in other current liabilities)	3,660	(3,660)	(3,660)	-	-	-	-
Lease liabilities — current and non-current	21,250	(23,006)	(2,138)	(2,138)	(4,120)	(3,932)	(10,678)
Deposits for guarantees (recorded in other current liabilities)	97	(97)	-	(97)	-	-	-
Financial liabilities at fair value through profit or loss - current							
Outflow	13	(20,746)	(20,746)	-	-	-	-
Inflow	-	20,733	20,733	-	-	-	-
	$ 381,770	(383,526)	(348,216)	(16,580)	(4,120)	(3,932)	(10,678)

The Company does not except that the cash flows included in the maturity analysis will occur significantly earlier or at significantly different amount.

3. Currency risk

(1) Exposure to currency risk

The Company's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	2022.12.31			2021.12.31		
	Foreign currencies	**Exchange Rate**	**NTD**	**Foreign currencies**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 13,748	30.675	421,718	25,070	27.646	693,075
Non-monetary items						
USD	250	30.611	Note	4,500	27.664~27.821	Note
Investments accounted for using equity method						
USD	15,925	30.675	488,498	17,305	27.646	478,413

	2022.12.31			2021.12.31		
	Foreign currencies	**Exchange Rate**	**NTD**	**Foreign currencies**	**Exchange Rate**	**NTD**
Financial liabilities						
Monetary items						
USD	3,755	30.675	115,183	10,477	27.646	289,652
Non-monetary items						
USD	12,847	30.457~30.472	Note	750	27.664	Note

Note: As of December 31, 2022 and 2021, please refer to Note 6 (2) for the information on the fair value valuation of forward exchange contracts and cross-currency swap contracts.

(2) Sensitivity analysis

The Company' exposure to foreign currency risk from the translation of the foreign currency exchange gains or losses on cash and cash equivalents, accounts receivable and accounts payable that were denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against the USD at December 31, 2022 and 2021, while all other variables were remained constant, would have increased or decreased by $3,065 and $4,034. The two analyses were based on the same basis.

(3) Exchange gains or losses on monetary items

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables and accounts payable. The Company's foreign exchange gains (losses) (realized and unrealized) on the foreign currency monetary items using the functional currency were as follows:

	2022		2021	
	Foreign exchange gains or losses	Average exchange rate	Foreign exchange gains or losses	Average exchange rate
USD	$ (41,209)	29.8481	4,127	27.9262
Others	385	-	(106)	-
	$ (40,824)		4,021	

4. Interest rate analysis

   The Company's cash and cash equivalents with variable rates,if the interest rates had to increase or decrease by 0.25%, the Company's profit before tax would have increased or decreased by $925 and $563, respectively for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant.

5. Fair value information

   (1) Categories of financial instruments and fair value

   The financial assets and liabilities at fair value through profit or loss are at fair value is measured on a recurring basis. The carrying amount and fair value of the Company's of financial assets and liabilities (including fair value hierarchy levels information, but excluding the financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for lease liabilities, disclosure of fair value information is not required) were as follows:

	2022.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	$ 578,390	-	-	-	-
Financial assets at amortized cost - current	354,560	-	-	-	-
Accounts receivable, net	206,726	-	-	-	-
Financial assets at amortized cost - non-current	2,000	-	-	-	-
Refundable deposits	528	-	-	-	-
	$ 1,142,204	-	-	-	-
Financial liabilities at fair value through profit or loss	$ 111	-	111	-	111
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at amortized cost					
Accounts payable	$ 117,689	-	-	-	-
Lease liabilities (included current and non-current)	17,547	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	97	-	-	-	-
	$ 135,333	-	-	-	-

	2021.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 338	-	338	-	338
Financial assets at amortized cost					
Cash and cash equivalents	$ 458,402	-	-	-	-
Financial assets at amortized cost - current	304,382	-	-	-	-
Accounts receivable, net	598,359	-	-	-	-
Financial assets at amortized cost - non-current	2,000	-	-	-	-
Refundable deposits	528	-	-	-	-
	$ 1,363,671	-	-	-	-
Financial liabilities at fair value through profit or loss	$ 13	-	13	-	13
Financial liabilities at amortized cost					
Accounts payable	$ 290,356	-	-	-	-
Lease liabilities (included current and non-current)	21,250	-	-	-	-
Deposits for guarantees (recorded in other current liabilities)	97	-	-	-	-
	$ 311,703	-	-	-	-

(2) Valuation technique of financial instruments not measured at fair value

The Company’s valuation technique and assumptions used for financial instruments not measured at fair value were as follows:

Financial assets and liabilities at amortized cost are valued at fair value based on the latest quoted price and agree-upon price. If market value is unavailable, the fair value is evaluated based on the discounted cash flows.

