



華經資訊企業股份有限公司

FORTUNE INFORMATION SYSTEMS CORP.

2022 Annual Report

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Notice to readers

This English-version annual report is a translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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None.

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I. Report to Shareholders

1.1 Operating Performance in 2022

1.1.1 Implementation results of the business plan of the previous year:

The main business of the Company is information system integration, and the services we provide include enterprise public/private cloud infrastructure construction and planning, network system planning, information security, backup and redundancy planning, financial institution information integration services, cloud monitoring and management, application software development, video and image product integration, document digitization services, logistics and warehouse management systems, insurance industry information services, and outsourcing and maintenance management of information equipment, which offers comprehensive integration functions and complete after-sales service, as well as diverse solutions. 2022 financial status, execution result of business plan, and profits :

Unit: NT\$ 1,000

Item	2022	2021	Change
Operating revenue	2,270,033	2,148,503	5.66%
Operating costs	2,023,539	1,916,539	5.58%
Gross profit	246,494	231,964	6.26%
Gross profit margin	11%	11%	
Operating expenses	182,733	178,805	2.20%
Profit from operations	63,761	53,159	19.94%
Non-operating income and expenses	14,624	3,329	339.29%
Income before income tax	78,385	56,488	38.76%
Net income	63,530	44,683	42.18%

1.1.2 Budget implementation

The Company has no public financial forecast for 2022.

1.1.3 Financial revenue and expenditure and profitability analysis

- Financial revenue and expenditure (Unit: NT\$ 1,000)

Operating revenue:	2,270,033
Profit from operations:	63,761
Income before income tax:	78,385
Net income:	63,530

In 2022, the Company's revenue increased by 5.66% compared to the previous year, and both gross profit and net profit also grew from the same period last year, with a 19.94% increase in net profit. This was due to the doubling of investments in CMP (Cloud Management Platform), IT infrastructure construction, backup and recovery, and cybersecurity services, driven by the increase in cloud investment and cybersecurity needs in the financial industry. The net income from non-operating activities increased by 339.29% compared to the previous year, mainly due to the increase in exchange rate gains.

- Profitability Analysis

ITEM	2022	2021
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Financial structure analysis	Debt to asset ratio (%)	44.49	38.19
	Long-term capital to property, plant and equipment (%)	513.40	391.52
Debt structure	Current ratio (%)	172.82	200.27
	Quick Ratio(%)	145.67	168.54
Profitability analysis	Return on Assets (ROA)(%)	3.28	2.42
	Return on Equity(%)	5.41	3.91
	Net Profit Margin(%)	2.80	2.08
	Earnings per Share (EPS) after Tax(NT\$, before retrospective adjustment)	0.91	0.64

- Research and development Status : Please refer to page 65 to 67.

1.2 Summary of Annual Business Plan:

1.2.1 The Company has years of professional experience in information services and adheres to the business philosophy of "Integrity, Innovation, and Service." It actively pursues diversified and high-value-added service business development. Based on industry trends and market demands, the business objectives for the coming year are as follows:

- System Integration Services

- (1) Establish a multi-cloud infrastructure and container management system: Assist clients in adopting multi-cloud management systems and monitoring tools, and integrate and support container architectures to help clients establish enterprise clouds.
- (2) Enterprise desktop cloud system implementation: Build client desktop cloud architectures and integrate security management and enterprise applications.
- (3) Virtualization backup system implementation: Virtualize off-site backup servers and centralize management of storage devices, as well as establish mechanisms for remote disk data transmission.
- (4) Cross-platform DAS/NAS/SAN data storage planning and implementation: Including centralized backup, off-site backup, and disaster recovery to protect intangible assets and achieve sustainable business operations.
- (5) Comprehensive enterprise information security protection system: Ensuring enterprise data security from endpoints to the core, from data to content, from physical to human, from policies to regulations, to safeguard enterprise investments.
- (6) Enterprise information system integration planning and implementation: Provide enterprise network system planning and implementation, system monitoring and management, remote control planning, asset management, and data center relocation and renovation.

- (7) Completion of development and construction of dedicated network management system: Develop and build dedicated heterogeneous platform network management systems to integrate client network management platforms.
- (8) Construction of enterprise event management platform: Utilize event management to integrate device construction for financial institutions' enterprise event collection and integration platforms.
- (9) Provide development and integration services for financial information network applications: Solutions such as the next-generation bank branch terminal application system (eTABS) and electronic banking service application system (Internet banking).
- (10) Outsourced maintenance and management of enterprise information equipment: Outsourced data center maintenance, virtualization management, regular hardware and software equipment testing, information equipment repair, rental of backup equipment, on-site maintenance, and disaster drills.
- (11) Planning and implementation of mobile device management systems: Build mobile device management systems, including secure areas for mobile phones, enterprise app stores, etc., to ensure the security and data protection of enterprise mobile devices.
- (12) Assist clients in building or transitioning to microservices architecture.
- (13) Planning and implementation of high-performance computing (HPC) and rendering farm systems.
- (14) Outsourced information security operations services: Provide enterprise social engineering exercise services, network monitoring services, network vulnerability scanning services, network security vulnerability troubleshooting, monthly network security monitoring reports, and network security incident response.
- (15) Construction and maintenance of nationwide iBox smart lockers to meet the mail needs and user experience in the era of e-commerce, increase customer loyalty, and provide high-quality, secure, reliable, convenient, and durable iBox locker devices for public use.
- (16) Data center environmental control system implementation service for detecting temperature, humidity, fire, and resources such as CPU, hard disk, and memory in the data center. It provides a single management interface to simultaneously display system management and data center environmental control management. When environmental indicators reach warning values, alarms will be triggered, and automatic protection mechanisms will be activated.

● Information Application Service

- (1) Project Development: We provide customized system planning, process recommendations, and programming services using a project-based approach. With our team of system analysts, system designers, and programmers, we

assist clients in meeting their information system needs, achieving operational efficiency and goals, and offering professional system maintenance and ongoing development services.

- (2) **Business Software:** We combine modular business software and customize integration based on client requirements, allowing for quick system scoping and shorter implementation timelines. Our modular services include membership management, fixed asset management, repair management, life insurance agent administrative management, Dashboard value-added packages, intelligent data center integration applications, cloud management platforms, and NDLP data leak prevention systems.

- **Customer Maintenance Services**

- (1) **Troubleshooting of Computer and Server Hardware/Software Issues:** Dispatching engineers to assist on-site in resolving problems, providing emergency spare part replacements, reporting on the progress of issue resolution, categorizing and tracking unresolved issues, and providing regular service reports.
- (2) **Outsourced MIS Service Process Management:** Designing customized service processes based on the specific service requirements of clients, aligning with their actual operational models, providing frontline user support, and alleviating the information department's burden of addressing various user issues.
- (3) **Troubleshooting of Credit Card, Micro-payment, and Related Equipment:** Execution of equipment installation and removal operations; providing assistance for issue resolution via phone or on-site support based on customer cases.
- (4) **Smart Service Equipment:** Coordinating site surveys and equipment installation, and performing maintenance and troubleshooting after equipment deployment.

- **Insurance Industry Information Service**

The Information Services Department of Fortune Insurance Industry was established in 1992 and specializes in insurance core systems such as Capsil, Ingenium, and eBao. We provide the most valuable services and comprehensive information services to the insurance industry in the Asia-Pacific region. Our services include information system consulting, professional custom services, data conversion services, insurance system training courses, and manpower dispatch services.

- **Logistics Management Services**

- (1) **Warehouse Management System:**

We employ rigorous project implementation and tailored management methods to gradually implement the system. Our services include inventory

management, order management, e-commerce integration, PDA and mobile commerce applications. We integrate with ERP/e-commerce platforms, courier service providers, and transportation management systems (TMS) to strengthen our logistics solutions with warehousing operations as the core focus.

(2) Logistics Management System Software Consulting Services:

We provide extensive knowledge in supply chain management and implement best practices based on industry experience, including third-party logistics, retail/wholesale/distribution, and manufacturing sectors.

(3) We enhance the functionality of WMS products and integrate them with transportation planning systems, while introducing new technological platforms to expand our product line and service offerings.

● Image Product Service

(1) Document Imaging:

We provide office document imaging establishment, workflow management systems, and professional services to our clients. This includes high-speed scanning and index creation.

(2) Professional Products:

We have developed our own software, DOC.M, which is complemented by the use of Kodak Capture Pro for professional image capture. It also incorporates browser-based querying and retrieval applications, allowing for the extraction of key data from paper documents and integration into business processing workflows.

(3) Services for Various Industries:

We develop solutions for government and hospital administrative units, such as digitalization of health insurance claims, medical review processes, and scanning of medical records. We also offer document scanning services for insurance policy documents in the insurance industry, application form scanning services for the banking sector, and digitalization of engineering drawings, among others.

● Visual Product Service

(1) Image Integration:

We offer screen stitching and fusion technologies for large-scale exhibition halls, banquet halls in hotels, multimedia planning for education and training, and seamless splicing for various venue configurations. We also provide optical multi-touch technologies for simulated theaters, scenario-based classrooms, and entertainment venues. Additionally, we serve as agents for large-sized touch display screens.

(2) Video Equipment:

We provide comprehensive planning and implementation of conference systems. Our services cover video product sales, leasing, installation, maintenance, and educational training throughout Taiwan.

● Business Management

In the information services industry, key success factors include market development and marketing, as well as human resources, research and development capabilities, and sound financial liquidity. The Company is committed to continuously cultivating talent and core technologies in all areas, establishing professional teams, and strengthening project management and product innovation capabilities. At the same time, we also focus on improving operational efficiency, accelerating inventory turnover and accounts receivable collection, ensuring sufficient funds to support business operations.

1.2.2 Expected sales quantity and basis:

The Company does not provide any public financial forecast.

1.2.3 Important production and sales policies:

1. Enhance the core values of the CMP, including flexible deployment, easy operation, efficient information security, and sustainable green energy.
2. Utilize RPA (Robotic Process Automation Integration) to develop an AI system architecture, integrate IT resources, storage, and network architecture with hyper-convergence virtualization technology.
3. Deeply cultivate AIOT (Internet of Things) and respond to the current society's demand for logistics intelligence with automated equipment services, continuously expanding the intelligent cabinet business, and moving towards a new milestone in intelligent logistics.
4. Develop a roll-card combined scoring system that enables digital scoring through software and hardware integration, significantly enhancing the objectivity, accuracy, and effectiveness of grading. Additionally, through data collection and analysis, teachers can better understand students' learning conditions, truly assist educators with technology, provide better teaching quality, and set new standards for modern digital scoring.
5. Deepen the WMS (Warehouse Management System), strengthen the integration of AGV dynamic warehouse management and WMS functions, and develop the best dispatching mode to match the WMS wave planning for the shortest picking time and enhance investment efficiency. Additionally, develop TMS AI partitioning and AI routing to reduce mileage and time costs.
6. Extend the functionality of the DOCM image document management system and actively develop the feature of importing image scanning retention files for certification signatures to meet the needs of various medical institutions, thereby expanding the company's business opportunities in the medical industry.

1.2.4 The impact of the external competitive environment, regulatory environment and overall business environment

Since 2022, the impact of the local epidemic on economic activities has significantly diminished due to the government's announcement of the "coexistence with COVID-19" policy and the increased vaccine coverage. Various industries have accelerated their digital transformation, increased their cloud adoption rates, strengthened their remote working capabilities and process digitization to ensure uninterrupted operations. Financial institutions have also started to replace critical systems to comply with regulations, enhance data security, supporting more digital channels and new financial needs, embracing multi-cloud hybrid cloud architecture to drive investment in cloud and cybersecurity. According to IDC Taiwan, the public cloud market in Taiwan is booming, with its market value expected to increase from USD 883 million (approximately TWD 26.3 billion) in 2020 to USD 2.782 billion (approximately TWD 83 billion) in 2025, with a compound annual growth rate of 25.8%.

Looking ahead, hybrid work arrangements have become the norm, and demand for e-commerce, video conferencing equipment, enterprise hybrid or multi-cloud architectures, and information security equipment is strong. In line with the government's active promotion of digital transformation, investments in smart machinery, mobile communication (5G), and tax deductions for cybersecurity products or services, as well as the rise of the global ESG trend, have driven domestic investment in capital expenditures. The Company focuses on the development and application of our proprietary products, and is committed to expanding our core business, building a customer base to seize capital expenditure opportunities in the government and information market.

The Company upholds the philosophy of "Integrity, Service, and Innovation" and strives to provide faster and more comprehensive professional services to meet the needs of our customers with a commitment to constantly upgrading our capabilities. Our vision is to become the most competitive information services enterprise.

Sincerely yours,

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal accounting officer: CHEN, XIU-YUE

II. Company Profile

2.1 Establishment Date:

The Company was officially registered and approved on April 11, 1977, and commenced its operations as an information services industry on June 1, 1982.

2.2 Company History:

In the most recent fiscal year and up to the date of printing this annual report, the Company has not engaged in any significant events or changes that could affect shareholders' equity, such as mergers, reorganizations, changes in ownership, significant changes in business operations or activities, and other important matters. The major transfers or replacements of shares by the directors or shareholders holding more than 10% of the Company's shares, please refer to page 51.

- In 1982 · We became the first authorized distributor of IBM in the Asia-Pacific region, marking the beginning of our business in the sale of information technology equipment. Our primary focus has been on selling computer equipment, printers, and consumables.
- In 1993 · We expanded our services to include software value-added services and Introduced US company PMSC life insurance management system CAPSIL.
- In 1995 · We became an agent for EPSON projectors.
 - We established a subsidiary Fortune Information Systems (International) Limited in Hong Kong.
- In 1997 · Fortune Information Systems Corp. went public by issuing its shares to the public.
- In 1998 · Image Product Service Dept. of the Company was honored to receive ISO-9002 international certification.
- In 1999 · The Company's stocks were officially listed for over-the-counter(OCT) trading on December 4th.
- In 2001 · The Company's stocks were officially listed for trading on the stock market on September 17th.
- In 2006 · Acquired land in Neihu and planned for the construction of an office building.
- In 2007 · Collaborated with VMware and achieved Platinum Partner status.
- In 2010 · Invested in iPAC Technology Co., Ltd., increasing the shareholding to 100%.
 - Jointly constructing an office building with related parties CECGP Electronics Corporation.
- In 2011 · Establishment of Remuneration Committee.
- In 2012 · Collaboration with Dell Technologies and achieved Partner status.
- In 2013 · The new office building is completed and relocated to No. 25, Ln. 78, Xing'ai Rd., Neihu Dist., Taipei City.
 - Developing the CMP (Cloud Management Platform) solution.
- In 2017 · Strengthening IT integration capabilities, we were awarded the Best Solution Partner of the Year by VMware for our outstanding cloud platform

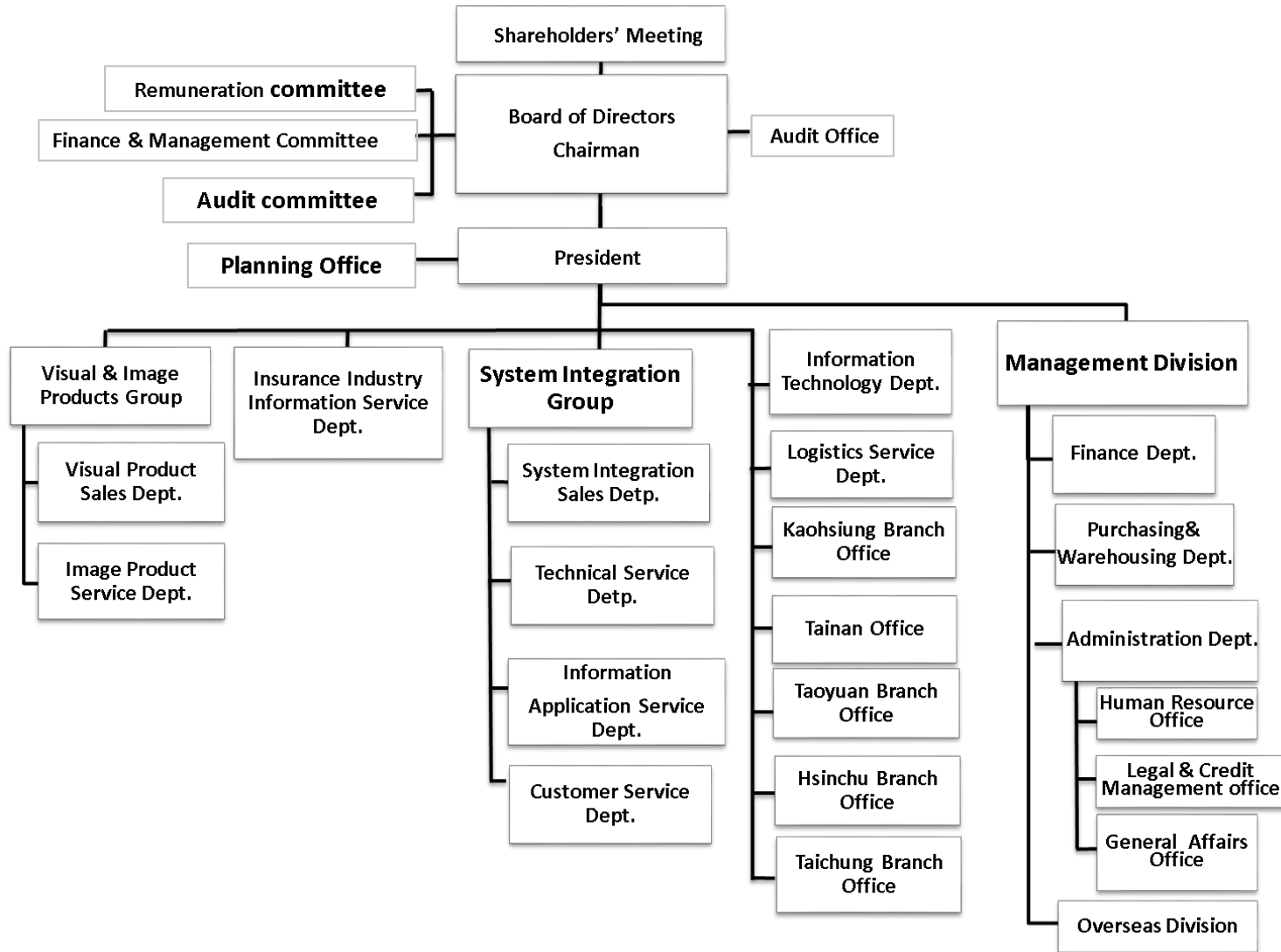
integration in V Cloud and cloud management solutions. This recognition from VMware has positioned us prominently in the Greater China region, affirming our commitment to future digital transformation.

- In 2019 · By undertaking the construction and maintenance work for Chunghwa Post's iBox, we have successfully entered the field of "IoT Smart Lockers."
- In 2020 · We have obtained the ISO/IEC 27001 international certification for information security standards.
- In 2021 · Established a subsidiary "Fortune Technology Systems Corporation."
 - Our subsidiary, Fortune Technology Systems Corporation has obtained the ISO/IEC 27001 international certification for information security standards.
 - Established an Audit Committee.
 - We have appointed a Corporate Governance Officer.
- In 2022 · We are honored to receive the prestigious VMware Excellence in Channel Collaboration Award.
 - We have achieved the Bronze Medal Excellence Award from TTQS for our outstanding performance as a corporate organization.

III. Organization and Corporate Governance

3.1 Organization

3.1.1 Organization Chart



3.1.2 Divisional Scope of Responsibilities

Division	Functions
Board of Directors	Overseeing the company's operations, making important decisions, and planning business direction of company.
Finance & Management Committee	Evaluating major personnel, financial, business and other related matters, as well as handling emergencies and unexpected events.
Audit Division	Performing internal audits and evaluating the appropriateness of controls within operating
Insurance Industry Information Service	Development, sales, planning and integration of insurance software business. Support the Insurance Industry Development Department in insurance core system and peripheral software implementation, construction and maintenance.
Logistics Service	Sales and development of own brand warehousing operation management system, providing customers with consulting and professional services in logistics warehousing operation.
Taoyuan Branch Hsinchu Branch Taichung Branch Tainan Office Kaohsiung Branch	<ol style="list-style-type: none"> 1.Sales information product and service planning. 2.Customer service counseling and training planning introduction. 3. Rental business and technical support for computer and peripheral products. 4. Maintenance and repair of computer and peripheral products. 5. Enterprise network and cloud computing planning services. 6. Sales of projectors and peripheral products.
System integration	<ol style="list-style-type: none"> 1. Various financial and government large-scale system integration projects. 2.Sales of domestic and foreign information products. 3.Sales of system integration for insurance and private enterprises. 4. Sales of information, network and information security equipment for central government joint supply contracts. 5.Integrated network storage equipment, backup solution planning and construction. 6.Provide comprehensive information security planning, implementation and consulting services for enterprises. 7. Provide professional technical consulting, planning and outsourcing services. 8.Development of ETABS and related business solutions. 9. Private cloud and hybrid cloud application related technical consulting, planning and outsourcing services. 10. Microservices related technical consultation, planning and outsourcing services. 11.HPC related technical consultation, planning and outsourcing services.
Customer Service	<ol style="list-style-type: none"> 1.Maintenance locations throughout Taiwan, engineers are certified by the original manufacturer. 2. UHD service. 3. Hardware troubleshooting and parts replacement service. 4. Spare equipment service (including equipment rental). 5. Installation (computer equipment relocation) & after-sales service. 6. Resident service (including server room relocation).
Technical Service	<ol style="list-style-type: none"> 1.Installation, repair, maintenance and technical support of server room equipment. 2. Provide certified server room rental and outsourcing services. 3. Virtualization and system service leasing. 4. Sales service of spare parts (with hard disk information security damage handling). 5. Enterprise implementation of data backup or disaster recovery services. 6. Network system architecture vulnerability scanning service.

Division	Functions
Information Application Service	<ol style="list-style-type: none"> 1. Provide Outsourcing Project outsourcing development and maintenance services. 2. Software Models Software modules business. 3. Develop and sell our own products (e.g. membership management system, life insurance agent administration system, data leakage protection system, etc.)
Image Service	<p>Product</p> <ol style="list-style-type: none"> 1. Image application integration software system DOC. 2. Sells Kodak Alaris, EPSON document image scanners and image capture software. 3. Business Process Outsourcing (BPO), document data scanning, archiving and transfer services. 4. EPSON micro-jet photocopying service.
Visual Product Sales	<ol style="list-style-type: none"> 1. Sales of EPSON LCD, single gun projector, EPSON AR smart glasses, digital audio and video products. We can plan and install for conference rooms, home theaters and other needs. 2. Projector rental and related supplies professional; Fast replacement and repair services. 3. Sales of AVER video conference products. 4. Sales of SMART large-size touch panel display products.
Planning Office	<ol style="list-style-type: none"> 1. Manage and promote the company's major operation strategy. 2. Manage the company's own product development plan. 3. Planning the overall marketing strategy of the company. 4. Website management and marketing.
Purchasing & Warehousing	<p>Purchasing Group: Purchasing of various products and management of suppliers.</p> <p>Warehousing team: Inventory in/out and storage management.</p>
Finance	<ol style="list-style-type: none"> 1. Bank transactions, fund transfers, cash and marketable securities asset management and cashier operations, etc. 2. Accounting and taxation matters. 3. Auditing, report preparation, analysis and bookkeeping of income and expenditure certificates. 4. Compilation of departmental budgets and performance evaluation.
IT	Maintenance and development of the company's internal information management system.
Administration	<p>Human Resources:</p> <ol style="list-style-type: none"> 1. Preparation and implementation of personnel system. 2. Management of personnel information. 3. Appointment, transfer, promotion, assessment, attendance, training, rewards, punishment, retirement, welfare planning and implementation of personnel. <p>Legal and Credit Management Office:</p> <ol style="list-style-type: none"> 1. Handling legal related affairs. 2. Preparation and management of contract review. 3. Dispute case handling and other legal related matters management. 4. Credit line control and customer visits. <p>General Affairs Office</p> <ol style="list-style-type: none"> 1. Purchase and management of office equipment and supplies. 2. Safety planning and disaster prevention training. 3. Office cleaning and maintenance and visitor reception.
Subsidiaries	<ol style="list-style-type: none"> 1. Investment and industrial cooperation. 2. Management of enterprises that transfer investments.

a. Major shareholders of the institutional shareholders

April 30, 2023

Name of Institutional Shareholders	Major Shareholders
CECGP Electronics Corp.	40.71% City Port Limited ; 31.2% CECGP Electronics Social Welfare Charitable Trust Fund ; 24.82% Standard Plastics LTD. ; 3.27% CECGP Electronics Education Charitable Trust Fund
Standard Plastics LTD.	39.72% City Port Limited ; 35.85% CECGP Electronics Corp. ; 19.93% CECGP Electronics Social Welfare Charitable Trust Fund ; 4.50% CECGP Electronics Education Charitable Trust Fund

b. Major shareholders of the Company's major institutional shareholders

April 30, 2023

Name of Institutional Shareholders	Major Shareholders
Standard Plastics LTD.	39.72% City Port Limited ; 35.85% CECGP Electronics Corp. ; 19.93% CECGP Electronics Social Welfare Charitable Trust Fund ; 4.50% CECGP Electronics Education Charitable Trust Fund
CECGP Electronics Corp.	40.71% City Port Limited ; 31.2% CECGP Electronics Social Welfare Charitable Trust Fund ; 24.82% Standard Plastics LTD. ; 3.27% CECGP Electronics Education Charitable Trust Fund
City Port Limited	100% Good Idea Global Limited

d. Diversity and Independence of the Board of Directors

In accordance with Article 23 of the Company's Code of Corporate Governance Practices, the composition of the Board of Directors shall consider diversity and formulate appropriate diversity guidelines with respect to its operation, business model and development needs, including but not limited to the following two major criteria

- a. Basic qualifications and values: gender, age, nationality and culture, etc.
- b. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry Experience, etc.

In order to achieve the desired goals of corporate governance, the board of directors as a whole should possess the following competencies:

- a. Operational judgment.
- b. Accounting and financial analysis skills.
- c. Management skills.
- d. Crisis management ability.
- e. Industry knowledge.
- f. International market perspective.
- g. Leadership skills.
- h. Decision-making ability.

Implementation:

The Company's Board of Directors shall direct the Company's strategy, supervise the management, and be responsible to the Company and shareholders.

The operations and arrangements of the Company's corporate governance system shall ensure that the Board of Directors exercises its authority in accordance with the provisions of the Act and the Articles of Incorporation or the resolution of the shareholders' meeting.

- a. The percentage of the Company's directors with employee status is 28%, the percentage of female directors is 71%, two independent directors have a term of less than three years, one independent director has a term of seven to nine years, three directors are over 70 years old, one is 60 to 69 years old, and three are under 60 years old.
- b. The current Board of Directors consists of seven directors who have experience in corporate management practices of listed companies or in management positions in government agencies, in addition to leadership, crisis management and international market perspective.

Among the three independent directors, LIN,SHI-MEI is the presiding attorney of Cheng & Lee Law Firm. LIN, QIAN-RU is the CPA of You Yuan Accounting Firm. They respectively have backgrounds in legal practice and financial accounting expertise.

Mr. LIU,YU-SHAN was a member of the Control Yuan and the Secretary General of the Executive Yuan.

Mr. Wei, Chairman of the Board, Ms. SU,MEI-CHUN, Ms. TANG, YU-HUA, and Ms. WANG,MEI-JUAN have professional experience in financial accounting and taxation, and have held important management positions such as chairman or president of the company.

Their industry experience includes information service, technology, electronics manufacturing, aviation, transportation and service industries. They have professional abilities in marketing, technology, management, industry knowledge and operational judgment.

Independence of the Board of Directors:

- a. The Company's Board of Directors is independent, with three of the seven directors being independent, representing 43% of the total number of independent directors.
- b. Two of the independent directors will not serve more than three consecutive terms. Although Ms. Lin,SHI-MEI has served for more than three terms. Ms. Lin holds a master's degree in law from the University of London and is qualified as a lawyer in Taiwan, specializing in legal practice for many years.

She is able to contribute her professional knowledge and ability, make independent judgment and express valuable opinions on the Company's business planning and decision making. Meet the independence requirements of the "Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies".

- c. There are no spouses or relatives within the second degree among the directors.
- d. The directors have a high degree of self-discipline and recuse themselves from the Board of Directors' meetings if they have an interest in any of the proposals listed in the Board of Directors' meetings or in the legal entities they represent.

Title	Name	Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note)
		The company	Companies in the consolidated financial statements	
General Manager	TANG, YU-HUA	19,509 30.71%	19,509 30.71%	None
Senior Vice President	ZHANG, LIANG-SHI			None
Vice President	CHEN, XIU-YUE			None
Vice President	YANG, ZHENG-NING			None
Vice President	CHEN, BAO-FU			None
Vice President	LIN, YONG-CHANG			None
Vice President	WU, XU-BIN			None
Vice President	WU, XU-BIN			None

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	-	-
NT\$1,000,000 ~ NT\$1,999,999	WU, XU-BIN	WU, XU-BIN
NT\$2,000,000 ~ NT\$3,499,999	TANG, YU-HUA ZHANG, LIANG-SHI CHEN, XIU-YUE CHEN, BAO-FU LIN, YONG-CHANG	TANG, YU-HUA ZHANG, LIANG-SHI CHEN, XIU-YUE CHEN, BAO-FU LIN, YONG-CHANG
NT\$3,500,000 ~ NT\$4,999,999	YANG, ZHENG-NING	YANG, ZHENG-NING
NT\$5,000,000 ~ NT\$9,999,999	-	-
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Greater than or equal to NT\$100,000,000	-	-
Total	7	7

Note 1: The actual amount of employee remuneration for the year 2022 has not yet been distributed, and the distribution ratio is estimated based on the employee bonus distribution ratio for the year 2021.

Employee profit sharing paid to management executives

Unit: NT\$ 1,000 December 31, 2022

	Title	Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	General Manager	TANG, YU-HUA	-	1,283	1,283	2.02%
	Senior Vice President	ZHANG, LIANG-SHI				
	Vice President	CHEN, XIU-YUE				
	Vice President	LIN, YONG-CHANG				
	Vice President	WU, XU-BIN				
	Vice President	YANG, ZHENG-NING				
	Vice President	CHEN, BAO-FU				
	Assistant Vice President	CHENG, MEI-LING				
	Assistant Vice President	XIE, BING-CHEN				
	Assistant Vice President	QIU, JUN-YAO				
	Assistant Vice President	SHI, SHANG-YU				
	Assistant Vice President	CHEN, ZHAO-LIN				
	Assistant Vice President	WU, JING-YI				
	Assistant Vice President	LU, ZONG-KUN				
	Manager	WANG, WEI-GUO				
	Manager	LIN, ZHENG-HONG				
	Manager	WANG, SHU-FEN				
	Manager	CAI, DU-FENG				
	Manager	XU, MEI-FANG				
	Manager	HUANG, DA-QING				
	Manager	DENG, HONG-JI				
	Manager	LI, ZI-QING				
Manager	TANG, YU-LING					
Manager	LIN, YOU-RU					
Manager	TAN, JIA-DONG					

Note 1: The actual amount of employee remuneration for the year 2022 has not yet been distributed, and the distribution ratio is estimated based on the employee bonus distribution ratio for the year 2021

Total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

Title	2022	2021
Directors	48.45%	55.19%
General Manager and Vice Presidents		

The salary of the Chairman of the Company is determined by the board of directors with reference to the relevant industry standards and in accordance with the provisions related to the remuneration of employees. The transportation expenses for each director of the Company are NT\$10,000 per month, while independent directors receive NT\$20,000 per month. Independent directors participating in functional committees receive a monthly transportation allowance of NT\$10,000 for each committee they attend. An attendance fee of NT\$ 2,000 will be provided for each attendance at Board of Directors. The salary structure for the General Manager and Vice Presidents includes basic salary, meal allowance, position allowance, non-fixed bonuses, and employee compensation. The basic salary ranges from NT\$70,000 to NT\$200,000 depending on their education, experience, and job performance.

3.3 Corporate Governance

3.3.1 Board of Directors attendance

A total of 6 meetings of the board of directors were held in 2022, director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	CECGP Electronics Corp. Representative: WEI, XING-XIONG	6	0	100%	None
Director	CECGP Electronics Corp. Representative: SU,MEI-CHUN	6	0	100%	None
Director	Standard Plastics LTD. Representative: TANG, YU-HUA	6	0	100%	None
Director	Standard Plastics LTD. Representative: WANG,ZHENG-XIAO	3	0	100%	Discharged on June 30, 2022. Should attend 3 times
	Representative: WANG,MEI-JUAN	3	0	100%	Took office on July 1, 2022. Should attend 3 times
Independent Director	LIN,SHI-MEI	6	0	100%	None
Independent Director	LIN, QIAN-RU	6	0	100%	None
Independent Director	LIU,YU-SHAN	6	0	100%	None

Other mentionable items:

1.If there is the following situation referred to the operation of Board of Director, the date of Board meeting, period, contents of the case, opinion of all Independent Director, and company's respond toward Independent Director should be narrated.

- (1) Items listed in Article 14-3 of Securities and Exchange Act: Please refer to the page about Audit Committee. All proposals were resolved by all independent directors.
- (2) Other matters involving objections or expressed reservations by Independent Directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.

2. The implementation of Directors' avoidance of motions in conflict of interest:

- 1st meeting of the board of directors (January 24, 2022)
 - (1) Salary adjustment for managerial personnel of the year 2022. Except for Director TANG, YU-HUA, who recused herself due to a conflict of interest, there were no objections from other attending directors after the discussion, and the resolution was passed accordingly.
 - (2) Performance bonuses for managerial officers for the year 2021. Except for Director SU,MEI-CHUN and TANG, YU-HUA, who recused themselves due to a conflict of interest, there were no objections from other attending directors after the discussion, and the resolution was passed accordingly.
 - (3) Salary adjustment for the Chairman for the year 2022. Except for Chairman WEI, XING-XIONG, who recused himself due to a conflict of interest, Acting Chairman - Independent Director LIN,SHI-MEI consulted with the other attending directors, and the resolution was passed without objection.
 - (4) Performance bonus for the Chairman for the year 2021. Except for Chairman WEI, XING-XIONG, who recused himself due to a conflict of interest, Acting Chairman - Independent Director LIN,SHI-MEI consulted with the other attending directors, and the resolution was passed without objection.
- 4th meeting of the board of directors (August 8, 2022)
 - (1) Distribution of employee remuneration and performance bonuses. Except for Director SU,MEI-CHUN and

TANG, YU-HUA, who recused himself due to a conflict of interest, there were no objections from other attending directors after the discussion, and the resolution was passed accordingly.

(2) Performance bonus for the Chairman. Except for Chairman WEI, XING-XIONG, who recused himself due to a conflict of interest, Acting Chairman - Independent Director LIN, SHI-MEI consulted with the other attending directors, and the resolution was passed without objection.

3. Implementation of Board Evaluation

Frequency	Period	Scope	Method	Content
Once per year	<p>The Board of Directors of the Company shall conduct an evaluation of its performance annually in accordance with the evaluation procedures and criteria prescribed.</p> <p>The evaluation results of the Board of Directors' performance shall be completed before the end of the first quarter of the following year.</p> <p>Evaluation period: November 1, 2022 to December 31, 2022</p>	Overall evaluation of the Board of Directors, individual directors, and performance of functional committees.	<p>Internal self-evaluation of the board of directors</p> <p>Director member self-assessment</p> <p>Functional committee performance evaluation self-assessment</p>	<ul style="list-style-type: none"> ● The measurement criteria for evaluating the performance of the Board of Directors include five dimensions: <ul style="list-style-type: none"> ■ Degree of participation in company operations. ■ Enhancement of decision-making quality of the Board of Directors. ■ Composition and structure of the Board of Directors. ■ Selection and continuous education of directors. ■ Internal controls. ● The measurement criteria for self-assessment of individual directors' performance include six dimensions: <ul style="list-style-type: none"> ■ Understanding of company goals and missions. ■ Awareness of director's responsibilities. ■ Degree of participation in company operations. ■ Management of internal relationships and communication. ■ Professionalism and continuous education of directors. ■ Internal controls. ● The measurement criteria for evaluating the performance of functional committees include five dimensions: <ul style="list-style-type: none"> ■ Degree of participation in company operations. ■ Awareness of functional committee responsibilities. ■ Enhancement of decision-making quality of functional committees. ■ Composition and selection of functional committee members. ■ Internal controls.

1. The performance evaluation of the Board of Directors for 2022 has been completed. The evaluation results were submitted to the Board of Directors on March 24, 2023. The score for the Board of Directors' performance evaluation was 4.98, the score for self-assessment of individual directors' performance was 4.81, the score for the Remuneration Committee's performance evaluation was 4.94, and the score for the Audit Committee's performance evaluation was 4.95. The scores for the Board of Directors, individual directors, and functional

committees in 2022 ranged from 4.81 to 4.98, indicating that the Board of Directors and the functional committees operated well overall, complied with corporate governance requirements, and effectively strengthened the functions of the Board of Directors and safeguarded shareholders' rights and interests.

2. In the self-assessment of individual directors' performance in 2022, in the dimension of "degree of participation in company operations," the indicator of "directors making effective contributions in board meetings" had an average score of 4.29 among the seven directors, which was the lowest score among all the indicators. The reasons for the lower scores in this area will be examined to plan improvement measures.
3. Evaluation of the goals and implementation status of strengthening the functions of the board of directors in the current year and the most recent year.
 - (1) The Audit Committee was established in 2021 to effectively establish the corporate governance system, enhance supervisory functions, and strengthen management capabilities.
 - (2) Based on the results of the Board of Directors' performance evaluation, continuous efforts are being made to enhance corporate governance effectiveness.

3.3.2 Audit Committee attendance

A total of 5 meetings of Audit Committee were held in 2022, and the Independent Director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Independent Director (Chairman)	LIN, QIAN-RU	5	0	100%	
Independent Director	LIN, SHI-MEI	5	0	100%	
Independent Director	LIU, YU-SHAN	5	0	100%	

Other mentionable items:

1. If there is the following situation referred to the operation of Audit Committee, the date of Audit Committee meeting, period, contents of the case, opinion of all members, and company's respond toward Audit Committee members should be narrated

Items specified in article 14-5 of Securities and Exchange Act:

Date	Issue contents	Audit Committee Decision Results and Company's Handling of Audit Committee Opinions
March 25, 2022	.2021 annual business report, financial statements, and consolidated financial statements .Effectiveness of the internal control system for the year 2021 and the statement on the internal control system .CPA's remuneration for the years 2022 and 2023 .Amendment to the Company's Articles of Incorporation .Amendment to the company's asset acquisition or disposal procedures	Unanimous approval by the Audit Committee.
May 9, 2022	.Consolidated financial statements for the first quarter of 2022	
August 8, 2022	.Consolidated financial statements for the second quarter of 2022 .Fund lending to subsidiary .Increase in investment amount in subsidiary, FTSC	
November 7, 2022	.Consolidated financial statements for the third quarter of 2022	

December 29, 2022	.Independence assessment of the CPA for the current year .Audit plan for the year 2023	
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Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee.: None

2. The avoidance of Independent Director due to interest conflict: None.

3. The communication between independent director, internal audit chief and CPA

The internal audit manager of the Company regularly conducts audit operations in accordance with the audit plan and submits them for review by independent directors. Internal audit reports are presented to the Audit Committee on a quarterly basis. If necessary, communication with independent directors is conducted through meetings, telephone, or email.

Date	Communication with internal audit	Communication with CPA
January 24, 2022	.Report on internal auditing for December 2021	-
March 25, 2022	.Report on internal auditing for January 2022	.2021 annual business report, financial statements, and consolidated financial statements .Reminder: Updates on laws and regulations and other important matters to be aware of ° .The situation of self-prepared financial reports and recommended actions
May 9, 2022	.Report on internal auditing for February to March 2022	-
August 8, 2022	.Report on internal auditing for April to June 2022	.Consolidated financial statements for the second quarter of 2022
November 7, 2022	.Report on internal auditing for July to September 2022	.Consolidated financial statements for the third quarter of 2022 .Key audit matters in the 2022 audit report
December 29, 2022	.Report on internal auditing for October to November 2022	-

Result: The above-mentioned communication matters between independent directors, internal audit supervisor, and the accountant, all independent directors had no objections.

3.3.3 Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation status		Summary description	Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company's Board of Directors resolved to establish a "Code of Corporate Governance Practices" on November 8, 2021, which has been revised over the years in accordance with laws and regulations and actual operations. The last revision made at the Board of Directors' meeting on March 24, 2023. Disclosed on the Market Observation Post System and the Company's website.	None
2. Shareholding Structure and Shareholders' Rights (1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly? (2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders? (3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V V V V		(1) In addition to appointing a professional stock agent to handle shareholders' affairs, the Company also has a dedicated person in charge of stock affairs. We have an investor zone, a spokesperson and a proxy spokesperson mechanism. There are also legal advisors for consultation to handle shareholders' suggestions, doubts, disputes and litigation matters. (2)The Company reports and discloses the changes in shareholdings and pledges of its corporate directors and the basic information of its major shareholders on the Market Observation Post System in accordance with the regulations. (3)The assets, financial operations and accounting of the affiliated companies are operated independently. The Company has established the "Regulations Governing the Delegation of Duties" and "Procedures for Transactions with Affiliates, Specific Companies and Group Companies" to regulate the financial transactions between the Company and its affiliates and the matters that should be monitored. (4) The Company has established the "Code of Ethical Conduct for Directors, Supervisors and Managers", "Code of Business	None

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No	Summary description	
			Conduct with Integrity", "Operating Procedures and Conduct Guidelines for Business Conduct with Integrity" and "Procedures for Handling Significant Internal Information and Regulations for Prevention of Insider Trading" to regulate the prohibition of insider trading of marketable securities using undisclosed information in the market and to prevent conflicts of interest and self-interest of insiders of the Company.	
<p>3. Composition and responsibilities of the board of directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p> <p>(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?</p> <p>(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?</p> <p>(4) Does the Company regularly evaluate its external auditors' independence?</p>		<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>(1) The nomination of the Company's directors is based on diverse backgrounds. In addition to their professional abilities and experience in various fields, such as corporate management, finance, accounting, and law, the Company also values their personal ethical behavior and reputation for leadership. Five of the directors are women, accounting for five-sevenths of the total number of directors.</p> <p>(2) Except for the establishment of the Remuneration Committee and the Audit Committee, the Company's corporate governance operations are under the responsibility of each department according to its duties.</p> <p>(3) The results of the 2022 performance evaluation were presented to the Board of Directors on March 24, 2023, and will be used as reference for individual directors' salary and compensation and nomination for reappointment.</p> <p>(4) The Finance Department of the Company evaluates the independence and suitability of the appointed accountants annually with reference to the Audit Quality Indicators (AQIs) and reports the evaluation results to the Board of Directors.</p> <p>Examples of the significant items evaluated are as follows.</p>	<p>Same as summary.</p> <p>Same as summary.</p> <p>None</p> <p>None</p>

Evaluation item	Implementation status		Summary description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<ul style="list-style-type: none"> . Not an employee, director, or supervisor of the Company or its affiliates, or a natural person shareholder who holds 1% of the shares or the top ten shares. . Not being a spouse or a relative within the second degree of kinship with a director, supervisor or manager of the Company. . The same accountant has not performed the licensing service continuously for more than seven years. . The statement of independence of the accountant. . The results of the evaluation were presented to the Board of Directors on December 29, 2022. 	
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		<p>On November 8, 2021, the Board of Directors appointed Senior Vice President Mr. Liang-Shi Chang as the Head of Corporate Governance. The management office is responsible for corporate governance-related matters (including but not limited to providing information necessary for directors to perform their business, assisting directors in complying with laws and regulations, conducting meetings of the board of directors and shareholders' meetings in accordance with the law, and preparing minutes of board of directors and shareholders' meetings).</p> <p>The following table illustrates the status of the Corporate Governance Officer's continuing education</p>	None
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		<p>The Company's website has a stakeholder area and a spokesperson and proxy spokesperson mechanism. Stakeholders can obtain financial and business information and other operational status via telephone, the Company's website, or e-mail (service@fis.com.tw), and communication channels are smooth. The Company will also provide appropriate handling according to the prevailing situation.</p>	None
6. Has the Company appointed a professional shareholder services	V		<p>The Company has appointed KGI's share agent department to</p>	None

Evaluation item	Implementation status		Summary description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
agent to handle matters related to its shareholder meetings?			handle the shareholders' meeting.	
<p>7. Information Disclosure</p> <p>(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?</p> <p>(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</p> <p>(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?</p>	V	V	<p>(1)The Company has a website at www.fis.com.tw, which contains information on financial operations and corporate governance.</p> <p>(2)The Company has set up an English website and designated a person responsible for the collection and disclosure of corporate information and the implementation of a spokesperson system.</p> <p>(3)The Company announces and reports annual and quarterly financial reports and monthly operations by the prescribed deadlines in accordance with laws and regulations and the Company's overall planning.</p>	None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		<p>(1)The Company has a website at www.fis.com.tw, which contains information on financial operations and corporate governance.</p> <p>(2)The Company has set up an English website and designated a person responsible for the collection and disclosure of corporate information and the implementation of a spokesperson system.</p> <p>(3)The Company announces and reports annual and quarterly financial reports and monthly operations by the prescribed deadlines in accordance with laws and regulations and the Company's overall planning.</p> <p>(4)Employee rights and care: In addition to the provisions of the Labor Standards Law and related laws and regulations, the Company has taken out group insurance and established an</p>	None

Evaluation item	Implementation status		Summary description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			<p>employee welfare committee to protect the welfare of employees. We have a well-designed education and training system to encourage our employees to participate in various training and technical seminars both at home and abroad. We hold annual seminars for employees and senior executives to help provide them with opportunities for two-way communication with management and the chairman of the board of directors to provide them with timely care.</p> <p>(5)Investor Relations and Stakeholder Rights: The Company discloses information about the Company as required by law and designates a person responsible for handling investor proposals and implementing a spokesperson system. The Company's website also has an investor area where investors can learn about the Company's operations at any time to protect their rights and interests.</p> <p>(6)Supplier relations and implementation of customer policies: The Company has always maintained good relationships with its suppliers. There is a stakeholder communication area on the Company's website, where suppliers can contact the Company by phone or email at any time.</p> <p>(7)Implementation of risk management policies and risk measurement standards: Internal management rules and regulations are established in accordance with the law to manage and evaluate various risks and are handled by each responsible department.</p> <p>(8)Implementation of customer policies: The Company maintains a stable and good relationship with its customers, and has set up a customer service hotline and an online inquiry website for customer inquiries.</p>	

Evaluation item	Implementation status		Summary description	Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons.
	Yes	No		
			(9) Directors' education: The following is the description. (10) Liability insurance for directors: The Company has taken out liability insurance for directors and managers for the year 2022, and will report the status of insurance to the board of directors on March 24, 2023.	
<p>9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If the Company was not included among the companies evaluated for the given recent year, this item does not need to be completed.)</p> <p>1. The Company is actively improving its corporate governance program. The 8th evaluation fell in the range of 66% to 80%. In the 9th, the Company continued to improve its score. This demonstrates the Company's commitment to strengthening corporate governance. The following improvements have been made to the unscored items in the 9th evaluation:</p> <p>a. The Company has established a board of directors' diversity policy, the implementation of which is disclosed on the Company's website and annual report.</p> <p>b. The Company's Board of Directors regularly evaluates the criteria for the process of certifying the independence of the accountants and lists the items of their evaluation in the annual report.</p> <p>c. The Company conducts internal performance evaluations of functional committees, including the Audit Committee and the Remuneration Committee, on an annual basis. The performance and evaluation results will be disclosed on the Company's website or in the annual report.</p> <p>2. The following measures will be strengthened as a priority during the year:</p> <p>a. Due to the characteristics of the industry, the Company has no direct greenhouse gas emission sources. Office environment to implement energy saving and carbon reduction measures, including reducing the use of paper, water and energy control and promotion. We have also planned the schedule of greenhouse gas inventory and verification and submitted it to the board of directors for discussion.</p>				

As requested by the directors and independent directors, the Company provides relevant courses covering corporate governance topics such as finance, business, legal affairs, accounting, and other related areas for their continuing education.