(3) Valuation techniques for financial instruments at fair value - derivative financial instruments

Forward exchange contracts are usually measured at the current forward exchange rate.

No changes to fair value hierarchies in 2022 and 2021.

(I) Financial risk management

1. Overview

The Company has exposed to the following risks from its financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The following likewise discusses the Company's objectives, policies, and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes to in the accompanying parent-company-only financial statements.

2. Structure of risk management

The Company develops a disciplined and constructive control environment through training, management guidelines and procedures to make all employees aware of their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has reviewed the adequacy of the Company's risk management policies and procedures. Internal auditors play a supervisory role. They perform periodic and hoc reviews procedures to risk management relevant controls and procedures and report them to the Board of directors.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents and receivables.

(1) Cash and cash equivalents

As of December 31, 2022 and 2021, the Company's cash balance held by domestic financial institution accounted for 65% and 56% of the Company's account balance, respectively. However, the credit status of the financial institution is good, and no significant credit risk loss is expected to occur.

(2) Accounts receivable

The Company has established a credit policy, under which each new customer is analyzed for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes, if available, external ratings and, in some cases, bank references. These limits are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

When monitoring customer credit risk, grouped customers based on credit characteristics, including legal entity, region, industry, aging, maturity date and pre-existing financial difficulties. Customers rated as high-risk are placed on a restricted customer list and future sales are based on a prepayment basis.

(3) Guarantee

The Company's policy can only provide endorsement guarantee for companies directly or indirectly owned more than 90% shares with voting right by the Company. As of December 31, 2022 and 2021, the Company did not provide any endorsement guarantee.

4. Liquidity risk

The Company's capital and working capital are sufficient to fulfill contractual obligations, and it is not expected that liquidity risk will arise due to the inability to raise capital to settle contractual obligations.

The Company trades derivative financial instrument to avoid the exchange rate risk of net assets and liabilities. There is no significant liquidity risk arising from related cash inflow or outflow at maturity. The Company's liquidity management policy to ensure, as far as possible, that the Company has sufficient capital to meet its obligations as they fall due, under normal and stressful conditions without unacceptable risk of loss or damage to the Company's reputation.

The Company uses the operating base costing system to estimate the cost of its products and services to assist the Company in monitoring cash flow requirements and optimal cash returns on investments. In general, the Company ensures that it has sufficient cash to meet the expected operating expenditure need of 60 days, including the fulfilment of financial obligations, but excludes potential impacts that cannot be reasonably expected in extreme circumstances, such as natural disasters. As of December 31, 2022 and 2021 the Company's unused credit lines were $498,000.

5. Market risk

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

The Company's exposure to the risk of fluctuations in foreign currency exchange rates related primarily to the Group's purchases and sales that are denominated in foreign currencies. Therefore, the Company trades derivative financial instruments adopts economic hedging to avoid the exchange rate risk of foreign currency assets or liabilities held by the Company. The gains and losses arising from exchanges rate changes will offset of hedged items, so the market risk is usually low.

(1) Foreign exchange risk

The Company's exposure to the risks of fluctuation in foreign currency exchanges rates relates primarily to the Company's sales, purchases and borrowings and transactions, and those are not denominated in functional currencies of the Company. These transactions are denominated in NTD, JPY and USD.

In respect of other monetary assets and liabilities denominated in other foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances

(2) Interest rate risk

The Company holds variable-rate assets, which cause the exposure to interest rate risk in cash flows, please refer to the detailed explanation in Note 6 (20).