The Company has a total of 7 directors, and the continuing education status for directors and independent directors in 2022 is as follows:

Title	Name	Date	Organizer	Training Course	Time(hrs)
Legal person director representative/Chairman	WEI, XING-XIONG	April 22, 2022	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net-Zero Summit Forum	3
		July 19, 2022	Taiwan Corporation Governance Association	Trends and Responses to Carbon Management on the Path to Net-Zero Emissions	3
Legal person director representative	SU,MEI-CHUN	November 15, 2022	Securities and Futures Institute	The New Opportunity of ESG New Economy and Corporate Transformation	3
		November 22, 2022	Securities and Futures Institute	How to enhance the credibility of corporate sustainability reports	3
Legal person director representative	TANG, YU-HUA	December 2, 2022	Taiwan Corporation Governance Association	Director Role Positioning and Changes under the ESG Trend	3
		December 13, 2022	Taiwan Corporation Governance Association	Trends and Risk Management of Digital Technology and Artificial Intelligence	3
Legal person director representative	WANG,MEI-JUAN	Octor 28, 2022	Taiwan Stock Exchange	Promotion Event to Prevent Insider Trading for the Year 2022	3
		November 17, 2022	Taiwan Institute for Sustainable Energy	Deloitte "Towards Net Zero: Co-creating the Carbon-neutral and Sustainable Ecosystem"	3
Independent Director	LIN,SHI-MEI	April 22, 2022	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net-Zero Summit Forum	3
		Jane 10, 2022	Securities and Futures Institute	Promotion Event to Prevent Insider Trading for the Year 2022	3
Independent Director	LIN, QIAN-RU	Octor 5, 2022	Taiwan Stock Exchange	Legal Compliance Briefing on Insider Stock Trading for the Year 2022	3
		Octor 11, 2022	Taiwan Stock Exchange	Publication of the 2022 Reference Guidelines for the Exercise of Duties by Independent Directors and Audit Committee Members and the Director and Supervisor Briefing Session	3
Independent Director	LIU,YU-SHAN	Jane 2, 2022	Accounting Research and Development Foundation	Common Internal Control Management Deficiencies in Enterprises and Practical Case Analysis	3
		Octor 19, 2022	Taiwan Stock Exchange	Legal Compliance Briefing on Insider Stock Trading for the Year 2022	3

Continuing education status for Corporate Governance Officer in 2022 is as follows:

Title	Name	Date	Organizer	Training Course	Time(hrs)
Corporate Governance Officer / Senior Vice President	ZHANG,LIANG-SHI	March 4, 2022	Taiwan Corporation Governance Association	Key Messages and Responsibilities Analysis in Annual Reports: Views from Directors and Supervisors	3
		March 11, 2022	Taiwan Corporation Governance Association	Shareholders' Meeting and Equity Management	3
		April 22, 2022	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net-Zero Summit Forum	3
		August 9, 2022	Taiwan Corporation Governance Association	Looking at Information Security Governance Strategies of Listed Companies and Over-the-Counter (OTC) Companies from the Perspective of ESG Corporate Sustainability	3
		September 22, 2022	Taiwan Institute for Sustainable Energy	Explanation and case study of the responsibilities of directors and supervisors under corporate	3

Note : First took office on November 8, 2021.

3.3.4 Remuneration Committee

(1) Information on Members of Remuneration Committee

Roles	Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Independent Director (Chairman)	LIN,SHI-MEI	Please refer to page 15.		2
Independent Director	LIN, QIAN-RU			1
Independent Director	LIU,YU-SHAN			None

(2) Information on Operation of Remuneration Committee

a. There are 3 members in Remuneration Committee

b. The term of the current committee: July 29, 2021 to July 19, 2023. The committee has met 3 times in 2022. The attendance and qualifications of committee members is as following:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	LIN,SHI-MEI	3	0	100%	-

Member	LIN, QIAN-RU	3	0	100%	-
Member	LIU, YU-SHAN	3	0	100%	-

Other mentionable items:

- a. In case the board of directors declines or modifies the suggestions of the Remuneration Committee, specify the date, number, contents, and resolutions of the meeting of the board and its handling of the opinions of the Remuneration Committee: None.
- b. If a member opposes or has reservation, on record or in written form, about the resolutions of the Remuneration Committee: None.
- c. Summary of main subjects of communication and results in 2022

Date	Issue contents	Remuneration Committee Decision Results and Company's Handling of Remuneration Committee Opinions
January 24, 2022	<ul style="list-style-type: none"> .The salary adjustment for managerial personnel of the year 2022 .The performance bonuses for managerial officers for the year 2021 .The salary adjustment for the Chairman for the year 2022 .The performance bonus for the Chairman for the year 2021 .the increase in performance bonus distribution .Personnel promotion of the Company .Personnel promotion of subsidiaries .The amendment to the management regulations for sales department performance bonuses 	<p>Except for some Directors, who recused themselves due to a conflict of interest, there were no objections from other attending directors after the discussion, and the resolution was passed accordingly. (Please refer to page 24)</p>
August 8, 2022	<ul style="list-style-type: none"> .The distribution of employee remuneration and performance bonuses for managerial personnel .The performance bonus for the Chairman .The distribution of special bonuses to managerial personnel .The proposal to increase the distribution of performance bonuses for managerial personnel 	
November 7, 2022	<ul style="list-style-type: none"> .The establishment of the VMware VCF Ignite Program Incentive Bonus Plan .The amendment to the Performance Bonus Management Guidelines for Business Departments .The increase in distribution of performance bonuses for managerial personnel .The distribution of target achievement bonuses for managerial personnel .The distribution of incentive bonuses for managerial personnel 	

3.3.5 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board? (The TWSE/TPEX listed company shall report the implementation status. This is not a comply-or-explain provision.)	V		On November 7, 2022, the Company established the "Code of Practice for Sustainable Development" and disclosed it on the Company's website. The management office is the unit for promoting sustainable development. It is responsible for proposing and implementing sustainable development policies, systems or related management guidelines. The implementation of sustainable development in 2022 was reported by the Board of Directors on December 29, 2022 and disclosed on the Company's website.	None
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (The TWSE/TPEX listed company shall report the implementation status. This is not a comply-or-explain provision.)	V		Depending on the nature of the Company's business, relevant units are responsible for the risk management of each operation: (1) Finance and Management Committee: Responsible for assessing major personnel, financial and business related matters. We handle emergencies and contingencies and formulate strategies to achieve operational results in order to reduce strategic and operational risks. (2) Audit: Responsible for performing internal audit operations. Evaluate the appropriateness of the internal control system of operation procedures to ensure that the system is designed and implemented in an effective manner. (3) Administration Department: To implement the preparation, implementation and management of personnel system. Handle legal affairs and comply with legal purposes. Contract review and credit control. To	None

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			manage the company's major operation strategies. Planning the overall marketing strategy and product development plan of the Company. Evaluate information and industry cooperation, and management of business ventures for transfer of investment.	
<p>3. Environmental Issues</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics?</p> <p>(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?</p> <p>(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?</p> <p>(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?</p>	V		<p>(1)The Company's business operations do not cause environmental pollution. The company has set up environmental maintenance personnel and management system. Environmental maintenance work is performed regularly. We have not yet applied for international standard certification on environmental issues.</p> <p>(2)The Company implements environmental protection policies. Garbage separation is set up on each floor. We are doing our best to recycle resources and green the environment.</p> <p>a. The office promotes the electronicization of documents and the introduction of an electronic online signature management system. Reduce the use of paper and replace traditional toner photocopiers with ink photocopiers to improve the efficiency of photocopying and avoid recycling of old toner cartridges.</p> <p>b. Use electronic invoices. In line with the IRS policy to achieve paper reduction and power saving.</p> <p>c. The company has fully replaced the use of T5 energy-saving lamps and LED bulbs. In addition, the lighting equipment in public areas is equipped with sensor timer, which automatically turns off the power when</p>	None

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>no one is using to achieve the effect of electricity saving.</p> <p>d. The Company adopts variable frequency air conditioning system with temperature setting between 26~28 degrees to save energy.</p> <p>(3)The Company has no direct emission of greenhouse gas-related emission sources. We have implemented energy saving and carbon reduction measures in our office environment. These include reducing the use of paper, and controlling and promoting water, electricity and energy.</p> <p>(4)The main sources of greenhouse gases affecting the Company's office electricity, computer room electricity, etc. Greenhouse gas inventory and verification schedule has been planned and submitted to the Board of Directors for discussion. Water consumption is for general daily use, not for industrial use.</p> <p>In 2022, the carbon emissions amounted to 373.05 metric tons of CO₂, representing an increase of 24.066 metric tons compared to the emissions in 2021.</p> <p>The main reasons for this increase are as follows:</p> <ol style="list-style-type: none"> 1. In 2021, during the severe period of the COVID-19 pandemic, there were work-from-home arrangements in place, leading to reduced electricity consumption. In 2022, as the pandemic situation improved, the work-from-home measures were gradually lifted, resulting in higher electricity usage. 2. The company relies on purchased electricity, mainly for air conditioning purposes. As the average annual temperature in Taiwan has been increasing, the 	

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			demand for air conditioning has risen, leading to a 6.9% increase in electricity consumption in 2022 compared to 2021.	
4. Social Issues				
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		(1) We have established the management system for employing people with physical and mental disabilities and indigenous people in accordance with the Labor Standards Law.	None
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		(2) The Company has established a code of conduct for employees and a bonus system to sign labor contracts with employees. The Company provides employee benefits in accordance with the Labor Standards Law and pays bonuses to employees in accordance with the annual operating results. Employees are selected and hired in accordance with the initial terms and conditions of each job level and are paid in accordance with the standards set by the employee salary scale. The salary of each level of staff does not differ according to gender, establishing a working environment of equal pay for equal work and truly implementing the concept of gender workplace equality.	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		(3) The company's office building is built with a safe working environment as the first consideration. There are security guards, video recording system and access control. We also arrange fire and earthquake safety and health education in our employee education and training programs every year.	
(4) Has the Company established effective career development training programs for employees?	V		(4) The Company has established the "Employee Training Program" to enhance the professional awareness and implementation of the management philosophy. To enhance the sense of identification with the Company and to implement the Company's employee training	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V			
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such	V			

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?			<p>program.</p> <p>(5)The Company has a customer service center dedicated to handling customer issues and conducting customer satisfaction surveys by telephone from time to time as a goal for future improvement. For marketing and labeling of products and services, the Company follows relevant laws and regulations and international standards.</p> <p>(6)The Company has a corporate social responsibility pledge to require itself to fulfill its corporate social responsibility and to require its suppliers to comply with it. In case of violation of CSR policy and significant impact on the environment and society, the contract may be terminated or cancelled at any time. The Company has set up a legal affairs office to evaluate its suppliers and confirm that there are no records of environmental and social impacts.</p>	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		V	The Company discloses the implementation of sustainable development on its corporate website and in the annual report of the shareholders' meeting. We do not currently prepare a perpetual report.	Same as Summary.
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Company has a corporate social responsibility pledge for all employees to follow.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: The Company has no direct greenhouse gas emission sources. We have adopted energy-saving and carbon-reduction measures in the office environment, including the reduction of paper use and the control and promotion of water, electricity and energy. We have also planned the schedule of greenhouse gas inventory and verification and submitted it to the board of directors for discussion.				

3.3.6 Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?</p> <p>(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?</p>	V		<p>(1) Company has established the "Code of Ethical Conduct for Directors, Supervisors and Managers", "Disciplinary Management Rules", "Code of Business Conduct with Integrity", "Operating Procedures and Conduct Guidelines for Business Conduct with Integrity" and the Code of Conduct for Employees. The Company uses training, advocacy, internal auditing and external prosecution to regulate directors, supervisors, managers and employees from obtaining improper benefits in any form, and announces them on the Company's official website.</p> <p>(2) The same as above.</p> <p>(3) The Company has established the "Code of Conduct for Honest Management", "Procedures and Conduct Guidelines for Honest Management", and "Rules for Handling Reports of Illegal, Unethical or Dishonest Conduct". All empl</p>	None
2. Ethical Management Practice				

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p> <p>(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p> <p>(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?</p> <p>(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?</p> <p>(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?</p>	V		<p>(1)The Company's integrity records of the counterparties are evaluated by the Legal and Credit Management Office:. The contracts signed with important counterparties have specified the terms of integrity behavior.</p> <p>(2)The Company's management office is the dedicated unit to promote the integrity management of the Company, and the implementation of the integrity management for fiscal year 2022 was reported to the board of directors on December 29, 2022.</p> <p>(3)The Company has established a specific reporting system in the "Code of Corporate Governance Practices", "Code of Conduct for Integrity Management" , "Operating Procedures and Conduct Guidelines for Integrity Management", which are implemented in accordance with the Company's disciplinary regulations and employee grievance procedures to actively prevent dishonest conduct.</p> <p>Internal and external personnel are encouraged to report dishonest behavior or misconduct, with the management office as the dedicated unit for receiving such reports. The official stakeholder area provides an effective way for employees, shareholders, stakeholders and outsiders to communicate with each other. If a report involves a director or senior executive, it will be reported to the independent director.</p> <p>(4)The Company has an accounting system and internal control system to ensure the effectiveness of operations, reliability of financial reporting, and compliance with</p>	None

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>relevant laws and regulations. The audit office and finance department are required to be rigorous and neutral. The financial statements are audited and reviewed by a certified public accountant to ensure fairness.</p> <p>(5)The Company has established the "Code of Ethical Conduct for Directors, Supervisors and Managers," "Disciplinary Rules," "Code of Conduct for Integrity," "Operating Procedures and Guidelines for Integrity," and a code of conduct for employees. Through education, training, promotion, and internal audits, the Company regulates directors, supervisors, managers, and employees not to obtain improper benefits in any form.</p> <p>In 2022, the Company held 36 physical courses, including "Newcomer Training", "Personal Data Protection Education Training", "Sexual Harassment Prevention Promotion", "General Legal Knowledge Promotion", "Government Procurement Law Training", and "Fraud Prevention Promotion", which were attended by 641 people. We teach employees the correct concept and uphold the principle of corporate integrity, and provide all employees with materials on legal liability and question and answer practices in case of violation of law. In addition, due to the impact of the Covid-19 epidemic, the "Integrity Management and Prevention of Insider Trading" course was conducted online and announced. The course materials are posted on the Company's intranet site for employees to follow.</p>	
3. Implementation of Complaint Procedures				None

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?</p> <p>(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?</p> <p>(3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?</p>	V		<p>The Company has a specific system for reporting and protecting whistleblowers in the "Code of Corporate Governance Practices," "Code of Conduct on Integrity," "Procedures and Conduct Guidelines for Integrity Management," "Guidelines for Employee Grievances," and "Handling of Reports of Illegal, Unethical or Dishonest Conduct. The identity and content of whistleblowers are kept confidential, and we promise to protect whistleblowers from improper treatment or retaliation for their reports. Internal and external personnel are encouraged to report dishonesty or misconduct. The Management Office is the dedicated unit to receive reports of dishonest behavior from colleagues. The Stakeholder Zone on the official website provides an effective way for employees, shareholders, stakeholders and outsiders to communicate with each other. If a director or senior executive is involved, the matter will be reported to the independent director.</p>	
<p>4. Strengthening Information Disclosure</p> <p>Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?</p>	V		<p>The Company discloses relevant information on its corporate website and the Market Observation Post System.</p>	None
<p>5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation:</p> <p>None</p>				
<p>6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles):</p> <p>On November 8, 2021, the Company established the "Code of Corporate Governance Practices," "Code of Conduct for Integrity," "Operating</p>				

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>Procedures and Conduct Guidelines for Integrity," "Internal Material Information Handling Procedures and Regulations for Prevention of Insider Trading," and "Rules for Handling Cases of Reporting Illegal, Unethical or Dishonest Conduct.</p> <p>Corporate governance operations in 2022:</p> <p>(1) Education and Training: The Company conducted a total of 36 training sessions for 641 participants, including "Newcomer Training", "Personal Information Protection Education Training", "Sexual Harassment Prevention Promotion", "Honest Management and Prevention of Insider Trading", "Government Procurement Law Training", "Fraud Prevention Promotion", and "Prevention of Intellectual Property Rights Infringement". To teach employees the correct concept and uphold the principle of corporate integrity. We also provide instructional materials on legal liability and question-and-answer practices in the event of a violation of law to all employees.</p> <p>(2) Regular audits: In order to prevent employees from engaging in dishonest or unethical behavior and to consider the risk of fraud and other factors. In 2022, there was no dishonest behavior through internal audit.</p> <p>(3) Whistleblower system and protection of whistleblowers: In 2022, we received 0 cases of external whistleblowing and 0 cases of employee whistleblowing, totaling 0 cases. There were no major breaches of integrity management.</p>	

3.3.7 Corporate governance rules and procedures

The charters and rules are available on the Company's website: www.fis.com.tw.

3.3.8 Additional information on corporate governance operations:

The information is available on the Company's website: www.fis.com.tw.

3.3.9 Internal control statement

FORTUNE INFORMATION SYSTEMS CORP.

Internal Control Statement

Date: March 24, 2023

Fortune Information Systems Corp. (FIS) states the following with regard to its internal control system for the year 2022:

1. FIS is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. FIS has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms and the Company takes corrective actions as soon as a deficiency is identified.
3. FIS evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission and the Executive Yuan (herein referred to as the "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: (1) Control environment, (2) Risk assessment and response, (3) Control activities, (4) Information and communications, and (5) Monitoring. (Please refer to the Regulations for details on these five key elements.)
4. FIS has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, FIS believes that as of December 31, 2021, its internal control system (including its supervision of subsidiaries), which encompasses internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and is reasonably assured of achieving the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the FIS Board of Directors' Meeting on March 24, 2023, where all of the six attending directors did not express any dissenting opinion and affirmed the content of the same.

Fortune Information Systems Corp.

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

If CPA was engaged to conduct a special audit of internal control system, provide its audit report: None.

3.3.10 Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report; important errors committed; and correction and improvement procedures: None.

3.3.11 Major resolutions of shareholders meeting and board meetings

Important resolutions from the annual shareholders' meeting on Junet 24, 2022 and current status:

Resolutions	Result
Approval of the 2021 business report and financial statements.	-
Approval of the 2021 earnings distribution plan.	September 12, 2022, has been set as the record date for dividend distribution. Cash dividends of NT\$0.4 per share will be distributed on September 26, 2022.
Approval of the amendment to the company's articles of incorporation.	The registration change with the Ministry of Economic Affairs was completed on July 25, 2022, and was announced on the company's website.
Approval of the amendment to the rules of procedure for shareholders' meetings.	Implemented after being approved at the shareholders' meeting and announced on the company's website.
Approval of the amendment to the endorsement and guarantee operation procedures.	Implemented after being approved at the shareholders' meeting and announced on the company's website.
Approval of the amendment to the procedures for lending funds.	Implemented after being approved at the shareholders' meeting and announced on the company's website.
Approval of the amendment to the procedures for derivative trading	Implemented after being approved at the shareholders' meeting and announced on the company's website. °
Approval of the amendment to the procedures for acquiring or disposing of assets. °	Implemented after being approved at the shareholders' meeting and announced on the company's website.

Important resolutions of Board meetings in 2022 and during the current fiscal year up to the date of publication of the annual report:

Date	Major resolutions
January 24, 2022	<ol style="list-style-type: none"> 1. Approval of the proposed salary adjustment for managerial personnel of the year 2022. 2. Approval of the performance bonuses for managerial officers for the year 2021. 3. Approval of the proposed salary adjustment for the Chairman for the year 2022. 4. Approval of the proposed performance bonus for the Chairman for the year 2021. 5. Approval of the increase in performance bonus distribution. 6. Approval of personnel promotion. 7. Approval of the determination of managerial compensation. 8. Approval of the amendment to the management regulations for sales department performance bonuses.
March 25, 2022	<ol style="list-style-type: none"> 1. Approval of the 2021 annual business report, financial statements, and consolidated financial statements. 2. Approval of the 2021 profit distribution. 3. Approval of the 2021 employee compensation distribution. 4. Approval of the assessment of the effectiveness of the internal control system for the year 2021 and the statement on the internal control system. 5. Approval of the CPA's remuneration for the years 2022 and 2023. 6. Approval of the amendment to the company's articles of incorporation. 7. Approval of the amendment to the company's shareholder meeting rules. 8. Approval of the amendment to the company's asset acquisition or disposal procedures. 9. Approval to convene the 2022 annual general meeting of shareholders. 10. Approval of the lifting of the non-compete restriction on managerial personnel.