(II) Capital management

The Board of Directors' policy is to maintain a strong capital base in order to maintain the confidence of investors, creditors and to sustain future development of the business. Capital consists of share capital, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividend to ordinary stockholders.

The Company's debt-to-capital ratio at the reporting date was as follows:

	2022.12.31	2021.12.31
Total liabilities	$ 644,057	532,458
Less: cash and cash equivalents	(578,390)	(458,402)
Net liabilities	$ **65,667**	**74,056**
Total Equity	$ **1,350,873**	**1,611,963**
Debt-to-capital ratio	**4.86%**	**4.59%**

(III) Non-cash investments and financing activities

For the years ended December 31, 2022 and 2021, reconciliation of liabilities arising from non-cash investment and financing activities were as follows:

	For the years ended December 31,	
Lease liabilities	**2022**	**2021**
Beginning balance	$ 21,250	17,300
Cash flows from:		
Repayment of the principal portion of lease liabilities	(4,028)	(3,471)
Interest paid (Note)	(253)	(274)
Non-cash changes		
Interest expense (Note)	253	274
Acquisition of right-of-use assets	640	7,421
Gains on lease modifications	(315)	-
Ending balance	$ **17,547**	**21,250**

Note: This is from operating activities.

VII. Related party transactions

(I) Name and relationship of related parties:

Name of related party	Relationship with the Company
Value Investment Ltd.(Value)	The subsidiary of the Company
Zakus, Inc. (Zakus)	The subsidiary of the Company
XAC AUTOMATION (SUZHOU) CO., LTD (XAC Suzhou)	The subsidiary of Value

(II) Significant related-party transactions:

1. Sales

The sales amount of the Company to related parties were as follows:

	For the years ended December 31, 2022	2021
Subsidiaries- Zakus	$ -	205

2. Purchases

The purchases amount of the Company related parties were as follows:

	For the years ended December 31, 2022	2022
Subsidiary-XAC Suzhou	$ 808,029	923,899

The transaction between the Company and XAC Suzhou is buy back of finished goods manufactured on behalf by XAC Suzhou based on order received. Since we do not purchase the same goods from other suppliers, there is no basis for comparison for the purchase price of the finished products. In addition to purchasing finished products, we also entrusted XAC Suzhou to procure raw materials for us in 2021 and 2022. There was no profit or loss from the procurement of raw materials. For the years ended December 31, 2022 and 2021, the payment terms for purchasing from XAC Suzhou were 30 to 90 days, while for regular suppliers, it was between 30 to 90 days for monthly payment.

3. Purchasing raw materials on behalf of others

The Company acts as the purchasing agent on behalf of XAC Suzhou to purchase raw materials, which then will be processed by XAC Suzhou to finished goods, and subsequently sold back to the Company. For the years ended December 31, 2022 and 2021, we sold the relevant purchased raw materials to XAC Suzhou for $5,330 and $9,752, respectively. However, we did not recognize the sales revenue and cost of goods sold in the financial statements. The net profit generated from the above transactions amounted to $747 and $23, respectively, which were recognized under cost of goods sold.

4. Accounts payables to related parties

The details of accounts payable to related parties were as follows:

Transaction type	Type of related party	2022.12.31	2021.12.31
Accounts payables to relate parties	XAC Suzhou	$ 83,675	214,752

5. Service provision and other expenses

The following is a breakdown of expenses paid to related parties by our company for business dealings, including product warranty services, production fees, research expenses, market surveys, and various service fees. The details and outstanding balances were as follows:

	For the years ended December 31,	
	2022	2021
Subsidiaries-XAC Suzhou	$ 8,441	7,713
Subsidiary-Zakus	68,527	103,629
	$ 76,968	111,342

Transaction type	Type of related party	2022.12.31	2021.12.31
Accounts payables to relate parties	Zakus	$ 21,164	35,835
Accounts payables to relate parties	XAC Suzhou	967	329
		$ 22,131	36,164

6. Property transactions

The details of disposal of property, plant and equipment to related parties were as follows:

	For the years ended December 31,	
	2022	2021
Subsidiaries-XAC Suzhou	$ -	1,191

The Company sold Research & development equipment to XAC Suzhou $1,191 in June 2021. As of December 31, 2021, the payables resulting from the above transactions have been settled.