Date	Major resolutions
May 09, 2022	<ol style="list-style-type: none"> 1. Approval of the consolidated financial statements for the first quarter of 2022. 2. Approval of the plan for conducting greenhouse gas inventory and verification for the company.
August 08, 2022	<ol style="list-style-type: none"> 1. Approval of the consolidated financial statements for the second quarter of 2022. 2. Approval of the establishment of the ex-dividend date for the company. 3. Approval of the fund lending to subsidiary companies by the company. 4. Approval of the increase in investment amount in subsidiary company, Fortune Technology Systems Corporation. 5. Approval of the distribution of employee remuneration and performance bonuses. 6. Approval of the performance bonus for the Chairman. 7. Approval of the proposal for the distribution of special bonuses to managerial personnel. 8. Approval of the proposal to increase the distribution of performance bonuses for managerial personnel.
November 07, 2022	<ol style="list-style-type: none"> 1. Approval of the consolidated financial statements for the third quarter of 2022. 2. Approval of the establishment of the Sustainable Development Practice Guidelines. 3. Approval of the amendment to the Corporate Governance Practice Guidelines. 4. Approval of the amendment to the Internal Handling Procedures for Material Non-Public Information and Prevention of Insider Trading. 5. Approval of the establishment of the VMware VCF Ignite Program Incentive Bonus Plan. 6. Approval of the amendment to the Performance Bonus Management Guidelines for Business Departments. 7. Approval of the increase in distribution of performance bonuses for managerial personnel. 8. Approval of the distribution of target achievement bonuses for managerial personnel. 9. Approval of the distribution of incentive bonuses for managerial personnel.
December 19, 2022	<ol style="list-style-type: none"> 1. Approval of the independence assessment of the CPA for the current year. 2. Approval of the budget for the year 2023. 3. Approval of the audit plan for the year 2023. 4. Approval of the company's application for credit loans and guarantee limits from financial institutions. 5. Approval of the reappointment of Ms. Tang, Yu-Hua as a director and chairman of the subsidiary company, Fortune Technology Systems Corporation.
January 17, 2023	<ol style="list-style-type: none"> 1. Approval of the salary adjustment for managerial personnel for the year 2023. 2. Approval of the distribution of performance bonuses for managerial officers for the year 2022. 3. Approval of the performance bonus for the Chairman for the year 2022. 4. Approval of the personnel promotion plan for the company.
March 24, 2023	<ol style="list-style-type: none"> 1. Approval of the annual business report, individual financial statements, and consolidated financial statements for the year 2022. 2. Approval of the profit distribution plan for the year 2022. 3. Approval of the distribution of employee remuneration for the year 2022. 4. Approval of the assessment of the effectiveness of the internal control system and the internal control system statement for the year 2022. 5. Approval of the revised operating procedures for lending funds to others. 6. Approval of the amendment to the code of ethics for directors, supervisors, and managerial personnel. 7. Approval of the amendment to the board meeting regulations. 8. Approval of the amendment to the sustainability practice guidelines. 9. Approval of the revised operating procedures for transactions with related parties, specific companies, and group enterprises. 10. Approval of the amendment to the corporate governance practice guidelines. 11. Approval of the re-election of directors for the company. 12. Approval of the proposed list of nominated candidates for directors. 13. Approval of the proposed termination of the non-competition restrictions for directors of the company. 14. Approval of the convening of the 2023 annual general meeting of shareholders.
May 08, 2023	<ol style="list-style-type: none"> 1. Approval of the consolidated financial statements for the first quarter of 2023. 2. Approval of the establishment of the audit procedures for pre-approval of non-assurance services provided by the engagement auditor.

3.3.12 Major issued of record or written statements made by any director or independent director dissenting to important resolutions passed by the board of directors: None.

3.3.13 Resigned/discharged chairman, president, chief accounting officer, chief financial officer, chief internal audit officer, chief corporate governance officer and chief research officer: None.

3.4 Certified Public Accountant (CPA) Information

3.4.1 CPA service fees

Unit: NT\$1,000

Accounting firm	Name of CPA	Period covered by CPA's audit	Audit fee	Non-audit fee (Remarks)	Total	Remarks
Deloitte & Touche	Cai, You-Ling Lin, Wen-Qin	2023.01.01 ~ 2023.12.31	2,260	229	2,489	Tax return expenses were NT\$160. And NT\$69 were spent on miscellaneous expenses such as typing, copying, and binding by the auditors.

3.4.2 For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit fee before and after the change and the reasons: N/A.

3.4.3 If the audit fee dropped by more than 10%, specify the amount and percentage of decline and reasons: N/A.

3.5 Information on CPA changes

3.5.1 Former CPA

Date of change	January 1, 2021 October 1, 2021		
Reason for change	Due to job rotations at Deloitte & Touche: The original CPA, LI, ZHEN-MING, was replaced by Lin, Wen-Qin on January 1, 2021. The original CPA, KUO, LI-WEN, was replaced by Cai, You-Ling on October 1, 2021.		
Specify whether services/engagement were terminated/refused	Party	CPA	Company
	Termination	-	-
	Refusal of new mandate	-	-
Has any audit opinion, other than an unqualified opinion, been issued in the past two years? If yes, cite reasons.	None		
Disagreement with securities issuer	Yes	-	Accounting principles and practices
		-	Disclosure of financial statements
		-	Audit scope or procedures
		-	Others
	No		

Title	Name	2022		Current fiscal year as of April 30, 2023	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Vice President	CHEN,BAO-FU	0	0	0	0
Assistant Vice President	CHENG,MEI-LING	0	0	0	0
Assistant Vice President	XIE,BING-CHEN	0	0	0	0
Assistant Vice President	QIU,JUN-YAO	0	0	0	0
Assistant Vice President	SHI,SHANG-YU	0	0	0	0
Assistant Vice President	CHEN,ZHAO-LIN	0	0	0	0
Assistant Vice President	WU,JING-YI (Note 1)	0	0	0	0
Assistant Vice President	LU,ZONG-KUN (Note 1)	0	0	0	0
Manager	WANG,WEI-GUO	0	0	0	0
Manager	LIN,ZHENG-HONG	0	0	0	0
Manager	WANG,SHU-FEN	0	0	0	0
Manager	CAI,DU-FENG	0	0	0	0
Manager	XU,MEI-FANG	0	0	0	0
Manager	HUANG,DA-QING	0	0	0	0
Manager	DENG,HONG-JI	0	0	0	0
Manager	LI,ZI-QING	0	0	0	0
Manager	TANG,YU-LING (Note 1)	0	0	0	0
Manager	LIN,YOU-RU (Note 2)	-	-	0	0
Manager	TAN,JIA-DONG (Note 2)	-	-	0	0
M a j o r Shareholder	CECGP Electronics Corp.	0	0	(1,182,000)	0
M a j o r Shareholder	Standard Plastics LTD.	0	0	(1,663,000)	0

Note 1 : Took office on February 1, 2022.

Note 2 : Took office on January 17, 2023.

b. Shareholding transferred with related party: None.

c. Stock pledged with related party: None.

3.8 Relationship between FIS's top 10 shareholders

As of April 21, 2023

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
StandardPlastics LTD.	21,778,327	31.13%	0	0%	0	0%	CECGP Electronic s Corp.	CECGP is a investee of Standard Plastics accounted for using the equity method. Standard Plastics is a investee of CECGP accounted for using the equity method.	Legal person director of the Company
StandardPlastics LTD. Representative: WANG,ZHENG-XIAO	0	0.00%	0	0%	0	0%			Legal person director representative of the Company. Discharged on Jan30,2022.
StandardPlastics LTD. Representative: TANG,YU-HUA	69,788	0.10%	0	0%	0	0%			Legal person director representative and general manager of the Company.
StandardPlastics LTD. Representative: WANG,MEI-JUAN	455	0.00%	0	0%	0	0%			Legal person director representative of the Company. Took office on July 1, 2022
CECGPElectronics Corp.	21,177,954	30.27%	0	0%	0	0%	Standard Plastics LTD.	Standard Plastics is a investee of CECGP accounted for using the equity method. CECGP is a investee of Standard Plastics accounted for using the equity method.	Legal person director of the Company
CECGPElectronics Corp. Representative: WEI,XING-XIONG	0	0.00%	0	0%	0	0%			Legal person director representative and chairman of the Company.
CECGPElectronics Corp. Representative: SU,MEI-CHUN	0	0.00%	0	0%	0	0%			Legal person director representative of the Company.
WANG,PAI-SEN	630,000	0.90%	(Note 1)						
Mega Taiwan Market Leader Dividend Equal Weight ETF investment account entrusted to CHBbank	439,443	0.63	(Note 1)						
FU,JIN-YAN	373,000	0.53	(Note 1)						
HE,XIAO-QIAN	340,000	0.49	(Note 1)						
Barclays Capital SBL/PB investment account entrusted to Citibank	293,000	0.42	(Note 1)						
WEN,WEI-LIANG	284,000	0.41	(Note 1)						
LIN,JIA-TING	188,000	0.27	(Note 1)						
ZHUO,XIN-YI	168,000	0.24	(Note 1)						

Note 1: Not an insider or employee of the Company, therefore relevant information cannot be obtained.

3.9 Ownership of Shares in Affiliated Enterprises

As of December 31, 2022

Unit: shares/ %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
SBAS(HK) Ltd.	20,000	100%	0	0%	20,000	100%
IPAC	1,231,776	100%	0	0%	1,231,776	100%
FORTUNE INFORMATION SYSTEMS (INT'L) LTD	8,426,000	100%	0	0%	8,426,000	100%
FTSC	40,000,000	100%	0	0%	40,000,000	100%

Note: The Company uses the equity method to account for its investments in subsidiaries.

4.1.5 Major shareholders: Shareholders holding 5% or 10 largest shareholders

AS of April 21, 2023

Name	Total shares owned	Holding percentage
Standard Plastics LTD.	21,778,327	31.13
CECGP Electronics Corp.	21,177,954	30.27
WANG,PAI-SEN	630,000	0.90
Mega Taiwan Market Leader Dividend Equal Weight ETF investment account entrusted to CHBbank	439,443	0.63
FU,JIN-YAN	373,000	0.53
HE,XIAO-QIAN	340,000	0.49
Barclays Capital SBL/PB investment account entrusted to Citibank	293,000	0.42
WEN,WEI-LIANG	284,000	0.41
LIN,JIA-TING	188,000	0.27
ZHUO,XIN-YI	168,000	0.24

4.1.6 Share price, net worth, earnings, dividends and related information

		2021	2022	As of March 31, 2023	
Share price (NT\$)	High	18.15	34	30.58	
	Low	12.50	12.3	25.45	
	Average	13.45	17.21	28.38	
Net worth per share (NT\$)	Before earnings appropriation	16.42	17.13	17.29	
	After earnings appropriation	16.02	16.53	Undistributed	
Earnings per share (NT\$)	Adjusted weighted average outstanding shares (1,000 shares)	69,961	69,961	69,961	
	Earnings per share	0.64	0.91	0.18	
Dividends per share (NT\$)	Cash dividends		0.40	0.6(Note 1)	Undistributed
	Stock dividends	Dividends from retained earnings	-		-
		Dividends from capital surplus	-		-
	Accumulated unpaid dividends		-		-
PE and dividend yield	Price earnings ratio (x)		21.02	18.91	-
	Price to cash dividend (x)		33.63	28.68(Note 1)	-
	Cash dividend yield (%)		2.97%	3.49%(Note 1)	-

Note 1 : To be determined after the shareholder meeting resolution.

4.1.7 Dividend policy

a. Dividend policy:

The Company is currently in the growth phase of its industry life cycle, and in order to consider the future funding needs of the Company and meet the needs of shareholders for cash inflows, if there are undistributed profits after the annual settlement, not less

discrepancies between the distributed amount and the amount recognized in financial report.

- (2) Directors' compensation: The compensation of chairman is granted other benefits in accordance with the relevant regulations for the salary of employees.

4.1.10 Share buyback: None.

4.2 Corporate bond issuance: None.

4.3 Preferred shares: None.

4.4 Global depository receipts: None.

4.5 Employee stock options and new restricted employee shares: None.

4.6 Status of new shares issuance in connection with mergers and acquisitions: None.

4.7 Financial plans and implementation: None.

V. Operational Highlights

5.1 Business Content

5.1.1 Business Operations Overview:

1. The main business operations of the Company in accordance with Articles of Incorporation are as follows:

- (1) Agency, import and export trade, rental, repair, maintenance services of office automation equipment, parts, accessories and supplies.
- (2) Agency, import and export trade, rental, repair, maintenance, design, manufacture, processing and assembly services of computer and other information equipment and its peripherals, parts, accessories and supplies.
- (3) System analysis and programming services of computer and other information software.
- (4) Agency, import and export trade, rental, repair and maintenance, design and assembly services of educational equipment, design equipment, manufacturing equipment, machinery automation equipment, machinery computerization equipment, and robots and their parts, accessories, and supplies.
- (5) Agency, import and export trade, rental, repair, and maintenance services of microfilm equipment and computer output microfilm equipment and their parts, accessories and supplies.
- (6) Data processing services on behalf of customers using computer microfilm equipment or other information equipment.
- (7) Computer information management consulting services.
- (8) Operation of computer information data processing and telecommunications value-added network services.
- (9) Import and export trade and agency services for the above products.
- (10) I301030 electronic information supply services.
- (11) IZ12010 human resource dispatch services.
- (12) ZZ9999 In addition to the licensed business, it may engage in business not prohibited or restricted by law.

2. Report on the Company's Products and Business Ratios for 2022:

Unit: NT\$ 1,000

Product Name	Sales Figures	Ratio%
Computer equipment and system integration	1,291,852	56.91%
Visual Product	312,560	13.77%
Image Product	10,384	0.46%
Professional image processing services	28,976	1.28%
Maintenance services	251,836	11.09%
Professional services and others	374,425	16.49%
Total	2,270,033	100.00%

3. The Company's current products and services:

- (1) Sales of products

- (a) Personal computers, laptops, servers, and peripherals, iSERVER (AS/400) mini-series hardware and software equipment, pSeries (RS/6000) series, EMC storage equipment and application software, financial terminal systems (TABS & e-TABS), storage equipment and application software, computer supplies (disks, tapes, ink cartridges, toner cartridges, etc.), laser printers, and color inkjet printers.
 - (b) Symantec/forcepoint DLP information security systems, VMware virtualization software, Fortinet and CISCO full range of network software and hardware products, Mircofocus endpoint management system.
 - (c) Microsoft application software and PC bundled software and IBM related software.
 - (d) HP, EPSON, CANON, Lexmark, and Fuji-Xerox full range of printer consumables, tapes, and CD-ROM drives.
 - (e) FORTUNE membership management and human resources system.
 - (f) SOLCORP company INGENIUM life insurance software, eBao company production life insurance software.
 - (g) EasyWare logistics warehouse management system and AGV automation equipment.
 - (h) EPSON single-gun projector, DA-LITE, Super-Seimon, CASOS, UNICO various types of screens, Lumens, Avervision real object projector, AVER video product equipment, SMART large-size touch display.
 - (i) Kodak Alaris, EPSON document image scanning hardware and software (scanners, image capture software), obtaining key data from paper and incorporating it into commercial processing workflows and other applications, data storage equipment, data backup systems, data redundancy systems.
 - (j) Application software and statistical analysis consulting services and application software development.
- (2) Service Offerings
- (a) Enterprise Information System Integration Planning and Implementation: This includes network system planning and implementation, system monitoring and management, remote control planning, asset management, and data center relocation and construction.
 - (b) Virtualization Solutions: Virtualization computing environment planning services.
 - (c) DAS/NAS/SAN Storage Planning and Integration Solutions: Comprehensive storage solutions that cater to businesses' needs.
 - (d) Outsourcing of Software Development and Maintenance Services: Professional software development and maintenance services for businesses.
 - (e) Computer, Projector, and Peripheral Equipment Rental Services: Rental services for computer equipment, projectors, and related peripherals.
 - (f) Network System Consultation and Maintenance Contract Services: Consultation and maintenance services for network systems.
 - (g) Comprehensive Information System Planning, Implementation, Integration, and Consulting Services: A complete range of IT services that ensure smooth business operations.
 - (h) Financial Information Network Application System Development and Integration Services: Solutions such as the new generation branch application system (eTABS) and electronic banking service application system (online banking).
 - (i) Open Source Consulting and Implementation Services: Consulting and

- implementation services for open source software.
 - (j) Multi-Cloud Consulting and Implementation Services: Consulting and implementation services for multi-cloud environments.
 - (k) Microservices and Artificial Intelligence Hardware Integration and Implementation Services: Professional services for microservices and AI hardware integration.
 - (l) Document Filing, Scanning, and Imaging Services: Professional services for document filing, scanning, and imaging.
 - (m) Life and Property Insurance System Management, Sales, Training, Modification, and Consulting Services: Comprehensive solutions for life and property insurance systems.
 - (n) Warehouse Management System Consulting and Implementation Services: Professional services for warehouse management system implementation.
 - (o) Warehouse Management System Custom Development: Custom development services for warehouse management systems.
 - (p) Logistics Hardware Peripheral Equipment Information System Integration Services: Integration services for logistics hardware peripheral equipment such as PDAs and barcode devices.
 - (q) Maintenance and Operation Services: Maintenance and operation services for IT systems.
 - (r) Document Imaging Management System: Comprehensive solutions for document imaging management systems.
 - (s) Professional Document Digitization Outsourcing Services: Outsourcing services for professional document digitization.
 - (t) Network Audio and Video Equipment, Home Audio and Video Products: Rental services for network audio and video equipment and home audio and video products.
 - (u) Digital Finance Professional Consulting Services, Demand Analysis and Organizational Design Services: Professional consulting services for digital finance, demand analysis, and organizational design.
 - (v) Other Digital Application Products and Systems: A wide range of other digital application products and systems to meet businesses' needs.
4. New products or plans currently under development by the company include:
- (1) A comprehensive cloud computing solution for customers.
 - (2) A data security and protection DLP approval workflow system.
 - (3) Applications related to enterprise hybrid cloud architecture.
 - (4) Enterprise network information security solutions.
 - (5) FORTUNE CMP cloud management platform solution.
 - (6) Applications related to mobile device security protection.
 - (7) Applications for remote virtual (VDI) solutions.
 - (8) Data center monitoring system.
 - (9) Big data backup and archive storage.
 - (10) Microservice solutions.
 - (11) Intelligent IoT solutions.
 - (12) Planning and building of HPC related solutions.
 - (13) Plan to improve the DOC.M document image management solution, in addition to providing customized services, also provide a streamlined version (document management system DOC.S) according to different entry requirements. Compatible with various brands of scanner models to expand the market.
 - (14) Establish a cloud image service, with the concept of document cloud and handheld devices, guide customers to make document image processes

- mobile, and establish information services beyond hardware sales.
- (15) For small and medium-sized self-made digital customers, develop a small package mass production operating system, which can be sold or leased to customers for their own execution of small-scale and diverse document digitization scanning, retrieval and other operations.
 - (16) In response to the forward-looking plan, integrate related software and hardware for smart classrooms and projection products, and promote marketing in the education field.
 - (17) Develop a Rule Engine module exclusively for insurance companies.
 - (18) Research and development of warehouse distribution and billing management.
 - (19) Logistics intelligent management module.
 - (20) Intelligent parts cabinet module.
 - (21) High-end medical information cloud system, designed to meet personalized high-end medical needs, developed and built with private cloud to better meet the needs of rapid implementation in multiple countries/multilingual/multi-hospital areas.

5.1.2 Industry Overview

1. Industry Status and Development:

The market for hardware maintenance and support is relatively mature compared to outsourcing services or system integration services. In addition, enterprises usually have fixed hardware update and software upgrade cycles, resulting in lower growth for hardware maintenance and support. Consulting services, system development and integration, software maintenance and support, among other projects, continue to maintain long-term cooperation with existing customers while actively developing new customers. In recent years, due to the impact of the global economic downturn, enterprises have gradually outsourced non-core businesses in order to save operating costs and enhance core competitiveness.

2. Industry Trends

In response to the professional needs of various industries and customers in different fields, we are focused on promoting cloud applications, expanding virtualization applications, strengthening information security, and providing solutions for big data applications. We also continue to conduct market marketing and establish our own application software brand. Our services include enterprise public/private cloud infrastructure construction and planning, network system planning, information security, backup and recovery planning, financial institution information integration services, cloud monitoring and management, software development, project development, promotion of new video projection products and integration, document micro-imaging production, information image processing, document digitization, logistics and warehouse management systems, insurance software, insurance industry information services, and outsourcing and maintenance management of information equipment, providing comprehensive information integration services. Our goal is to provide professional and comprehensive system services through mobile and fast micro-applications.

3. Industry Relations among Upstream, Midstream, and Downstream

The Company is a system integrator in the overall information product distribution structure. Our upstream partners are various information software/hardware manufacturers and professional distribution/agent operators, while our

downstream partners mainly consist of distributors/retailers who sell information products to final consumers such as individuals, families, enterprises, and government agencies. Our products are mainly targeted at large customers such as government agencies, financial institutions, general enterprises, and schools, and our main revenue comes from the profits earned by utilizing know-how and providing services. Due to the large-scale demand from our target customers, we source our products directly from suppliers and also purchase products from agents or distributors, therefore, the Company plays multiple roles as a system integrator, agent, and distributor.

4. The development trends of information products are as follows, driven by the growth of information technology:

- (1) The growth of cloud and microservice markets drives demand for enterprise software products and HPC-related applications.
- (2) Professional service providers will develop towards integrating professional information systems with management and operational strategies.
- (3) The integration of financial control drives the demand for information system construction.
- (4) System development will gradually reduce costs due to the introduction of new technologies, mobile, and fast micro-applications.
- (5) Due to the continuous improvement of technology, products tend to be standardized and specification-based, making system integration easier.
- (6) Digital image services and applications will be more widespread.
- (7) New digital consumer electronics products related to digital homes will be introduced.
- (8) Information technology and services are developing rapidly, and the cloud service model is becoming more mature. Enterprises can use cloud sharing mechanisms to create new forms of service businesses.
- (9) In response to the market shift towards digitizing paper documents, the company developed its own DOC.M software, combined with document image scanners for sales, and provides an image operation system architecture for the operating environment, enriching the software and hardware product layers.
- (10) In response to the fierce competition in overseas software markets and near-saturation of market demand, the company is currently focusing on expected benefits in application software consulting services and development.