(III) Transactions with key management personnel:

Key management personnel compensation comprised:

	For the years ended December 31, 2022	2022
Short-term employee benefits	$ 25,669	32,435
Post-employment benefits	1,369	1,358
Share-based payment	519	2,061
	$ 27,557	35,854

VIII. Pledged assets

The carrying amounts of the Company's pledged assets were as follows:

Asset name	Object	2022.12.31	2021.12.31
Time deposits (recorded in financial assets at amortized cost – non-current)	Guarantee for land lease agreements with the Hsinchu Science Park Bureau	$ 2,000	2,000

IX. Significant contingent liabilities and unrecognized commitments

As of December 31, 2022 and 2021, the total amounts of promissory notes deposited by the Company at the bank for acquiring financing were $526,074 and $523,499, respectively.

X. Losses due to major disasters: None.

XI. Subsequent events: None.

XII. Others

Total personnel, depreciation and amortization expense categorized by function were as follows:

By function / By item	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salary	55,600	127,282	182,882	21,306	147,433	168,739
Labor health insurance	1,607	13,219	14,826	1,404	13,107	14,511
Pension	759	7,983	8,742	613	7,823	8,436
Remuneration of directors	-	-	-	-	3,660	3,660
Others	943	4,914	5,857	711	3,733	4,444
Depreciation	1,337	9,749	11,086	1,033	10,253	11,286
Amortization	-	199	199	-	88	88

The amount of employees and employee benefits for the years ended December 31, 2022 and 2021, were as follows:

	For the Years ended December 31,	
	2022	2021
The number of employees	159	162
The number of directors who were not holding as a position of employee	6	6
The Average of employee benefits	$ 1,388	1,257
The Average of Salaries	$ 1,195	1,082
The Average of salary adjust rate	10.44%	

The information of the Company's salaries and remunerations policy (including director, executive officers and employees) was as follows:

(1) Article 28 of the Articles of Incorporation of the Company stipulates that "if there is any profit of the Company in the year, 3% to 12% shall be allocated for employee compensation and not more than 3% for director compensation. However, if the Company still has accumulated losses, the amount should be reserved in advance to offset the losses. The compensation of the employees set forth in the preceding paragraph shall be paid to the objects of stock or cash, including employees of the subsidiary company who meet certain conditions."

(2) The procedure for determining the remuneration of the directors, general manager and deputy general manager of the Company shall be in accordance with the provisions of the Company Law, the Articles of Incorporation of the Company and the Measures according to the "Regulations for the Management of Managerial Performance Assessment and Remuneration Policy", the remuneration shall be determined in accordance with the positions and responsibilities of the directors, general manager and deputy general manager, and shall be in line with the Company's operational performance, and shall be reviewed by the remuneration committee and approved by the Board of Directors.

(3) The compensation of employees of the Company shall be determined in accordance with the R.O.C. Company Act, the Company's Articles of Incorporation, the Employee Immediate Reward Measures, the Employee Bonus Distribution Measures, the Operating Bonus Management Measures and the Remuneration Management Procedures. The remuneration and rewards shall be determined in accordance with the positions and responsibilities assumed by the employees and shall be in accordance with the Company's operating performance, and shall be reviewed by the Remuneration Committee and approved by the Board of Directors.

XIII.Supplementary Disclosures

(I) Information on significant transactions

From January 1 to December 31, 2022, in accordance with the provisions of the compilation standards, the information related to major transactions that the Company should disclose further is as follow:

1. Money lending to others:

No.	Companies that Lend Funds	Borrower	Financial Statement Account	Related Party	Maximum Amount for the Period	Ending Balance	Actual Amount Drawn	Interest Rate	Nature of financing	Amount of Transactions	Reasons for Short-term Financing	Allowance for doubtful accounts	Collateral		Individual funding limits	Maximum limit of fund financing
													Item	Value		
0	The Company	XAC Suzhou	Other receivables - related parties	Yes	64,392 (USD2,000 in thousands)	-	-	1%	Short-term capital turnover	-	Working capital needs	-	-	-	135,087	270,175

Note: Pursuant to the Procedures of Lending Funds to Others Parties, the aggregate financing amount for a short-term period shall not exceed 20% of the net worth of the Company. The individual financing amount shall not exceed the trade amount between the two parties in the recent year; the transaction amount refers to the higher amount of purchase or sale between the two parties; the individual financing amount for a short-term period shall not exceed 10% of the net worth of the Company.

2. Guarantee and endorsement for other parties: None.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None.
4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate with amounts exceeding NT$300 million or 20% of the paid-in capital: None.
7. Purchases from or sales to related parties with amounts exceeding NT$100 million or 20% of the paid-in capital:

Company Name	Counterparty	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases /Sales	Amount	Percentage of Total Purchases /Sales	Credit Terms	Unit Price	Credit Terms	Ending Balance	Percentage of Total Notes/ Accounts Receivable (Payable)	
The Company	XAC Suzhou	Subsidiaries	Purchase	808,029	87%	30~90 days	-	-	(83,675)	(71)%	

Note: All inter-company transactions have been eliminated in the consolidated financial statements.

8. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: None.
9. Derivatives transaction: Please refer to Note 6 (2).

(II) Investment on investees:

For the year ended December 31, 2022, the investment information was as follows (excluding the investee in mainland China):

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount: Ending Balance	Initial Investment Amount: Beginning balance	End-of-period holding: Shares	End-of-period holding: Percentage of Ownership	End-of-period holding: Carrying Amount	Net income (losses) of investee	Share of profit/loss of investee	Note
The Company	Value	Samoa	Holding company	168,889	168,889	(Note 1)	100%	426,936	3,599	(9,089) (Note 2)	Subsidiaries of the Company
The Company	Zakus	United States	R&D Center and Market Research Related Services	37,145	37,145	200	100%	61,562	4,696	4,696	Subsidiaries of the Company

Note 1. Is a limited company.
Note 2. Unrealized gains or losses on upstream transactions have been eliminated in the consolidated financial statements.

(III) Information on investment in Mainland China:

1. The name of investee in Mainland China, the main business and other related information:

Investee Company	Main Business Activities	Total Amounts of Paid-in Capital	Method of Investments	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	Ownership through Direct / Indirect Investment	Investment Income (Loss) Recognized by the Company	Carrying Amount of Investments as of December 31, 2022	Accumulated Inward Remittance of Earnings in as of December 31, 2022
XAC Suzhou	Production and marketing of electronic financial transaction terminals, transaction data security protection equipment multi-function smart cards, card readers and writers, and their components	224,042	(Note 1)	165,841	-	-	165,841 (Note 3)	3,761	100%	3,761 (Note 2)	447,463	396,532

Note 1. Indirect investment in Mainland China through Value.
Note 2. The financial statements of the investee company were audited by the international accounting firms which cooperated with R.O.C. accounting firms.
Note 3. The accumulated outflow of investment remitted from Taiwan at the end of the current period did not include the earnings transferred to capital stock of $58,201 in 2008.

2. Quota for investment in Mainland China:

Accumulated investment in Mainland China as of December 31, 2022 (Note 1 and 2)	Investment amounts authorized by the Investment Commission of Economic Affairs (MOEA)	Upper Limit on Investment imposed by Investment Commission of Economic Affairs (MOEA)
197,901 (USD 5,995)	252,441 (USD 7,795)	810,524

Note 1. Beijing Tongjinhua Technology Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in 2011. The investment amounted to $25,715 (USD 800) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).

Note 2. Tongjinhua Suzhou Co., Ltd., an indirectly invested subsidiary by the Company has completed its liquidation of various rights and obligations and cancelled its registration in 2011. The investment amounted to $6,345 (USD 195) still needs to be included in the cumulative amount of investments from Taiwan to Mainland China according to the regulations of the Investment Commission of Economic Affairs (MOEA).

3. Significant transactions:

Significant direct or indirect transactions with the investees in Mainland China for the year ended December 31, 2022, for which intercompany transactions were eliminated upon consolidation, are disclosed in “Information on significant transactions.”