5. Competitive situation:

The information technology industry is constantly evolving and products are constantly being updated. The scope of services covered by the information service industry is also becoming increasingly broad. The domestic information service industry belongs to a completely open competitive market, with numerous domestic and foreign manufacturers joining the competition. However, based on the competitive advantages and niche conditions of each operator, even if they are engaged in the same business, there are significant differences in the market segmentation they specialize in. As far as the nature of the business and the niche market are completely consistent, currently, this company does not have completely consistent competitors. It can only list competitors with similar business items and market segmentation, and their relative reference information is as follows:

Company Name	Main Products/Systems/Services
Tatung System Technologies Inc.	Cloud application and system integration services
SYSTEX Corporation	Banking, securities, futures, and distribution industries
THE SYSCOM GROUP	Banking, securities, medical systems, and EDI
DATA SYSTEMS CONSULTING CO., LTD.	Customer enterprise computer software and hardware system integration
JETWELL COMPUTER CO.,	System integration services
Ares International Corporation	Tax administration, medical industry
STARK TECHNOLOGY INC.	System integration service business
DIMERCO DATA SYSTEM CORPORATION	Banking, securities, futures, and distribution industries
Chunghwa Telecom Co., Ltd.	Cloud application and system integration services

5.1.3 Technology and R&D Overview

- The professional service fees for the most recent fiscal year and up to the date of printing of the annual report are as follows:

The company does not have a dedicated research and development department, but the programmers and engineers under the various departments are able to provide software development and technical support required for system integration.

Unit: NT\$ 1,000

Year	2022	As of March 31, 2023
Professional Services Expenses	85,464	21,203

- The technologies or products that have been successfully developed in the most recent fiscal year and up to the date of publication of the annual report are as follows:

A. System integration

Year	R & D results	Description
2022	FORTUNE CMP	Upgrading and repositioning the existing CMP system into a modularized format, integrating it

B. Insurance Industry Information Service

Year	R & D results	Description
2022	1. Taishin Life Insurance -ILP Day1.5 Project	Go live in April 2022
	2. Taishin Life Insurance -ILP Mutual Fund System Project	Go live in November 2022
	3. BNP Paribas Cardif-Push Notification Service on LINE	Phase one completed in September 2022

	4. Allianz-Rebuild Life Insurance Consultant Corner	Continue
As of March 31, 2023	1. Taishin Life Insurance - Adjustment of System in Response to the Amendment of Insurance Act Article 116	Continue
	2. Taishin Life Insurance - Rebuild PIWQuestionnaire module	Continue
	3. BNP Paribas Cardif - Remote Video Underwriting Image Review System	Continue
	4. Allianz - Integration and Adjustment of Website and App Systems	Continue

C. Visual Product Sales

Year	R & D results	Description
2022	Taichung Veterans General Hospital - Medical record scanning and image storage management system	Providing rapid processing of various paper-based medical records, integrating with healthcare systems, and enabling convenient and secure access to medical record queries based on individual permissions.

D. Logistics Service

Year	R & D results	Description
2022	Developing a new version of Transportation Management System (TMS) to enhance AI-based optimal vehicle dispatching and routing, providing AI integration capabilities, and improving transportation efficiency.	By utilizing AI algorithms, through the FIS TMS service, vehicle dispatch can be reduced, resulting in lower mileage costs.

E. Information Application Service

Year	R & D results	Description
2022	1. Bank of Panhsin-Mail DLP System	Go live in August 2022
	2. CIAA-Live Learning Management System	Go live in September 2022
	3. Shin Kong Bank-EDR Management System	Go live in October 2022
	4. Taipei Star Bank-System Customization: Email Quarantine Review Events and Whitelist Events List	Go live in August 2022

	5. CIAA-Expansion of Compliance Education and Training System and Automatic Inquiry System for Insurance Companies	Go live in September 2022
	6. Lian Hao Insurance Agent-Browser adjustment	Go live in October 2022

5.1.4 Long-term and Short-term Business Development Plans

1. The long-term business development plan includes several initiatives to enhance the company's expertise and expand its offerings to new industries. These initiatives include:

- (1) Enriching industry knowledge and developing core technology products in logistics, insurance, finance, and wireless communication.
- (2) Developing modular products to provide comprehensive information outsourcing services in line with market trends.
- (3) Introducing new solutions to expand services beyond insurance companies and into other industries.
- (4) Strengthening partnerships with international technology companies and forming strategic alliances with related vendors and consulting companies to develop high-value products and integrate projects.
- (5) Actively developing new products towards diversified professional management as a sustainable business strategy.
- (6) Providing storage solutions for customers' data security needs, email archiving, and data storage demands, and developing comprehensive plans for the monitoring and optimization of equipment such as servers and virtual machines.
- (7) Establishing an information service-oriented business plan to promote hardware demand, including software and document imaging know-how and document cloud service solutions.
- (8) Researching new solutions to provide a combination of heterogeneous media conversion mechanisms, increasing application system flexibility to differentiate from traditional competitors and increase profitability.
- (9) Enhancing cross-platform and application system integration capabilities to meet the increasing demand for network and system integration services.
- (10) Collaborating with domestic and international ERP software system vendors to bring advanced know-how to the regional market and provide customers with the latest management knowledge and tools.
- (11) Seeking opportunities to participate in profitable public procurement projects, as government agencies have recognized the importance of logistics services in recent years.
- (12) Develop proprietary products through the accumulation of project experience, package multiple industry-specific inventory management system modules such as maintenance management, human resources and payroll, procurement and sales, accounts receivable/payable, general ledger, and procurement and sales media reporting management systems. Also, develop unique operational modules for specific industries to assist customers in quickly establishing suitable enterprise operational management systems.
- (13) Cultivate specialized engineers as second-line personnel for different types of customers to facilitate the development of similar customer types.
- (14) Establish strong logistics support capabilities, such as enhancing the

functionality of UHD customer service.

- (15) Apply software consulting services and development, participate in various market opportunities with other software integration companies, and jointly develop application software with market value.
- (16) Plan for the sales of high-end projectors and explore the development of suitable new sales products.
- (17) Sell SPSS statistical analysis software, maintain friendly relations with other SPSS distributors, reduce the opportunity for price wars, and provide better after-sales service to customers.
- (18) Provide more diverse and personalized statistical analysis training services through consulting services, technical training, and application software development. Continuously invest resources in developing application software for specific industries.
- (19) Focus on information security product technology, enhance the technical capabilities of the three main axes of security health check, security threat detection management mechanism, and endpoint detection and protection.
- (20) Develop intelligent data center management systems to address the management, alarm, audit, record, and control needs of data center operations. Suitable for easy management of intelligent data centers, unmanned data centers, off-site backup data centers, and IDC equipment management data centers.

2. Short-term Business Development Plan

- (1) Develop our own products and introduce new products while cultivating technical capabilities.
- (2) Introduce new software components and programming techniques to improve project efficiency in real-time, effectively reducing costs and enhancing competitiveness.
- (3) Continuously promote solutions for enterprise information security and data integration and centralized backup, establishing an enterprise image of system integration experts to expand more business opportunities.
- (4) Enhance service quality to existing customers to consolidate and deepen the service scope of existing customers.
- (5) Maintain brand image, expand market share, strengthen after-sales service quality, seize new customer visits and service opportunities, expand service opportunities for customers of similar nature, and expand customer base.
- (6) Continuously invest in government large-scale outsourcing projects and related projects such as image system application development, and actively explore convenient services in the non-official document management category to increase the scope of image services.
- (7) Utilize the digitization of health insurance claims and medical review processes in medical institutions, as well as the large document needs of accountants and lawyers, to expand customer development.
- (8) Develop our own modules for logistics and warehouse management system and provide customers with more services through new features.
- (9) Strengthen WMS solution for online marketing and explore opportunities for rapid deployment.
- (10) (Continuously consolidate existing customers with high-quality services and strengthen cooperation relationships in outsourcing information personnel and information system development needs.

- (11) Enhance the professional capabilities of technical personnel and provide customers with diversified services through cross-departmental cooperation mechanisms, increase business volume and market share. Use the internet to find compatible components or research compatible components to reduce hardware maintenance costs.
- (12) Research the promotion of FIS CMP cloud system in Hong Kong through Hong Kong Hua Jing Company. Flexibly handle the intensity of market promotion in response to the COVID-19 pandemic.
- (13) Provide customers with various information security labor services, such as vulnerability scanning services, security vulnerability scanning of web hosts or computer systems to assess whether security vulnerabilities exist, provide customers with scanning reports, assist in reference suggestions for vulnerability repair methods, and provide re-testing after security vulnerabilities have been corrected. Penetration testing services, testing the security strength of target hosts or network services to identify possible security vulnerabilities, provide improvement suggestions, and provide re-testing after security vulnerabilities have been corrected. Social engineering exercise services, providing customers with an understanding of social engineering through email and raising awareness, understanding possible security gaps based on test results, and implementing internal education and training as a basis for information security management.

5.2 Market and Production Overview

5.2.1 Market Analysis

1. The main sales regions for the product

Unit: NT\$ 1,000

Region \ Year		2021		2022	
		Amount	%	Amount	%
Overseas		38,846	2%	45,511	2%
Domestic area	North	1,777,873	83%	1,875,436	82%
	Central	85,871	4%	124,865	6%
	South	245,913	11%	224,221	10%
	Total	2,109,657	98%	2,224,522	98%
Total		2,148,503	100.00%	2,270,033	100.00%

2. Market Share

Unit: NT\$ 1,000

Company Name	Operating income (Net)		Net income (loss) after tax		After-tax net income (loss) rate	
	Amount	Ranking	Amount	Ranking	%	Ranking
Hwacom Systems Inc.	6,094,449	1	138,097	5	2.27	6
THE SYSCOM GROUP	5,950,524	2	244,945	2	4.12	3
TATUNG SYSTEM	4,346,640	3	178,463	4	4.11	4

TECHNOLOGIES INC.						
DIMERCO DATA SYSTEM CORPORATION	3,788,642	4	192,008	3	5.07	2
Mercuries Data Systems Ltd.	2,482,878	5	530,605	1	21.37	1
FORTUNE INFORMATION SYSTEMS CORPORATION	2,270,033	6	63,530	6	2.80	5

Source of information: Financial reports of each company. Net profit margin = Net profit after tax / Net sales.

3. The future supply and demand situation of the market

(1) The market of information products:

- (a) Computer Market: With various infrastructure already planned and built, the network environment is becoming more and more mature. Not only will many large enterprises that have completed e-transformation in the past face the need to upgrade or add new equipment, but it is also extremely necessary for small and medium-sized enterprises to catch up with the trend. Therefore, various hardware and peripherals related to e-software, information security, networks, and clouds will be new opportunities to create market value.
- (b) Information software market: Virtual environment technology has been a hot topic in the software industry, especially with its advantages of saving hardware costs, more efficient use of resources, and more secure information protection. Therefore, at the application level of technology, the demand of a large number of end users has already made virtual environment technology applied to the actual production process of enterprises at a fairly fast pace. When enterprises are building virtual environment systems, in addition to obtaining software licensing fees, they also need to introduce new software, which can drive the growth of the software industry market.
- (c) System integration: From the supply perspective, system integrators not only need to have high-quality and stable hardware equipment but also need to have the ability to develop and maintain application software. Since participating in large domestic system integration project business requires a long-term accumulation of technology and experience, it is considered a high entry barrier. As far as the demand side of the domestic information service industry market is concerned, under favorable conditions such as the government's continuous promotion of national information and communication infrastructure, industrial production automation, financial liberalization, and civilian life

informationization, government units are still the main customers of domestic system integrators in the future. Therefore, the market size of computer and peripheral equipment sales related to system integration and its subsidiaries will continue to grow.

- (2) Maintenance market: With the mergers of various banks, the maintenance scale has increased, and the demand for maintenance vendors has increased accordingly. In addition, the normal operation of servers and networks and the control of information security are important factors that affect whether computer equipment in enterprises operates normally or not. The popularization of networks has continued to drive the growth of servers and network equipment, and the proportion of the maintenance market has also increased year by year. However, due to increasing business performance pressure, original equipment manufacturers have invested in competing for the maintenance market, making the competition in the maintenance market fierce. In addition, under the premise of reducing cost expenditures, the demand for client machine rooms or IT outsourcing has also increased synchronously.
- (3) Professional video service market:
 - (a) Sales: demand continues to exist, and upgrading or replacing equipment are both demands.
 - (b) Professional services: existing government projects are decreasing or falling into price competition. In addition to trying to retain existing customers such as the Labor Insurance Bureau, it is planned to turn to private small and medium-sized enterprises and provide complete solutions for digitalization needs.
- (4) Image product market: the volume of projectors has gradually declined year by year, and new models have gradually improved brightness and specifications. The volume of traditional bulb projectors will gradually be replaced by hybrid and pure laser models.
- (5) Logistics service market: logistics industry has evolved from providing warehousing management services for manufacturers' products entering inventory in the early stage, to third-party logistics providers specializing in providing warehousing management services for businesses that need inventory space, and now trending towards professional logistics warehousing operations and logistics real estate industry. In addition, the legality of warehouse rental land or outdated equipment in the past may exacerbate development under the current trend of logistics real estate. With the demand for hardware equipment, the demand for WMS management system will inevitably increase.
- (6) Information value-added service market: many large and medium-sized enterprises currently outsource information services in a way that focuses on manpower, and virtualization demand will increase to save costs. Therefore, the demand for human resources in the market will increase, and with the introduction of diversified

products, it will drive industry market growth.

4. Future growth potential

- (1) The government has invested in creating a smart Taiwan to promote economic growth and increase job opportunities. Through national development plans and a series of measures, the domestic market will expand, and related industries will be energized, driving government agencies and private enterprises to purchase both software and hardware. The connection and maintenance of information networks also present business opportunities. Smart transportation systems, smart living environments, smart medical care, smart security, smart financial flows, and electronic transactions are being developed.
- (2) Digital home applications that combine information, communication, home entertainment, and smart appliances will become the focus of the information industry's market expansion. In addition to easy-to-learn hardware and complete broadband environments, digital content will be the key factor determining the popularity of digital homes, with a focus on user-friendly and interactive design.
- (3) Building a bottom-up modular structure can reduce customization time and labor costs, increase revenue, and modularize member systems can be extended to other industries (such as the hotel industry), increasing business volume and market share.
- (4) Expanding and strengthening document imaging will have value as long as paper exists. Exploring the development potential of deepening the digitalization of document markets will be important in the future. In addition to simple document imaging, After Scanning services, such as integration with other information systems, can increase data application benefits and become core projects in the future.
- (5) Taiwan will face many external environmental changes in the future. With the increasing competitiveness of Asian countries' economies and global economic cycles, domestic companies need to make some flexible adjustments to maintain their competitive advantages. They have adopted cost-reducing methods such as IT outsourcing services. The trend of establishing integrated holding companies in the financial industry provides business opportunities for domestic information service providers.
- (6) Recent revisions to labor laws have increased labor costs, leading to continuous growth in the need for outsourced human services on the client-side. Cloud deployment issues and anti-money laundering compliance have also increased business opportunities, leading to an increase in the demand for outsourced and stationed service manpower.

The Company has accumulated many years of market experience, actively introducing world-class information technology and products to meet market demand, and planning suitable software to meet the actual needs of different customer management. We can provide complete

system integration and application software services, providing customers with efficient and high-quality services, creating a win-win situation with customers.

5. Competition niche:

The Company's main business strategy is to expand market share through economies of scale as our core competitiveness, building a broad and solid horizontal foundation, and then developing vertical niche markets based on the existing foundation. The so-called horizontal foundation refers to the Company's complete and experienced professional manpower, gradually establishing a large customer base through a work team covering different professionals such as marketing, design planning, and support maintenance. The so-called vertical niche market refers to the use of a strong team to combine information technology with industry-specific knowledge. The Company has chosen the financial industry, insurance industry, distribution industry, and government agencies as its main development markets, as the service industry will be the group that uses information technology the most. Over the years, we have undertaken numerous projects and have gradually established a good reputation and credibility.

The Company's competitive advantages are summarized as follows:

(1) Long-standing reputation and diversified customer base

Since the Company's establishment, we have been committed to deepening our presence in the domestic information service industry market, adhering to the business philosophy of "integrity, innovation, and service," constantly demanding more from ourselves, and improving our technology and service quality. Over the past few years, we have gradually established a good reputation and credibility through the many projects we have undertaken.

From the perspective of domestic system integration vendors, the Company's difference from other domestic system integration vendors is that we entered system integration from hardware sales, which has two operational advantages: first, hardware sales have lower marketing barriers and costs, making it easier to establish a dispersed customer base; second, hardware sales have higher business stability than software development contracting, and the operational risks of small and medium-sized software companies are relatively high, making it difficult for them to advance to large-scale system integration vendors.

In addition, the Company is also one of the few system integration companies that can engage in diversified market operations. We entered the system integration market of the circulation industry from a pure financial industry system integrator, reducing the concentration risk of a single industry market.

(2) Professional technical capabilities and rich industry knowledge

The Company has accumulated extensive experience in servicing various types of computer host operating environments for major domestic enterprises over the years. We can plan business application systems based on the different needs of enterprise environments to enhance business efficiency. In addition, to provide customers with efficient and high-quality services, we continuously introduce first-class information technology and products, actively strive to cooperate with world-renowned manufacturers, and effectively integrate information technology with industry knowledge to enhance the added value of our business. The niche markets that the Company serves are outlined below:

(a) Financial industry

In the daily banking transaction process, the files used by bank employees to record transactions are stored on the mainframe system (Host) of the head office. Through the telecommunications network system, the branch server (Server) is connected and then linked to the employee's workstation (Client) through a local area network (LAN). The market for large-scale mainframe systems is dominated by foreign manufacturers IBM and UNISYS. However, the branch server and workstation belong to open systems, so system integration vendors can develop their own solutions and participate in bidding.

The Company's main product in the financial industry is the financial terminal system, which refers to the integration of hardware and software equipment for branch servers and workstations. The Company is an agent of IBM. Based on our long-term cooperation with IBM, we are highly focused on the integration planning of IBM Host, IBM AS/400, RS/6000 operating platforms, LAN, and WAN. In recent years, we have also actively cooperated with domestic storage equipment leader EMC, selling EMC storage equipment and backup solutions. In addition, we work closely with international software giants such as VMware and Microsoft and have a good track record in sales and planning. Looking at the top 20 banks in the country, most of them are our core customers, so the Company can be considered one of the few successful bank system integration companies in the country.

(b) Insurance Industry

With the continuous promotion of national economic construction, the increase of national income, and the popularization of education, the concept of risk prevention and transfer of insurance has increased, which has led to the development of the insurance industry. With the promotion of the government's policy of internationalization and liberalization of the financial and insurance industry, as well as the increasing popularity of the Internet and e-commerce, the insurance industry has been actively promoting information technology to enhance its competitiveness.

The Company provides professional services and technical support to the insurance industry, and after a long period of cultivation, most of the domestic insurance companies (including general and life insurance) are now our clients, which shows that the Company plays a pivotal role in the market of insurance information integration. We provide management, sales, education, revision and consulting services for life and general insurance in the Asia Pacific region, including Taiwan. Looking ahead, we will continue to provide our customers with the best international insurance industry solutions and localization of our international life insurance software to meet their needs and to strengthen our position as a professional systems integrator in the insurance industry.

Due to our years of experience in the insurance system market, we have many top-notch talents who can provide efficient and high quality services. In addition, we will continue our efforts in the direction of digital finance in response to the trend of the times and government policies, and will be able to maintain our long-term market advantage.

(c) Distribution Industry

In view of the rapid development of the retail logistics industry in Taiwan in recent years, including the introduction of new drugstore chains, department store agencies, port logistics warehousing, precision manufacturers and pharmaceutical GDP, as well as the demand for warehousing operations caused by the logistics industry in Taiwan, are all potential customers for logistics warehousing management systems. We have accumulated practical experience in different industries and business forms, which is sufficient to bring greater opportunities for system sales and consultant introduction projects.

(3) Provide overall professional imaging services

- (a) We have 30 years of document imaging software and hardware integration technology.
- (b) Sales of Kodak alaris and Epson scanning equipment.
- (c) We have our own software development and integration technology team.
- (d) The original manufacturer provides entry-level software and high-end workflow systems for various application levels, with a complete product line and no need for external assistance.
- (e) The only company in the industry with a combination of "technology", "well-known brand equipment" and "BPO project business team".

Overall, we have been working in the professional imaging services market for more than 20 years and have accumulated a wealth of technology and experience, with complete hardware and software systems and manpower to provide document digitization services to government agencies, financial institutions, hospitals and major corporations in Taiwan.

(4) Complete service network and excellent customer relationship

We have established branch offices in Taoyuan, Hsinchu, Taichung and Kaohsiung to provide fast and convenient services to our customers, and have built a good reputation in the information service market. In addition, Hua Jing Information has long maintained a good "partnership" with its customers, and it is not easy to replace the core of existing customers and increase the value-added service opportunities by utilizing the existing customer base. The best guarantee of "sustainable management".

6. Favorable and unfavorable factors of development prospect

(1) Favorable factors

- (a) The government is promoting the national development plan, and has a clear determination to build Taiwan's technology-based service industry.
- (b) The government provides tax incentives, preferential financing, and technical assistance to encourage computerization.
- (c) The continued growth of the service industry and the high intensity of computer use in the service industry.
- (d) The development of e-commerce and the increase of Internet service industry, Internet market, cloud service and other related products.
- (e) Networked, electronic and information-based markets for educational institutions, public and private organizations.
- (f) The widespread use of digital imaging.
- (g) The business opportunity of outsourcing to government computer centers.
- (h) The demand for information equipment will surge as the government actively

- promotes the spread and implementation of information-based education.
- (i) The demand for information security products and outsourced information security services will be driven by the rising issue of network security.
 - (j) The digital audio and video content market is expected to grow due to the impact of broadband and changes in consumption patterns.
 - (k) Diversified entertainment functions will drive peripheral business opportunities.
- (2) Unfavorable factors
- (a) Industry relocation.
 - (b) Competitive companies are devoting considerable resources to hot topics such as information security, and the competition is fierce due to low prices.
 - (c) The impact of price fluctuations on companies' operating costs.
- (3) Countermeasures
- (a) Enhance on-the-job training and professional knowledge of employees to improve their productivity and professional skills, enhance service capability and improve service quality.
 - (b) To train specialized engineers for different types of customers to facilitate the development of similar customers.
 - (c) Increase product lines and service contents.
 - (d) Develop overseas business and regional operations.
 - (e) In terms of environment, we will carefully plan the future development direction and focus; in terms of capital, we will implement internal control system and strictly review the annual budget of the project.
 - (f) Provide high value-added products with special features, and build core competitiveness by integrating and supporting cross-departmental solutions, strategic alliances with upstream and downstream companies, and strive for more resources from original manufacturers, and actively develop new partners and new channels.
 - (g) Make good use of favorable factors and actively build favorable leverage to reduce the impact of unfavorable factors.