(IV) Major shareholder information:

Unit: Thousands of shares

Shareholding / Major Shareholders	Total Shares Owned	Ownership Percentage
Zhang Ruimin	5,060	5.26%

Note: (1) The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter based on those who held more than 5% of the Company’s ordinary shares and preference shares and have completed unregistered non-physical securities delivered (including treasury shares). As for the share capital recorded in the Company’s financial statements and the actual number of shares delivered without physical registration, there may be differences due to different basis of calculation.

(2) In the case of the above information, if a shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholders’ declaration of insider equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his shareholding plus the shares delivered to the trust and the right to use the trust property, etc.. Please refer to the Market Observation Post System (MOPS) for the insider’s equity declaration information.

XIV.Segment Information

Please refer to consolidated financial statements for the year ended December 31, 2022.

XAC AUTOMATION CORP

Statement of Cash and Cash Equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

(Foreign Currencies Dollars)

Item	Description	Amount
Cash	Petty cash and cash on hand	$ 63
Cash in banks	Checking deposits	2,093
	Demand deposits	
	TWD	187,104
	USD: 3,020,733.85	92,661
	JPY: 53,602	12
	RMB 1,800,16	8
	EUR: 147.11	5
	GBP: 43.37	2
	Time deposits	296,442
Total		**$ 578,390**

The exchange rates of foreign currencies are converted into New Taiwan Dollars at the balance sheet date is as follows:

USD： 30.675

EUR： 32.690

JPY： 0.2318

CNY： 4.4044

GBP： 37.00

XAC AUTOMATION CORP

Statement of Financial Assets at Fair Value through Profit or Loss - Current

December 31, 2022

For related information, please refer to Note 6 (2) "Statement of Financial Assets at Fair Value through Profit or Loss - Current" of the parent-company-only financial statements.

Statement of Financial Assets at Amortized Cost - Current and Non- current

For related information, please refer to Notes 6 (3) and 8 "Statement of Financial Assets at Amortized Cost - Current and Non- current" of the parent-company-only financial statements.

Statement of Current Contract Assets

(Expressed in thousands of New Taiwan Dollars)

Client name	Amount
Contract assets:	
Client E	$ 22,204
Client F	14,620
Client A	6,396
Others (Note)	1,198
Less: allowance for doubtful accounts	-
Total	$ 44,418

Note: Individual customer whose balances are less than 5% of the amount of account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Accounts receivable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Client name		Amount
Accounts receivable:		
Client C	$	97,306
Client I		32,378
Client B		26,101
Client J		12,665
Client D		10,484
Others (Note)		29,112
		208,046
Less: allowance for doubtful accounts		(1,320)
Total	**$**	**206,726**

Note: Individual customer whose balances are less than 5% of the amount of account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net Realizable Value
Finished goods	$ 45,203	42,301
Less: provision for inventory valuation	(4,916)	
Subtotal	40,287	
Semi-finished products	40,939	53,374
Less: provision for inventory valuation	(1,019)	
Subtotal	39,920	
Work in progress	13,436	13,436
Raw materials	93,264	94,461
Less: provision for inventory valuation	(6,397)	
Subtotal	86,867	
Total	**$ 180,510**	**203,572**

Statement of Other current assets

Item	Amount
Prepaid expenses	$ 2,699
Refundable tax	1,934
Temporary payments	1,477
Other (Note)	45
Total	**$ 6,155**

Note: Individual customer whose balances are less than 5% of the amount of account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Movement in Investments Accounted for Using the Equity Method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars, in thousands shares)

Name of investee	Beginning Balance		Addition		Investment Profit or Loss	Conversion Adjustment	Ending Balance			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount			Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	
Value Investment Ltd.		$ 427,371	-	2,000	(9,089)	6,654		100%	426,936	-	426,936	None
Zakus, Inc.	200	51,042	-	-	4,696	5,824	200	100%	61,562	-	61,562	None
		$ 478,413		2,000 (Note)	(4,393)	12,478			488,498		488,498	

Note: Part of the restricted stock awards by the employees of the subsidiary were recognized in subsidiary's compensation cost amounting to $2,000, which were recorded in the investments accounted for using the equity method.