5.2.2 Main features and production process of major products

Usage of main products

Main Products		Usage
Information Equipment	Computer hardware	Providing computer, computer peripherals and related integrated technical consulting services for office automation and computer local area network for companies and organizations.
	System software	Providing programming tools for computer users.
	Application software	We provide a quick and professional system introduction to any customer who needs to use the information management system with warehousing operations as the core. Tailor-made system modules and functions to meet the business needs of customers' specific industries.
	Network software	Equipment and software for computer network connection.
	Printing devices	Equipment for computer data printing.

Display devices and projectors	Peripherals for computer user applications.
Other peripherals	1.Providing computer peripherals required by computer users for various applications.
Image processing products	Kodak Scanner, EPSON Scanner, EPSON Microjet Copier. It is a convenient solution to the problems of printing, saving, distributing, and reviewing computer reports, reducing the use of paper and saving space. Equipped with Precision Core, a new generation printhead technology, Precision Core not only achieves a print speed equivalent to that of a 20-sheet photocopier (24 ipm), but also produces high-quality text and graphics to meet business document needs.
Computer peripherals and consumables	Computer storage, printing and presentation of consumable materials.
Maintenance services	Assist in ensuring the proper operation of the customer's computer equipment.
Professional image processing services	With our professional management team and mass production workflow design, we provide our customers with high volume, fast and high quality document imaging output services.
Other	We provide data processing equipment for personal or business use.

2. Main production process of major products:

Not applicable as the Company is not a manufacturer.

5.2.3 Supply situation for major products

Item	Suppliers	Supply situation
Computer hardware	Dell EMC 、IBM 、BestCom 、Metaage 、Epson Taiwan 、Acer 、NetApp 、HPI 、Lenovo 、ASUS 、Altos 、QNAP Synology	Adequate supply
System software	VMware 、CISCO 、IBM 、BestCom 、Metaage 、NetApp 、Veeam 、JUNIPER 、Microsoft 、Symantec 、Red hat 、InfuseAI 、Forcepoint 、HPE 、Dawning Tech 、	Adequate supply
Application software	Own brand	Adequate supply
Network software	CISCO 、IBM 、Zero One 、Metaage 、BestCom 、JUNIPER 、Fortinet 、Dell EMC 、HPE	Adequate supply
Printing devices	IBM 、SYNNEX 、EPSON 、HPI	Adequate supply
Display devices and projectors	EPSON 、AVER 、SMART	Adequate supply

Image processing products	Kodak Alaris 、 EPSON	Adequate supply
Computer peripherals and consumables	SYNNEX 、 CHIPING 、 Genuine 、 Unitech 、 KINGFISHER 、 Weblink 、 TELECOM ON 、	Adequate supply

5.2.4 A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases

A. The names of customers who accounted for more than 10% of total sales in any of the past two fiscal years, along with their sales amounts and proportions, as well as the reasons for the fluctuations:

There were no individual customers whose revenue exceeded 10% of the consolidated operating income.

B. The names of suppliers who accounted for more than 10% of total procurement in any of the past two fiscal years, along with their procurement amounts and proportions, as well as the reasons for the fluctuations:

Unit: NT\$ 1,000

Name	2021			Name	2022			Name	As of March 31, 2023		
	Amount	%	Relationship		Amount	%	Relationship		Amount	%	Relationship
Epson Taiwan	255,751	20.30%	None	BestCom	326,739	21.62%	None	Zero One	86,453	22.51%	None
BestCom	215,047	15.31%	None	Epson	265,293	17.55%	None	Metaage	76,183	19.83%	None
Sysage	153,517	12.18%	None	Sysage	178,843	11.83%	None	BestCom	49,683	12.94%	None
Acer	65,957	5.24%	None	Zero One	94,719	6.27%	None	Epson Taiwan	41,171	10.72%	None

Reason for increases or decreases :

The main purchasing items of the Company are computers and computer-related peripherals. We maintain a procurement method through distributors, and overall there have been no significant changes. Our suppliers are well-known domestic and international manufacturers. Fluctuations in the amount of purchases from suppliers are mainly due to industry characteristics. We choose suppliers that are more suitable based on the nature of projects, delivery conditions, and negotiation results. °

5.2.5 Production volume in the past two years

Not applicable as the Company is not a manufacturer.

5.2.6 Sales volume in the past two years

Unit: Units/ NT\$ 1,000

Major products	Year	2021(Note 1)		2022(Note 1)	
		Sales volume	Revenue	Sales volume	Revenue
Computer equipment and system integration		351,168	1,284,604	190,774	1,291,852
Visual Product		16,626	316,942	14,141	312,560

Image Product	384	8,542	439	10,384
Maintenance services (Note 2)	-	225,066	-	251,836
Professional image processing services (Note 2)	-	26,772	-	28,976
Professional services and others (Note 2)	-	286,577	-	374,425
Total	368,178	2,148,503	205,354	2,270,033

Note 1 : The export ratio in the past two years did not exceed 0.01% of the total revenue, therefore the quantity and amount of exports are not separately indicated.

Note 2 : As it falls under the category of service provision, there is no sales volume.

5.3 Human Resources

Year		2021	2022	As of March 31, 2023
Number of employees	Sales Rep.	44	48	47
	Technical Staff	242	244	246
	Administration Staff	72	73	73
	Total	358	365	366
Average Age		40.33	40.50	40.79
Average Years of Service		8.90	9.10	9.24
Education level (%)	Ph. D	0.56%	0.27%	0.27%
	Master	10.06%	9.59%	10.11%
	University	77.93%	76.16%	75.96%
	Senior High School	11.17%	13.70%	13.39%
	Other	0.28%	0.27%	0.27%

5.4 Information on Outlays for Environmental Protection

The Company is engaged in the testing, installation, and marketing of products, which do not generate pollution and do not cause damage to the ecological environment. Therefore, the Company has a good environmental protection situation and has no issues in pollution prevention and control.

5.5 Labor Relations

5.5.1 The company's various welfare measures, training, enhancement, retirement systems and their implementation. Agreements between labor and management and measures to protect employees' rights and interests.

1. Employee welfare measures

- (1) In accordance with the Employee Benefit Act, the Company has established an Employee Benefit Committee to handle various employee benefit matters. In accordance with the regulations, the Company provides monthly operating income and employee salaries for welfare.
- (2) The Company provides labor insurance and health insurance for all employees in accordance with the Labor Insurance Law and the National Health Insurance Law. We are entitled to various labor and health insurance benefits.
- (3) The Company's welfare measures include
 - (a) Marriage, childbirth, and death benefits.
 - (b) Gifts or gratuities on New Year's Day.
 - (c) Travel, recreational activities and employee health checkups.

- (d) Group insurance for all employees in addition to labor and health insurance. (including life insurance, accident insurance, medical insurance, occupational accident insurance)
- (e) Education and training: In order to improve the quality of human resources and cultivate professional talents, we provide relevant professional training according to the needs of personnel and business.
- (f) Loan Benefit Plan: To take care of employees' life and help them to solve their temporary needs. All employees who have been employed for 6 months or more are eligible to apply for the "Emergency Loan". Sales and engineers who need to purchase a motorcycle for business needs can apply for the "Motorcycle Advance Loan".

2. Employee Training and Development

The Company has established the "Staff Training Regulations". Any employee who needs business or on-the-job training may be sent out for training after approval. Internal training is conducted in accordance with the courses planned in the Company's annual budget and submitted for approval.

The total expenditure for employee training in FY2022 is \$726 thousand. The courses include corporate governance, finance and accounting, business marketing, engineer technical training and certification training, labor safety and health, human resources management, and other related courses.

3. Pension System

The Company has established the Labor Retirement Plan and the Labor Retirement Fund Supervisory Committee, which contributes 2% of the total salary to the retirement fund. Starting from July 1, 2005, employees who choose to apply the pension system under the Labor Pension Act will contribute 6% of their monthly salary to the personal pension account of the Labor Insurance Bureau.

4. Agreements between employees and employers: Up to now, the Company has no agreements between employees and employers.

5. Protection of employees' rights and benefits:

In accordance with the Labor Inspection Law, the Company has published the "Regulations for Employee Grievance Management" on its internal website. If any employee of the Company finds that the Company has violated the provisions of the Labor Standards Law, the Employee Benefits Law, the Labor Insurance Law, the Labor Inspection Law and the Employment Service Law, he/she may file a complaint with the senior management of the Company. They may file a complaint with the president or chairman of the senior management of the Company, the head of each department or human resources department, the Bureau of Labor Affairs of the Taipei City Government, or the Labor Inspection Division of the Bureau of Labor Affairs of the Taipei City Government.

6. Code of Conduct or Ethics for Employees:

The Company has established the "Code of Corporate Governance Practices", the "Code of Conduct for Integrity Management", the "Operating Procedures and Conduct Guidelines for Integrity Management", the "Guidelines for Employee Grievance Operations", the "Rules for Handling Cases of Reporting Illegal and Unethical or Dishonest Conduct", and the "Disciplinary Management Rules". It is regulated that when the Company's employees violate the Company's discipline, such as the content of the violation, involving illegal or unit supervisory behavior, or is the reporting of corruption, misappropriation of public

funds and other major cases, etc. The reporting officer can report according to the above-mentioned regulations, and the employee's behavior or ethics (such as misconduct, rude behavior and repeatedly precautionary, misbehavior that damages the company's reputation, poor service attitude that seriously affects the company's image, leakage of confidential information about the company's business, technology or intellectual property, unjustified defiance of proper management or reasonable guidance of business supervisors with arrogant attitude...etc.). There are various reward and punishment rules.

7. Work environment and employee safety protection measures:

(1) The company's office building was built to establish a safe working environment as the first consideration. In order to maintain the safety of employees and office areas, we have set up building guards and established the "Door Access Control Regulations". Each office area is equipped with a card-reading management system, and employees are required to hold a card to enter each office area. There are also clear regulations regarding visitor traffic, delivery of express documents and goods, nighttime and holiday access control, and access to underground parking lots. To maintain the working environment and staff safety.

(2) In addition to group insurance (including life insurance, accident insurance, medical insurance, and occupational accident insurance) for all employees to provide an additional protection. Regular inspection and updating of firefighting and escape equipment. Regularly implement various disaster emergency response drills and safety education and promotion, so as to efficiently control risks and protect employees' personal safety and prevent injuries from disasters.

5.5.2 Losses suffered from labor disputes in the most recent year and as of the date of the annual report, as well as the estimated amount of current and potential future losses and measures to address them: None.

5.6 Cyber Security Management

5.6.1 Cyber Security Risk Management Framework

1. Cyber security management framework:

The Company has established the Information Security Management System (ISMS) in accordance with the ISO 27001 international information security management standard operation requirements. In 2009, the Company passed the ISO 27001 certification, and will continue to pass the revalidation in 2021 and 2022. To strengthen the confidentiality, integrity and availability of the Company's information. Enhance the protection of corporate and customer-related information.

The Company has an internal information security team responsible for planning, implementing, auditing and improving information security management. We have established relevant management practices and handling guidelines for compliance. We have established layers of protection mechanisms for applications, operating systems, and network systems to prevent abnormal disasters, data corruption, and data theft. To effectively control the risks of corporate information systems and maintain sustainable business operations. To ensure the security of the company's information usage and to establish a reliable information usage environment.

2. Corporate Information Security Governance Organization

The Company established the "Information Security Management Committee" in 2020. The committee consists of a chairman, who is the president; an information security

management representative, who is the senior vice president; an executive member, who is the vice president of each business group; and a working group, whose members include representatives from information, planning, human resources, general affairs, auditing, and each core information technology service department.

The information security management representative supervises the information security working group in the establishment, implementation and maintenance of information security standards and systems, and coordinates and discusses the company's management system and resource allocation. Implement the effectiveness of various information security management measures. To report to the "Information Security Management Committee" annually and regularly on information security related issues, directions and management effectiveness.

5.6.2 Information Security Policy

Information security is everyone's responsibility to ensure the confidentiality, integrity and availability of company information

5.6.3 Specific Management Plan

1. Adopt a vertical defense framework, through the encryption of important sensitive data, endpoint protection and network gateway protection with network access control, email protection, etc. To prevent network attacks and security leaks.
2. Establish access control, identity verification, password control, access authorization, and vulnerability scanning audit mechanisms. Install anti-virus software, update original security patches, and establish a redundancy mechanism to strengthen endpoint protection.
3. set up information security protection systems to prevent computer viruses or malicious programs from affecting information system services or snooping confidential information.
4. Conduct regular information security education and training for employees to strengthen their awareness of information security risks.
5. regularly review information security measures and pay attention to information security issues to ensure their appropriateness.
6. Establish multi-level information systems and data backup mechanisms to ensure the availability and integrity of information security.

5.6.4 Resources devoted to information security management

Each year, the Company sets aside a budget related to information security for the timely replacement, upgrade and renewal of software and hardware equipment.

We purchase anti-virus software, vulnerability scanning, source code inspection, and other information security testing tools to strengthen corporate information security protection capabilities.

Organize information security management and execution team to plan, execute, audit and improve information security management operations.

Reduce enterprise information security threats from the system, technical and procedural aspects. Establish confidential information protection services that meet customer needs and the highest standards.

Engage professional information security consultants and professional information security certification companies to conduct external audits and certifications. Establish a rigorous information security system and operation mechanism.

5.6.5 Significant information and communications security incidents

There were no significant information security incidents during the year. The Company has built anti-virus software and network firewall equipment to prevent external malicious attacks

and prevent intrusion activities with information security concerns. The Company's multi-layered information systems and data backup and recovery measures are in place to maintain the normal operation of the Company's information systems.

5.7 Important Contracts

Nature	Counterpart	Contract period	Major contents	Restrictions
Agency contract	Epson Taiwan	April 1, 2023 ~ March 31, 2024	Distribution and sales agency of EPSON projectors, scanners, and related	None
Distribution contract	IBM	July 1, 2017 ~ June 30, 2019 Automatic renewal upon expiration.	IBM Business Partner Agreement for Solution Providers	None
Distribution contract	DELL EMC	April 1, 2023 ~ March 31, 2024	Channel Partner Reseller Agreement-Taiwan	None
Distribution contract	ORACLE	March 31, 2020~Note 1	MASTER DISTRIBUTION AGREEMENT	None
Subcontracting Agreement	Lenovo	April 1, 2023~Note 1	MASTER AGREEMENT FOR SERVICES- To be Lenovo's Service Partner	None

Note 1 : Terminated by either Party upon thirty (30) days written notice.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Statement of Comprehensive Income

Parent-only Condensed Balance Sheet

Unit: NT\$,1000

Fiscal year Item		Financial Information for Most Recent 5 Fiscal Years					As of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		1,008,023	1,356,808	1,306,400	997,223	969,147	N/A
Property, Plant and Equipment		227,791	223,572	284,073	280,709	216,774	
Intangible assets		340	172	335	600	298	
Other assets		291,925	297,268	342,366	429,144	711,190	
Total assets		1,528,079	1,877,820	1,933,174	1,707,676	1,897,409	
Current liabilities	Before distribution	389,655	724,325	787,741	539,102	682,375	
	After distribution	424,636	759,306	815,726	567,087	-	
Non-current liabilities		9,336	15,166	7,365	19,810	16,939	
Total liabilities	Before distribution	398,991	739,491	795,106	558,912	699,314	
	After distribution	433,972	774,472	823,091	586,897	-	
Equity attributable to owners of the parent company		1,129,088	1,138,329	1,138,068	1,148,764	1,198,095	
Share capital		699,612	699,612	699,612	699,612	699,612	
Capital surplus		62,361	62,361	62,361	62,361	62,361	
Retained earnings	Before distribution	369,455	380,085	383,055	396,481	439,400	
	After distribution	334,474	345,104	355,070	368,496	-	
Other equity		(2,340)	(3,729)	(6,960)	(9,690)	(3,278)	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	1,129,088	1,138,329	1,138,068	1,148,764	1,198,095	
	After distribution	1,094,107	1,103,348	1,110,083	1,120,779	-	

Note 1: The financial statements of the Company for the years 2018-2022 have been audited and certified by CPA.

Note 2: The Company has not conducted any asset revaluation since its establishment. °

Note 3: The amount after distribution is recorded based on the resolution of the board of directors or the next year's shareholders' meeting.

Consolidated Condensed Balance Sheet

Unit: NT\$,1000

Fiscal year Item		Financial Information for Most Recent 5 Fiscal Years					
		2018	2019	2020	2021	2022	As of March 31, 2023
Current assets		1,104,672	1,446,640	1,485,876	1,384,114	1,632,006	1,644,527
Property, Plant and Equipment		248,245	243,243	302,510	298,155	236,477	237,787
Intangible assets		340	172	335	611	1,311	1,127
Other assets		213,853	218,084	163,926	175,570	288,606	304,230
Total assets		1,567,110	1,908,139	1,952,647	1,858,450	2,158,400	2,187,671
Current liabilities	Before distribution	429,759	755,737	808,393	691,109	944,322	963,926
	After distribution	464,740	790,718	836,378	719,093	-	-
Non-current liabilities		8,263	14,073	6,186	18,577	15,983	14,043
Total liabilities	Before distribution	438,022	769,810	814,579	709,686	960,305	977,969
	After distribution	473,003	804,791	842,564	737,670	-	,
Equity attributable to owners of the parent		1,129,088	1,138,329	1,138,068	1,148,764	1,198,095	1,209,702
Share capital		699,612	699,612	699,612	699,612	699,612	699,612
Capital surplus		62,361	62,361	62,361	62,361	62,361	62,361
Retained earnings	Before distribution	369,455	380,085	383,055	396,481	439,400	452,059
	After distribution	334,474	345,104	355,070	368,497	-	-
Other equity		(2,340)	(3,729)	(6,960)	(9,690)	(3,278)	(4,330)
Treasury shares		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	1,129,088	1,138,329	1,138,068	1,148,764	1,198,095	1,209,702
	After distribution	1,094,107	1,103,348	1,110,083	1,120,780	-	-

Note 1: The financial statements of the Company for the years 2018-2022 have been audited and certified by CPA. The financial statements for the first quarter of 2023 have been reviewed and certified by CPA.

Note 2: The Company has not conducted any asset revaluation since its establishment. °

Note 3: The amount after distribution is recorded based on the resolution of the board of directors or the next year's shareholders' meeting.

Parent-Only Condensed Statement of Income

Unit: NT\$,1000

Item	Fiscal year	Financial Information for Most Recent 5 Fiscal Years					As of March 31, 2023
		2018	2019	2020	2021	2022	
Operating Revenue		1,539,602	2,123,179	2,082,470	1,886,147	1,477,054	N/A
Gross Profit		159,651	184,064	201,404	198,293	157,243	
Operating Income		25,071	38,587	42,166	50,403	27,099	
Non-operating income and expenses		27,331	17,469	5,163	5,532	45,137	
Profit Before Income Tax		52,402	56,056	47,329	55,935	72,236	
Net income for the period from continuing		42,486	45,940	38,776	44,683	63,530	
Loss from discontinued operations		-	-	-	-	-	
Net income (loss) for the period		42,486	45,940	38,776	44,683	63,530	
Other comprehensive income (loss) for the period (net of Income Tax)		(3,190)	(1,718)	(4,056)	(6,002)	13,785	
Total comprehensive income for the period		39,296	44,222	34,720	38,681	77,315	
Net income attributable to owners of parent		42,486	45,940	38,776	44,683	63,530	
Net income (loss) attributable to noncontrolling interests		-	-	-	-	-	
Total comprehensive income attributable to owners of parent		39,296	44,222	34,720	38,681	77,315	
Total comprehensive income, attributable to non-controlling interests		-	-	-	-	-	
Earnings per share (Note 2)		0.61	0.66	0.55	0.64	0.91	

Note 1: The financial statements of the Company for the years 2018-2022 have been audited and certified by CPA.

Note 2: Earnings per share for the years 2018 to 2022 were calculated based on the weighted average number of shares outstanding during each period.

Consolidated Condensed Statement of Income

Unit: NT\$,1000

Item	Financial Information for Most Recent 5 Fiscal Years					
	2018	2019	2020	2021	2022	As of March 31, 2023
Operating Revenue	1,658,723	2,219,941	2,160,998	2,148,503	2,270,033	489,168
Gross Profit	188,202	210,470	222,144	231,964	246,494	60,666
Operating Income	33,978	44,931	47,260	53,159	63,761	12,702
Non-operating income and expenses	18,733	11,373	450	3,329	14,624	3,073
Profit Before Income Tax	52,711	56,304	47,710	56,488	78,385	15,775
Net income for the period from continuing	42,486	45,940	38,776	44,683	63,530	12,659
Loss from discontinued	-	-	-	-	-	-
Net income (loss) for the period	42,486	45,940	38,776	44,683	63,530	12,659
Other comprehensive income (loss) for the period (net of Income Tax)	(3,190)	(1,718)	(4,056)	(6,002)	13,785	(1,052)
Total comprehensive income for the period	39,296	44,222	34,720	38,681	77,315	11,607
Net income attributable to owners of parent	42,486	45,940	38,776	44,683	63,530	12,659
Net income (loss) attributable to noncontrolling interests	-	-	-	-	-	-
Total comprehensive income attributable to owners of parent	39,296	44,222	34,720	38,681	77,315	11,607
Total comprehensive income, attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share (Note 2)	0.61	0.66	0.55	0.64	0.91	0.18

Note 1: The financial statements of the Company for the years 2018-2022 have been audited and certified by CPA. The financial statements for the first quarter of 2023 have been reviewed and certified by CPA.

Note 2: Earnings per share for the years 2018 to 2022 were calculated based on the weighted average number of shares outstanding during each period.

6.1.2 Auditors' Opinions in the Recent Five Years

Year	CPA Firm	CPA's Name	Auditing Opinion — Parent-Only	Auditing Opinion — Consolidated
2018	Deloitte & Touche	LI,ZHEN-MING GUO,LI-WEN	Unqualified Opinion	Unqualified Opinion
2019	Deloitte & Touche	LI,ZHEN-MING GUO,LI-WEN	Unqualified Opinion	Unqualified Opinion
2020	Deloitte & Touche	LI,ZHEN-MING GUO,LI-WEN	Unqualified Opinion	Unqualified Opinion
2021	Deloitte & Touche	Cai,You-Ling Lin,Wen-Qin	Unqualified Opinion	Unqualified Opinion

2022	Deloitte & Touche	Cai, You-Ling Lin, Wen-Qin	Unqualified Opinion	Unqualified Opinion
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6.2 Financial analyses for the past 5 fiscal years:

6.2.1 Financial analyses

Parent-Only Five-Year Financial Analysis

Unit: NT\$ 1,000

Item (Note 3)		Fiscal year		Financial Information for the Most Recent 5 Years				
		2018	2019	2020	2021	2022	As of March 31, 2023	
Financial structure (%)	Debt to assets ratio	26.11	39.38	41.13	32.73	36.86	N/A	
	Ratio of long-term capital to property, plant and equipment	499.77	515.94	403.22	416.29	560.51		
Solvency (%)	Current ratio	258.70	187.32	165.84	184.98	142.03		
	Quick ratio	217.34	143.24	118.01	154.74	114.73		
	Times interest earned	832.78	54.03	64.02	34.47	32.70		
Operating performance	Accounts receivable turnover (times)	4.32	4.88	3.99	5.17	5.52		
	Average collection days	84.49	74.79	91.47	70.59	66.12		
	Inventory turnover (times)	12.59	11.68	7.31	9.15	11.27		
	Accounts payable turnover (times)	5.07	5.16	4.70	6.33	4.80		
	Average days in sales	28.99	31.25	49.93	39.89	32.38		
	Property, plant and equipment turnover (times)	6.71	9.41	8.20	6.68	5.94		
	Total asset turnover (times)	1.01	1.25	1.09	1.04	0.82		
Profitability	Return on total assets (%)	2.78	2.75	2.07	2.53	3.63		
	Return on equity (%)	3.78	4.05	3.41	3.91	5.41		
	Ratio of income before tax to paid-in capital (%)	7.49	8.01	6.77	8.00	10.33		
	Net profit margin (%)	2.76	2.16	1.86	2.37	4.30		
	Earnings per share (NT\$)	0.61	0.66	0.55	0.64	0.91		
Cash flow	Cash flow ratio (%)	-13.19	-19.10	-2.82	41.30	23.26		
	Cash flow adequacy ratio (%)	207.26	35.78	-16.10	26.02	40.85		
	Cash reinvestment ratio (%)	-7.03	-14.04	-4.06	15.57	10.03		
Leverage	Operating leverage	1.39	1.43	1.33	1.28	1.53		
	Financial leverage	1.00	1.03	1.02	1.03	1.09		

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. Long-term funds as a percentage of property, plant, and equipment have increased: The cost of property, plant, and equipment has decreased, resulting in an increase in total equity compared to 2021.
2. Current ratio and quick ratio have decreased: Assets have decreased, prepaid expenses have decreased, and liabilities have increased.
3. Inventory turnover has increased, while accounts payable turnover has decreased: Inventory has increased, cost of goods sold has decreased, and accounts payable have decreased.
4. Return on assets, return on equity, pre-tax net income as a percentage of paid-in capital, and net profit margin have increased: This is due to an increase in operating income and post-tax net income in the 2022.
5. Cash flow ratio and cash reinvestment ratio have decreased, while cash flow adequacy ratio has increased: The increase in inventory and increased net cash outflow from operating activities in the 2022 have resulted in these changes.

Note 1: The financial statements of the Company for the years 2018-2022 have been audited and certified by CPA.

Note 2: If, up to the date of publication of the annual report for a TWSE or TPEX listed or Emerging Stock company, there is any financial data audited and attested or reviewed by a CPA for the most recent period, it shall also be disclosed.

Note 3: The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report:

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

(2) Average collection days = 365 / accounts receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).

(5) Average days in sales = 365 / inventory turnover.

(6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.

(7) Total asset turnover = net sales / average total assets.

4. Profitability

(1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.

(2) Return on equity = net income after tax / average total equity.

(3) Net profit margin = net income after tax / net sales.

(4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

(1) Cash flow ratio = net cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).

(3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage:

(1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income.

(2) Financial leverage = operating income / (operating income – interest expenses).

Consolidated Five-Year Financial Analysis

Unit: NT\$ 1,000

Items		Fiscal year	Financial Information for the Most Recent 5 Years					As of March 31, 2023
			2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio		27.95	40.34	41.72	38.19	44.49	44.70
	Ratio of long-term capital to property, plant and equipment		457.14	473.77	378.25	391.52	513.40	514.64
Solvency (%)	Current ratio		255.54	191.42	183.81	200.27	172.82	170.61
	Quick ratio		214.65	146.13	136.50	168.54	145.67	132.78
	Times interest earned		837.68	54.27	64.53	34.80	27.52	13.30
Operating performance	Accounts receivable turnover (times)		4.38	4.83	4.04	5.30	6.48	6.18
	Average collection days		83.33	75.56	90.34	68.86	56.32	59.06
	Inventory turnover (times)		12.53	11.18	7.26	9.14	12.06	6.96
	Accounts payable turnover (times)		5.09	5.07	4.72	5.99	5.36	3.79
	Average days in sales		29.13	32.64	50.27	39.93	30.26	52.44
	Property, plant and equipment turnover (times)		6.64	9.03	7.91	7.15	8.49	8.25
	Total asset turnover (times)		1.06	1.28	1.12	1.13	1.13	0.90
Profitability	Return on total assets (%)		2.72	2.69	2.04	2.42	3.28	2.52
	Return on equity (%)		3.78	4.05	3.41	3.91	5.41	4.21
	Ratio of income before tax to paid-in capital (%)		7.53	8.05	6.82	8.07	11.20	9.02
	Net profit margin (%)		2.56	2.07	1.79	2.08	2.80	2.59
	Earnings per share (NT\$)		0.61	0.66	0.55	0.64	0.91	0.17
Cash flow	Cash flow ratio (%)		-13.07	-17.54	-0.29	26.86	-9.56	-4.13
	Cash flow adequacy ratio (%)		216.61	38.99	-8.69	22.81	-23.56	6.66
	Cash reinvestment ratio (%)		-6.90	-13.59	-3.01	12.55	-9.10	-3.04
Leverage	Operating leverage		1.30	1.38	1.30	1.27	1.24	1.32
	Financial leverage		1.00	1.02	1.02	1.03	1.05	1.11

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

1. Long-term funds to fixed assets ratio increased: This is mainly due to the decrease in the cost of fixed assets and the increase in total equity compared to 2021.
2. Interest coverage ratio decreased: This is mainly due to borrowing to meet the increased funding requirements for several projects undertaken in the fourth quarter of 2021, resulting in an increase in interest expenses in 2022 due to the repayment of loans as project funds were received.
3. Accounts receivable turnover ratio increased and average collection days decreased: This is mainly due to the receipt of payments for several large projects undertaken in 2021 and improved collection of accounts receivable in 2022.
4. Inventory turnover ratio increased and average days of sales decreased: This is mainly due to the increase in inventory due to several large projects undertaken in 2021, with subsequent sales in 2022 resulting in a decrease in ending inventory.
5. Return on assets, return on equity, pre-tax net income to paid-in capital ratio, and net profit margin increased: This is due to an increase in operating income and after-tax profit in 2022.
6. Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio decreased: This is due to an increase in inventory in 2022, resulting in increased net cash outflow from operating activities.

Note 1: The financial statements of the Company for the years 2018-2022 have been audited and certified by CPA. The financial statements for the first quarter of 2023 have been reviewed and certified by CPA.

Note 2: If, up to the date of publication of the annual report for a TWSE or TPEX listed or Emerging Stock company, there is any financial data audited and attested or reviewed by a CPA for the most recent period, it shall also be disclosed.

Note 3: The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report:

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

(2) Average collection days = 365 / accounts receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).

(5) Average days in sales = 365 / inventory turnover.

(6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.

(7) Total asset turnover = net sales / average total assets.

4. Profitability

(1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.

(2) Return on equity = net income after tax / average total equity.

(3) Net profit margin = net income after tax / net sales.

(4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

- (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
 - (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).
6. Leverage:
- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income.
 - (2) Financial leverage = operating income / (operating income – interest expenses).

6.3 Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2022 Business Report, Distribution of 2022 profits and Financial Statements. The CPA of Deloitte & Touche, Cai, You-Ling and Lin, Wen-Qin, were retained to audit the Financial Statements of Fortune Information Systems Corp. and have issued an audit report relating to the Financial Statements. The Business Report, Distribution of 2022 profits and Financial Statements have been reviewed and determined to be correct and accurate by all the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

TO

FORTUNE INFORMATION SYSTEMS CORP. Shareholders Meeting 2023

LIN, QIAN-RU

Chairman of the Audit Committee

March 24, 2023

6.4 Independent Auditors' Report (Consolidated)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Fortune Information Systems Corporation

Opinion

We have audited the accompanying consolidated financial statements of Fortune Information Systems Corporation and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the

Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2022 consolidated financial statements are as follows:

Recognition of System Integration Revenue

The Group's main revenue is derived from system integration, and the recognition of revenue is based on the percentage of completion method, which measures the degree of completion of the contract based on the ratio of costs incurred to the estimated total costs of the contract. As the estimated total costs are based on management's judgment of the nature of different contracts, as well as internal and external information and evidence, revenue from certain customers that meet specific indicators may have a significant impact on the accuracy of the recognition of system integration revenue, and therefore, the recognition of system integration revenue from these specific customers is considered a key audit matter.

We designed our audit procedures to address the above key audit matter, including understanding and evaluating the processes related to the accuracy of recognition of system integration revenue, performing detailed testing of incomplete contracts at the end of the period to verify the accuracy of costs incurred, and reviewing whether there were any significant adjustments to the total contract costs and completion percentage after the reporting period.

Other Matter

We have also audited the parent company only financial statements of Fortune Information Systems Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated

Financial Statements Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional

skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists and is related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we 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. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 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 Cai, You-Ling and Lin, Wen-Qin

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 24, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 auditors' report and consolidated financial statements shall prevail.

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUES (Note 20 and 26)	\$ 2,270,033	100	\$ 2,148,503	100
OPERATING COSTS (Note 11 and 21)	<u>2,023,539</u>	<u>89</u>	<u>1,916,539</u>	<u>89</u>
GROSS PROFIT FROM OPERATIONS	246,494	11	231,964	11
OPERATING EXPENSES (Note 21 and 26)	<u>182,733</u>	<u>8</u>	<u>178,805</u>	<u>8</u>
NET OPERATING INCOME	<u>63,761</u>	<u>3</u>	<u>53,159</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Note 21 and 26)				
Interest income	3,968	-	1,956	-
Other income	4,407	-	4,423	-
Other gains and losses	9,205	1	(1,379)	-
Finance costs	(<u>2,956</u>)	<u>-</u>	(<u>1,671</u>)	<u>-</u>
Total non-operating income and expenses	<u>14,624</u>	<u>1</u>	<u>3,329</u>	<u>-</u>
PROFIT BEFORE TAX	78,385	4	56,488	3
INCOME TAX EXPENSE (Note 22)	<u>14,855</u>	<u>1</u>	<u>11,805</u>	<u>1</u>
NET PROFIT	<u>63,530</u>	<u>3</u>	<u>44,683</u>	<u>2</u>

(Continued)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	\$ 7,373	-	(\$ 3,272)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	6,723	-	(2,073)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(311)	-	(657)	-
Other comprehensive income (loss) (after tax)	<u>13,785</u>	-	<u>(6,002)</u>	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 77,315</u>	<u>3</u>	<u>\$ 38,681</u>	<u>2</u>
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 0.91</u>		<u>\$ 0.64</u>	
Diluted earnings per share	<u>\$ 0.90</u>		<u>\$ 0.64</u>	

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal accounting officer: CHEN, XIU-YUE

(Concluded)

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Common Stock			Retained Earnings			Other Equity Interest		Total Equity
	Shares (thousands shares)	Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences on translating foreign operations	Unrealized Gain (Loss) Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE, JANUARY 1, 2021	69,961	\$ 699,612	\$ 62,361	\$ 167,325	\$ 3,729	\$ 212,001	(\$ 7,933)	\$ 973	\$ 1,138,068
Appropriation of 2020 earnings									
Legal Reserve	-	-	-	3,795	-	(3,795)	-	-	-
Special Reserve	-	-	-	-	3,231	(3,231)	-	-	-
Cash dividends	-	-	-	-	-	(27,985)	-	-	(27,985)
Profit for the year ended December 31, 2021	-	-	-	-	-	44,683	-	-	44,683
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(3,272)	(2,073)	(657)	(6,002)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	41,411	(2,073)	(657)	38,681
BALANCE, DECEMBER 31, 2021	69,961	699,612	62,361	171,120	6,960	218,401	(10,006)	316	1,148,764
Distribution of 2021 earnings									
Legal reserve	-	-	-	4,141	-	(4,141)	-	-	-
Special reserve	-	-	-	-	2,730	(2,730)	-	-	-
Cash dividends	-	-	-	-	-	(27,984)	-	-	(27,984)
Profit for the year ended December 31, 2022	-	-	-	-	-	63,530	-	-	63,530
Other comprehensive income (loss) (after tax) for the year ended December 31, 2022	-	-	-	-	-	7,373	6,723	(311)	13,785
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	70,903	6,723	(311)	77,315
BALANCE, DECEMBER 31, 2022	69,961	\$ 699,612	\$ 62,361	\$ 175,261	\$ 9,690	\$ 254,449	(\$ 3,283)	\$ 5	\$ 1,198,095

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal Accounting Officer: CHEN, XIU-YUE

FORTUNE INFORMATION SYSTEMS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 78,385	\$ 56,488
Adjustments to reconcile profit (loss)		
Depreciation expense	13,720	13,433
Amortization expense	1,433	982
Expected credit impairment (gain) loss	(6)	243
Finance costs	2,956	1,671
Interest income	(3,968)	(1,956)
(Gain) loss on disposal and retirement of property, plant and equipment, net	(6)	(2)
Inventory falling price loss	43	-
Foreign exchange (gains) loss	(10,773)	3,425
Changes in operating assets and liabilities		
Contract assets	(249,460)	(176,406)
Notes receivable	1,477	(1,319)
Accounts receivable	(20,003)	128,884
Other receivables	(25,827)	(2,205)
Inventories	(74,282)	155,021
Prepayments	36,129	5,924
Other current assets	(3,426)	167
Net defined benefit assets	(81)	(86)
Long-term receivables	(22,712)	-
Contract liabilities	17,886	10,288
Notes payable	-	(53)
Accounts payable	129,634	(14,977)
Other payables	47,949	13,099
Other current liabilities	<u>729</u>	<u>2,025</u>
Cash inflows generated from operating activities	(80,203)	194,646
Interest received	4,215	2,255
Interest paid	(2,847)	(1,671)
Income taxes paid	<u>(11,409)</u>	<u>(9,579)</u>
Net cash generated from operating activities	<u>(90,244)</u>	<u>185,651</u>

(Continued)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ 7,308	\$ 7,084
Acquisition of financial assets measured at amortized cost	(408,281)	(72,767)
Proceeds from financial assets measured at amortized cost	455,451	55,138
Acquisition of property, plant and equipment	(2,595)	(880)
Proceeds from disposal of property, plant and equipment	6	2
Increase in refundable deposits	(30,405)	(9,204)
Acquisition of intangible assets	(<u>2,133</u>)	(<u>1,258</u>)
Net cash used in investing activities	<u>19,351</u>	<u>(21,885)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	115,000	(190,000)
Increase (decrease) in short-term notes and bills payable	(61,723)	59,541
Repayment of the principal portion of lease liabilities	(7,717)	(6,858)
Decrease (increase) in other non-current liabilities	968	(285)
Cash dividends paid	(<u>27,984</u>)	(<u>27,985</u>)
Net cash flows used in financing activities	<u>18,544</u>	<u>(165,587)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>12,873</u>	<u>(3,851)</u>
Net decrease in cash and cash equivalents	(39,476)	(5,672)
Cash and cash equivalents at beginning of year	<u>343,147</u>	<u>348,819</u>
Cash and cash equivalents at end of year	<u>\$ 303,671</u>	<u>\$ 343,147</u>

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: WEI, XING-XIONG

General Manager: TANG, YU-HUA

Principal Accounting Officer: CHEN, XIU-YUE

(Concluded)

FORTUNE INFORMATION SYSTEMS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

Fortune Information Systems Corp.(hereinafter referred to as "the Company") was established on April 11, 1977 in Taipei City. Its main business activities include: (1) buying, selling, leasing and repairing office machines, office automation equipment, computers and other information equipment, computer peripherals, microfilm equipment, devices, and their parts, accessories and supplies; (2) system analysis and programming of computer and other information software; (3) data processing services for clients, etc.

The Company's stock has been traded on the Taipei Exchange since September 17, 2001, after being listed on the Taipei Exchange for Over-the-Counter Securities on December 4, 1999.

As of December 31, 2022, the Company has four branches located in Taoyuan, Hsinchu, Taichung, and Kaohsiung.

The consolidated financial statements are expressed in the functional currency of the Company, which is New Taiwan Dollar.

The accompanying consolidated financial statements comprise of the Company and its subsidiaries (collectively, the "Group").

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on March 24, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2023.

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "disclosure of accounting policies"	1 January 2023 (Note 1)
Amendments to IAS 8 "clarify the definition of accounting estimates"	1 January 2023 (Note 2)
Amendments to IAS 12 "deferred tax related to assets and liabilities arising from a single transaction"	1 January 2023 (Note 3)

Note 1 : The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023

Note 2 : The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period.

Note 3 : Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group had assessed that the application of above standards and interpretations would not have a material impact on the Group's financial position and financial performance.

- c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"	1 January 2024 (Note 2)
IFRS 17 "Insurance Contracts"	1 January 2023
Amendment to IFRS 17	1 January 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9— Comparative Information"	1 January 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	1 January 2024

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”	1 January 2024 (Note 2)
Amendments to IAS 1 “Regarding the Classification of Liabilities with Covenants”	1 January 2024

Note 1 : Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2 : A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels:

- a. Level 1 inputs: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. ◦
- b. Level 2 inputs: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 inputs: Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current Assets are:

- a. It holds the asset primarily for the purpose of trading;
- b. It expects to realize the asset within twelve months after the reporting period; or
- c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current Liabilities are:

- a. It holds the liability primarily for the purpose of trading;
- b. The liability is due to be settled within twelve months after the reporting period; or
- c. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other assets and liabilities are non-current assets and liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions or to the effective dates of disposals, as appropriate. Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group. Transactions and balances, and any income and expenses arising from intra-group transactions were eliminated during the preparation of the consolidated financial statements.

Lists of the subsidiaries, percentage of ownership and main business and products are attached hereto as Note 12 and Table 5.

Foreign Currencies

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing the consolidated financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of the Group's entire interest in a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar

characteristics which are assessed collectively. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs or selling expenses. The weighted-average method is used in the calculation of cost.

Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land has an unlimited useful life and therefore is not depreciated.

The fixed-rate progressive decrease method is adopted to the depreciation of miscellaneous equipment, air conditioning systems and renovation. The straight-line method is adopted to the depreciation of the other over its useful life. Each significant item should be depreciated separately. Depreciation methods, useful lives, and residual values are reviewed at the end of each reporting period. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit and loss.

Investment Properties

Investment properties are properties held to earn rental and/or for capital appreciation, including land held for a currently undetermined future use.

Investment properties are measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The straight-line method is adopted to the depreciation of the building. The fixed-rate progressive decrease method is adopted to the other.

Property, plant and equipment should transfer to investment properties base on its carrying amount when end of owner-occupation.

The gain or loss arising from the derecognition of an item of investment properties shall be determined as the difference between the net disposal proceeds.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Property, plant, and equipment, right-of-use assets, investment properties, intangible assets, and incremental costs of obtaining a contract

At the end of each reporting period, the Group reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount

of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the asset, cash-generating unit or contract cost is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or contract cost in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

The Group adopts trade-date accounting to recognize and derecognize financial assets.

1) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, cash equivalents, notes, accounts receivable, other receivables, other financial assets and refundable deposits, etc., are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate method to the gross carrying amount except the status as follow:

- i. In the case of purchased or originated credit-impaired financial assets, interest revenue is always recognized by applying the credit-adjusted effective interest rate to the amortized cost carrying amount.
- ii. In the case of a financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortized cost balance in next reporting period.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Investments in equity instruments at FVTOCI

A debt instrument that meets the following two conditions must be measured at FVTOCI:

- i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including

receivables), investments in equity instruments at FVTOCI and contract assets.

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECLs. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECLs. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECLs.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Overdue for more than 365 days, unless there is reasonable and corroborated information that shows that the delayed default basis is more appropriate.

The impairment loss of all financial assets is reduced by the allowance account to reduce its carrying amount, but the loss allowance of debt instrument investment through other comprehensive income measured at fair value is recognized in other comprehensive income, and its carrying amount is not reduced.

3) Derecognition of financial asset

The Group only derecognizes the financial asset when the contractual rights to cash flows from the financial asset lapse, or the financial asset has been transferred and almost all the risks and rewards of the asset's ownership have been transferred to other companies.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Equity instruments

Equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

c. Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost calculated using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products, at the Group's best estimate of the expenditure required to settle the obligation.

Revenue recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a. Revenue from the sale of goods

Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized as receivable and contract assets when the goods are delivered to the customers and the customers have full discretion over the price to sell the goods, right to use the goods, and bears the risk of obsolescence, and recognizes revenue when performance obligations are satisfied. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

b. Revenue from rendering of services

Service revenue comes from system integration and maintenance of computer hardware and software.

As the Group provides service, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered. Because the contract stipulates that the customers make payment after completion of acceptance, the company recognizes the contract asset upon providing the service, and recognizes accounts receivable upon completion of acceptance.

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Lease payments from operating leases are recognized on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier dates of the end of the useful lives of the right-of-use assets or the end of the lease term. Lease liabilities are initially measured at the present value of the lease payments (fixed payments). The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liability with a corresponding adjustment to

the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Cost of Borrowings

Cost of borrowings is recognized in profit or loss directly.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

The defined benefit costs (including service cost, net interest, and remeasurement) of defined benefit plan use the projected unit credit method for the actuarial valuation. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Remeasurement (including actuarial gains and losses and the return on plan assets, excluding amounts included in net interest) is recognized in other comprehensive income (loss) in retained earnings as it occurs, and is not reclassified to profit or loss subsequently.