XAC AUTOMATION CORP

Statement of Movement in Property, Plant and Equipment

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

For related information, please refer to Note 6 (7) “Property, Plant and Equipment” of the parent-company-only financial statements.

Statement of Movement in Right-of-Use Assets

For related information, please refer to Note 6 (8) “Right-of-Use Assets” of the parent-company-only financial statements.

Statement of Movement in Intangible Assets

For related information, please refer to Note 6 (9) “Intangible Assets” of the parent-company-only financial statements.

XAC AUTOMATION CORP

Statement of Refundable deposits

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Refundable deposits of Taipei office	$ 491
Others (Note)	37
	$ 528

Note: The individual amount does not exceed 5% of the account balance.

Statement of Accounts Payable

Vendor name	Amount
Company DD	$ 3,151
Company AA	2,404
Company BB	1,895
Company CC	798
Company GG	697
Other (Note)	2,938
Total	$ 11,883

Note: Individual vendor who has less than 5% of the account balance will not be listed separately.

XAC AUTOMATION CORP

Statement of Other Current Liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Contract liabilities	$ 19,090
Accrued expenses	10,645
Insurance payable	2,287
Service fee payable	2,270
Other (Note)	9,825
Total	$ 44,117

Note: The individual amount does not exceed 5% of the account balance.

Statement of Lease Liabilities

Item	Description	Term of Contract	Interest Rate	Amount	Note
Land	Land of Hsinchu Science Park	January 1, 2021~ December 31, 2040	1.5%	$ 14,061	
Transportation equipment	Business vehicle	May 25, 2021~ May 24, 2024	1.5%	1,782	
Housing and Construction	Office	December 1, 2021~ November 30, 2023	1.5%	1,704	
				$ 17,547	
Current				$ 3,926	
Non-current				$ 13,621	

XAC AUTOMATION CORP

Statement of Operating Revenue

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
Electronic fund transaction terminals	358,506	$ 748,958
Transaction security products	67,474	175,453
Card readers and writers	51,307	99,227
Others	315,479	380,779
Net revenue		**$ 1,404,417**

XAC AUTOMATION CORP

Statement of Operating Costs

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Beginning balance of raw materials	$ 90,942
Add: Purchase	118,916
Less: Ending balance of raw materials	(93,264)
Raw materials used	116,594
Direct labor	16,516
Manufacturing overhead	15,629
Cost of conversion	20,286
Manufacturing cost	169,025
Add: Beginning balance of work in process and semi-finished products	47,553
Semi-finished products purchased	78,219
Less: Ending balance of work in process and semi-finished products	(54,375)
Sale of semi-finished products	(82,067)
Transferred to expense	(1,650)
Cost of finished goods	156,705
Add: Beginning balance of Finished goods	29,787
Finished goods purchased	709,121
Gain on physical inventory	7
Less: Ending balance of Finished goods	(45,203)
Transferred to expense	(482)
Production and sales cost	849,935
Sale of semi-finished products	82,067
Labor cost	40,903
Warranty cost and others	8,845
Allowance for inventory valuation loss	7,533
Cost of sales	**$ 989,283**

XAC AUTOMATION CORP

Statement of Selling, Administrative, Research and Development Expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Selling	Administrative	Research and Development	Expected credit impairment gain
Salary	$ 7,833	36,684	82,765	-
Commission expense	5,087	-	-	-
Professional service fees	8,733	4,957	60,108	-
Depreciation	454	3,521	5,773	-
Insurance expense	2,464	3,095	9,924	-
Testing fees	130	100	29,149	-
Stock affairs fees	-	3,684	-	-
Repair(s) and maintenance expense	-	3,996	313	-
Miscellaneous expense	208	6,453	795	-
Expected credit impairment gain	-	-	-	(167)
Others (Note)	3,252	7,211	21,533	-
Total	$ 28,161	69,701	210,360	(167)

Note: The individual amount does not exceed 5% of the account balance.

XAC AUTOMATION CORP

Statement of Interest income

For the year ended December 31, 2022

For related information, please refer to Note 6 (19) “Interest income” of the parent-company-only financial statements.

Statement of Other Gains and Losses

For related information, please refer to Note 6 (19) “Other gains and losses” of the parent-company-only financial statements.