Net defined benefit asset represents the surplus of defined benefit plans. IAS 19 requires the Group to limit the carrying amount of a net defined benefit asset so that it does not exceed the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current taxes

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the

extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

6. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 403	\$ 402
Checking accounts and demand deposits	102,369	212,771

	December 31, 2022	December 31, 2021
Cash equivalents		
Time deposits with original maturities of less than 3 months	21,690	90,000
Repurchase Agreement	<u>179,209</u>	<u>39,974</u>
	<u>\$ 303,671</u>	<u>\$ 343,147</u>

Interest rate during reporting period:

	December 31, 2022	December 31, 2021
Time deposits with original maturities of less than 3 months	0.98%~2.43%	0.35%
Repurchase Agreement	0.88%	0.21%~0.22%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2022	December 31, 2021
<u>Foreign debt instrument investments</u>		
Current	\$ 6,147	\$ 7,003
Noncurrent	<u>\$ -</u>	<u>\$ 5,831</u>

Refer to Note 9 for information relating to the credit risk management and expected credit loss for financial assets at FVTOCI.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2022	December 31, 2021
Time deposits with original maturities of less than 3 months	<u>\$ 25,597</u>	<u>\$ 71,414</u>

As of December 31, 2022 and 2021, the annual interest rate of time deposits with original maturities of less than 3 months is 2.66~2.80% and 0.25~2.80%.

Refer to Note 9 for information relating to credit risk management and expected credit loss for financial assets at amortized cost.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are financial assets at FVTOCI and financial assets at amortized cost.

December 31, 2022

	<u>FVTOCI</u>	<u>Amortized cost</u>
Gross carrying amount	\$ 6,143	\$ 25,597
Allowance for impairment loss	(2)	-
Amortized cost	6,141	<u>\$ 25,597</u>
Fair value measurement	<u>6</u>	
	<u>\$ 6,147</u>	

December 31, 2021

	<u>FVTOCI</u>	<u>Amortized cost</u>
Gross carrying amount	\$ 12,443	\$ 71,414
Allowance for impairment loss	(4)	-
Amortized cost	12,439	<u>\$ 71,414</u>
Fair value measurement	<u>395</u>	
	<u>\$ 12,834</u>	

The policy adopted by the Group is to only invest in debt instruments with credit ratings of investment grade or above (inclusive), and those with low credit risk in impairment assessments. Credit rating information is provided by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses.

The current credit risk assessment policies are as follows:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Loss</u>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flow. The bond credit rating of Moody's is high than B grade.	12 months expected credit loss
Doubtful	The credit risk of a financial instrument has increased significantly since initial recognition. The bond credit rating of Moody's diminishes lower than B.	Lifetime expected credit loss-not credit impaired
In default	There is evidence in credit-impaired. The bond credit rating of Moody's is Ca or below.	Lifetime expected credit loss-credit impaired

Category	Description	Basis for Recognizing Expected Credit Loss
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group's current expected credit loss ratio and gross carrying amount comprises the following categories:

December 31, 2022

Category	Expected Credit Loss Ratio	Gross Carrying Amount	
		FVTOCI	Amortized cost
Performing	0.00%~0.03%	\$ 6,147	\$ 25,597
Doubtful	-	-	-
In default	-	-	-
Write-off	-	-	-

December 31, 2021

Category	Expected Credit Loss Ratio	Gross Carrying Amount	
		FVTOCI	Amortized cost
Performing	0.00%~0.03%	\$ 12,834	\$ 71,414
Doubtful	-	-	-
In default	-	-	-
Write-off	-	-	-

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE and OTHER RECEIVABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Gross carrying amount at amortized cost	<u>\$ 17,192</u>	<u>\$ 18,669</u>
<u>Accounts receivable</u>		
Gross carrying amount at amortized cost	\$ 366,426	\$ 322,702
Less: Unrealized interest income	(1,009)	-
Less: Allowance for impairment loss	(246)	(250)
	<u>\$ 365,171</u>	<u>\$ 322,452</u>
Current	<u>\$ 342,459</u>	<u>\$ 322,452</u>
Noncurrent	<u>\$ 22,712</u>	<u>\$ -</u>
<u>Other receivables</u>		

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receivable for payment on behalf of others	\$ 28,270	\$ -
Other	<u>501</u>	<u>3,204</u>
	<u>\$ 28,771</u>	<u>\$ 3,204</u>

The average credit period of receivable was 60 to 120 days. In order to mitigate credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure the recoverability of receivables. In addition, the Group reviews the recoverable amount of trade receivables at balance sheet dates to ensure that adequate allowance is provided for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk could be reasonably reduced.

The Group provides for expected credit losses which permits the use of lifetime expected loss provision for all receivable. The expected credit losses on receivable are estimated using a provision matrix by reference to the past default experience of the debtor, the debtor's current financial position, economic condition of the industry in which the debtor operates, as well as the GDP forecasts and industry outlook. According to loss patterns for different customer segment, the provision of loss allowance is based on past due status.

The Group writes off a trade receivable when there are evidences indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of receivables based on the Group's provision matrix.

December 31, 2022

	<u>Not Past Due</u>	<u>Overdue 1 to 60 days</u>	<u>Overdue 61 to 90 days</u>	<u>Overdue 91 to 120 days</u>	<u>Overdue Over 120 days</u>	<u>Total</u>
Gross carrying amount (including unrealized interest income)	\$ 370,508	\$ 10,522	\$ 857	\$ 722	\$ -	\$ 382,609
Loss allowance (Lifetime ECLs)	(<u>246</u>)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>246</u>)
Amortized cost	<u>\$ 370,262</u>	<u>\$ 10,522</u>	<u>\$ 857</u>	<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 382,363</u>

December 31, 2021

	Not Past Due	Overdue 1 to 60 days	Overdue 61 to 90 days	Overdue 91 to 120 days	Overdue Over 120 days	Total
Gross carrying amount	\$ 327,285	\$ 12,767	\$ 1,259	\$ 60	\$ -	\$ 341,371
Loss allowance (Lifetime ECLs)	(<u>250</u>)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>250</u>)
Amortized cost	<u>\$ 327,035</u>	<u>\$ 12,767</u>	<u>\$ 1,259</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 341,121</u>

The movements of the loss allowance of receivable were as follow:

	2022	2021
Balance at January 1	\$ 250	\$ -
Add: Provision	-	250
Less: Reversal	(<u>4</u>)	<u>-</u>
Balance, end of year	<u>\$ 246</u>	<u>\$ 250</u>

11. INVENTORIES

	December 31, 2022	December 31, 2021
Merchandise	<u>\$ 204,385</u>	<u>\$ 131,198</u>

For the years ended December 31, 2022 and 2021, the cost of goods sold related to inventories amounted to \$1,770,190 thousand and \$1,686,705 thousand, respectively, which included the inventory write-down totaling \$43 thousand. (2021: None)

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

<u>I n c e s t o r</u>	<u>S u b s i d i a r y</u>	<u>M a i n B u s i n e s s</u>	<u>% of Ownership</u>	
			December 31, 2022	December 31, 2021
The Company	IPAC Technology CO. LTD. (IPAC)	Data Storage Media Units Manufacturing	100%	100%
	Fortune Information System (In') LTD. (FIS HK)	Information Service	100%	100%
	SBAS (HK) LTD. (SBAS)	Information Service	100%	100%
	Fortune Technology System Corp. (FTSC)	Information Service	100%	100%

The Company invested to establish FTSC in January 2021. On August 8, 2022, the board of directors resolved to increase investment in FTSC by \$200 million, which will be fully invested by the Company. After the capital increase, FTSC's paid-in capital will be \$400 million.

Subsidiaries excluded from consolidated: None.

13. PROPERTY, PLANT AND EQUIPMENT

The Group did not have significant impairment of property, plant and equipment during the years ended December 31, 2022 and 2021.

14. LEASE ARRANGEMENTS

Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Land	\$ 1,271	\$ 2,117
Building	<u>14,884</u>	<u>18,867</u>
	<u>\$ 16,155</u>	<u>\$ 20,984</u>
	<u>111年度</u>	<u>110年度</u>
Addition	<u>\$ 2,974</u>	<u>\$ 21,625</u>
Depreciation charge for right-of-use assets		
Land	\$ 846	\$ 848
Building	<u>6,957</u>	<u>5,956</u>
	<u>\$ 7,803</u>	<u>\$ 6,804</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts		
Current	<u>\$ 8,004</u>	<u>\$ 7,349</u>
Noncurrent	<u>\$ 8,244</u>	<u>\$ 13,642</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	0.88%	0.88%
Building	0.88%~1.19%	0.88%

Material lease-in activities and terms

The Group leases offices and warehouses with most of the lease terms ranging from 2 to 5 years. The Group does not have bargain purchase options to acquire the leasehold assets at the end of the lease terms. In addition, the Group applies the recognition exemption to leases of

Domestic firms of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in Hong Kong are participants of state-managed retirement benefit plans operated by local governments. The subsidiaries are required to contribute specific percentages of payroll costs to retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 62,690	\$ 68,768
Fair value of plan assets	(85,085)	(81,866)
Net defined benefit liabilities	<u>(\$ 22,395)</u>	<u>(\$ 13,098)</u>

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial present values of the defined benefit obligation were carried out by the chartered actuary. The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.38%	0.63%
Expected rates of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
0.25% increase	(<u>\$ 1,616</u>)	(<u>\$ 1,923</u>)
0.25% decrease	<u>\$ 1,674</u>	<u>\$ 1,999</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 1,618</u>	<u>\$ 1,920</u>
0.25% decrease	(<u>\$ 1,570</u>)	(<u>\$ 1,858</u>)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plan for the next year	\$ <u> -</u>	\$ <u> -</u>
Average duration of the defined benefit obligation	10.5 years	11.3 years

19. EQUITY

a. Common shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of authorized shares (in thousands)	<u>107,000</u>	<u>107,000</u>
Amount of authorized shares	<u>\$ 1,070,000</u>	<u>\$ 1,070,000</u>
Number of issued and fully paid shares (in thousands)	<u>69,961</u>	<u>69,961</u>
Amount of issued and fully paid shares	<u>\$ 699,612</u>	<u>\$ 699,612</u>

b. Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Recognized from issuance of common shares	\$ 37,105	\$ 37,105
Recognized from treasury share transactions	<u>25,256</u>	<u>25,256</u>
	<u>\$ 62,361</u>	<u>\$ 62,361</u>

Capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and treasury stock transactions, may be applied to make-up accumulated deficit, if any, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no accumulated deficit, and this transfer is restricted to a certain percentage of the paid-in capital.

c. Appropriation of earnings and dividend policy

The Company's Articles of Incorporation provide that appropriation for legal reserve should be made at 10% of annual net income, less any accumulated deficit. From the remainder of the net income, appropriation for special reserve will be made based on relevant laws and regulations, and then any remaining profit together with any undistributed retained earnings may be appropriated and distributed. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board of Directors for approval at a stockholders' meeting. For the policies on distribution compensation of employees, please refer to Note 21.

The Company is currently in the growth phase of its industry life cycle, and in order to consider the future funding needs of the Company and meet the needs of shareholders for cash inflows, if there are undistributed profits after the annual settlement, not less than 60% of the post-tax net profit shall be distributed as dividends to shareholders, of which cash dividends shall not exceed 50% of the total cash and stock dividends paid out during the year. However, when the earnings per share for the year are less than NT\$ 3, the proportion of cash dividends paid out may be increased to a maximum of 100%.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve. The FSC issued Rule No. 1090150022 on March 31, 2021, and Rule No. 1010012865 and No. 1010047490 were repealed on December 31, 2021 and March 31, 2021, respectively. The Company will be in compliance with the relevant Rule.

The appropriations of earnings for 2021 and 2020 which have been resolved in the shareholders' meetings on June 24, 2022 and July 20, 2021, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Legal reserve	\$ 4,141	\$ 3,795		
Special reserve	2,730	3,231		
Cash dividends	27,984	27,985	\$ 0.4	\$ 0.4

The appropriation of earnings for 2022, which was proposed by the Company's board of directors was as follows:

	<u>Appropriation of Earnings</u>	<u>Dividend Per Share (NT\$)</u>
Legal reserve	\$ 7,090	
Reversal of special reserve	6,411	
Cash dividends	41,976	\$ 0.6

Since the Group has the discretion to settle the employees' compensation by cash or stock, the Group should presume that the entire amount of the compensation will be settled in stock, and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

24. CAPITAL RISK MANAGEMENT

The Group manages capital management under the precondition for sustainable development to ensure that it is able to maximize the benefit for its shareholders by optimizing debt and equity.

The capital structure of the Group is composed of equities attributable to the Group (capital, capital reserve, retained earnings, and other equity items).

The Group is not subject to any other external capital requirements.

25. FINANCIAL INSTRUMENTS

- a. Information on fair value – Financial instruments not measured at fair value

The Group considers that the carrying amount of financial assets and liabilities that are not at fair value is close to the fair value.

- b. Information on fair value – Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value level

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets at Fair Value through Other Comprehensive Income</u>				
Debt instrument investments				
– Foreign Bond	\$ _____ -	\$ <u>6,147</u>	\$ _____ -	\$ <u>6,147</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets at Fair Value through Other Comprehensive Income</u>				

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt instrument investments				
— Foreign Bond	\$ <u> -</u>	\$ <u> 12,834</u>	\$ <u> -</u>	\$ <u> 12,834</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2022 and 2021.

2) Valuation techniques and inputs of Level 2 fair value measurement:

<u>Financial instruments</u>	<u>Valuation techniques and inputs</u>
Foreign Bond	The valuation of corporate bonds is obtained by adjusting the quoted or transaction prices among participants in various securities trading markets.

c. Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Amortized cost (Note 1)	\$ 905,131	\$ 893,210
FVTOCI	6,147	12,834
<u>Financial liabilities</u>		
Amortized cost (Note 2)	813,908	582,219

Note 1. The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, time deposit, note receivables, account receivables (including noncurrent), other receivables, and refundable deposits.

Note 2. The balance includes financial liabilities measured at amortized cost such as short-term borrowings, accounts payables, other payables, long-term payables, and deposited margins.

d. Financial risk management objectives and policies

The main financial instruments of the Group include debt instrument investments, notes and account receivables, account payables, loans, and lease liabilities. The financial management department of the Group provides services for the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the Group by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risks include market risk (foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

1) Market risk

The main financial risks that the Group's operating activities make the Group bear are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates.

a) Foreign exchange risk

The Group's exchange rate risk arising from the foreign financial instrument investments.

For the monetary assets and liabilities of the Group denominated in non-functional currencies on the consolidated balance sheet date (include monetary items denominated in non-functional currencies that have been offset in the consolidated financial statements), refer to Notes 29.

Sensitivity analysis

The Group is mainly exposed to USD fluctuations.

When the New Taiwan Dollar and the Hong Kong Dollar (functional currencies) appreciate/depreciate by 5% against the US Dollar, the combined company's pre-tax net profit for 2022 and 2021 will decrease/increase by NT\$456 thousands and NT\$4,459 thousands, respectively. A sensitivity rate of 5% is used internally when foreign exchange risk is reported to the management. It also represents the management's assessment on the reasonably possible scope of foreign exchange rates. Sensitivity analysis only includes monetary items in foreign currencies in circulation and forward foreign exchange contracts designated as cash flow hedging, and the conversion at the end of the period is adjusted with a change in exchange rate of 5%. The Group's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period.

b) Interest rate risk

The interest rate risk insurance was incurred because of the deposit of entities in the Group at fixed and floating interest rate at the same time. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate.

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
– Financial assets	\$ 232,643	\$ 214,222
– Financial liabilities	240,988	190,948
Cash flow interest rate risk		
– Financial assets	41,709	65,883

Sensitivity analysis

If interest rates had been 5% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would decrease/increase by NT\$2,085 thousands and NT\$3,294 thousands, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting years, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets
- b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The policy that the Group adopts is to only make transactions with reputable targets, and the Group will obtain full collateral when necessary so as to reduce the risk of financial loss owing to delinquency. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not

available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

To lower the credit risk, management of the merged company appoints a specific team to handle decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Group would review the recoverable amount of each receivables on the consolidated balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As a result, the Group's management concludes that the credit risk of the Group is significantly reduced.

Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not hold any collateral or other credit enhancement instruments to mitigate credit risk of financial assets.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As of December 31, 2022 and 2021, the Group had available unutilized bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Group might be required to repay and was compiled based on

<u>Related Party Name</u>	<u>Related Party Category</u>
CECGP Electronics Corp. (CECGP)	Investor with significant influence over the Group

b. Operating revenues

<u>Account Items</u>	<u>Related Party Category/Name</u>	<u>2022</u>	<u>2021</u>
Operating revenues	Investor with significant influence over the Group - CECGP	<u>\$ 696</u>	<u>\$ 1,694</u>

The terms of the transactions with related parties are generally the same as those for unrelated parties.

c. Contract assets

<u>Account Items</u>	<u>Related Party Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract assets	Investor with significant influence over the Group - CECGP	<u>\$ -</u>	<u>\$ 57</u>

The Group did not recognize loss allowance for the contract assets from related parties for the years ended December 31, 2021.

d. Receivables from related parties

<u>Account Items</u>	<u>Related Party Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	Investor with significant influence over the Group -CECGP	<u>\$ 187</u>	<u>\$ 271</u>

The Group did not obtain guarantees for receivables from related parties. The Group did not recognize loss allowance for receivables from related parties for the years ended December 31, 2022 and 2021.

e. Lease arrangements

<u>Transaction Items</u>	<u>Related Party Category/Name</u>	<u>2022</u>	<u>2021</u>
Acquisition of right-of-use assets	Investor with significant influence over the Group CECGP	<u>\$ -</u>	<u>\$ 16,593</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As at December 31, 2022, the amount of the performance guarantee that the Group entrusted financial institutions to issue is as follow:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Performance guarantee	<u>\$ 56,061</u>	<u>\$ 78,211</u>

28. OTHER ITEMS

The Company conducted a government procurement case for the Ministry of Labor, and on July 26, 2021, the Ministry of Labor claimed that the Company violated relevant provisions of the Government Procurement Act and published the Company's name in the Government Procurement Bulletin. The Company is prohibited from bidding, being the winning bidder or subcontractor for one year from the effective date (from July 27, 2021 to July 26, 2022).

The Company's actual operational capacity is still normal and stable. This suspension only affects the Company's right to bid for government procurement cases in the future for one year and has little impact on the Company's consolidated profit and loss amount. The Company will consolidate its existing private business and actively expand into new business areas. At present, its operations and finances are normal, and the impact of this sanction on the Company's financial operations is limited.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	<u>December 31, 2022</u>	
<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>(In Thousands)</u>		<u>(In Thousands)</u>
<u>Financial assets</u>		
<u>Monetary items</u>		

- 5) Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
 - 6) Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
 - 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
 - 8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
 - 9) Trading in derivative instruments undertaken during the reporting periods: None.
 - 10) Significant inter-company transactions during the reporting periods: Table 4.
- b. Information on investees: Table 5.
- c. Information on investments in Mainland China
- 1) The names of investees in mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: None.
 - 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, and unrealized gain or loss: None
- d. Major shareholders information:
The name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or great: Table 6.

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for purpose of resource allocation and assessment of segment performance focuses on financial information. The Group reportable segments were FIS operation and other operations.

a. Segment revenue and operating results

	Segment revenue		Segment income	
	2022	2021	2022	2021
Reportable segments				
FIS operation	\$ 2,222,925	\$ 2,104,830	\$ 57,230	\$ 46,597

	Segment revenue		Segment income	
	2022	2021	2022	2021
Other operations	80,792	69,299	3,155	3,217
Adjustments and eliminations	(<u>33,684</u>)	(<u>25,626</u>)	<u>3,376</u>	<u>3,345</u>
Total	<u>\$2,270,033</u>	<u>\$2,148,503</u>	63,761	53,159
Non-operating income and expenses			<u>14,624</u>	<u>3,329</u>
Profit (loss) before tax			<u>\$ 78,385</u>	<u>\$ 56,488</u>

Transactions between segments are priced based on market prices.

Segment profit (loss) represented the profit before income tax earned by each segment without non-operating income and expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

The Group's measure of assets and liabilities was not provided to the chief operating decision maker. Therefore, no assets and liabilities were presented under operating segments.

c. Main customer information

The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues.

Table 3

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				Peak holding during the year	Note
				Units (In Thousands)	Carrying Value	Percentage of Ownership(%)	Fair Value	Units (In Thousands)	
The Company	<u>Corporate bond</u> Citic Pacific Ltd Bond	—	Financial assets at fair value through other comprehensive income—current	200	\$ 6,147	N/A	\$ 6,147	200	

Note: The aforementioned securities are not provided as collateral for pledged loans or subject to any other restrictions.

Table 5

FORTUNE INFORMATION SYSTEMS CORPORATION AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	FIS HK IPAC	Hong Kong Taipei	Information	\$ 38,484	\$ 38,484	8,426,000	100	\$ 56,907	\$ 1,992	\$ 1,992	Subsidiary
			Data Storage Media Units Manufacturing	45,681	45,681	1,231,776	100	18,480	1,763	1,763	Subsidiary
	SBAS FTSC	Hong Kong Taipei	Information Information	1,452 400,000	1,452 200,000	20,000 40,000,000	100 100	13,001 421,593	707 25,232	706 25,232	Subsidiary Subsidiary

Note : All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

FORTUNE INFORMATION SYSTEMS CORPORATION
 INFORMATION ON MAJOR SHAREHOLDERS
 FOR THE YEAR ENDED DECEMBER 31, 2022

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Standard Plastics LTD.	23,441,327	33.50%
CECGP Electronics Corp.	22,282,954	31.85%

Note1 : The table discloses the information of major stockholders whose stockholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The number of stocks reported in the Company's consolidated financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

Note 2 : If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

6.5 Independent Auditors’ Report (Standalone)

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Stockholders
Fortune Information Systems Corp.

Opinion

We have audited the accompanying financial statements of Fortune Information Systems Corp. (FIS), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FIS 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.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2022 financial statements are as follows:

Recognition of System Integration Revenue

The FIS's main revenue is derived from system integration, and the recognition of revenue is based on the percentage of completion method, which measures the degree of completion of the contract based on the ratio of costs incurred to the estimated total costs of the contract. As the estimated total costs are based on management's judgment of the nature of different contracts, as well as internal and external information and evidence, revenue from certain customers that meet specific indicators may have a significant impact on the accuracy of the recognition of system integration revenue, and therefore, the recognition of system integration revenue from these specific customers is considered a key audit matter.

We designed our audit procedures to address the above key audit matter, including understanding and evaluating the processes related to the accuracy of recognition of system integration revenue, performing detailed testing of incomplete contracts at the end of the period to verify the accuracy of costs incurred, and reviewing whether there were any significant adjustments to the total contract costs and completion percentage after the reporting period.

Responsibilities of Management and Those Charged with Governance for the Consolidated

Financial Statements Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for

assessing the FIS's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the FIS or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the FIS's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists and is related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we 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. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 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 Cai, You-Ling and Lin, Wen-Qin

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 24, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 auditors' report and consolidated financial statements shall prevail.

FORTUNE INFORMATION SYSTEMS CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

Fortune Information Systems Corp. (hereinafter referred to as "the Company") was established on April 11, 1977 in Taipei City. Its main business activities include: (1) buying, selling, leasing and repairing office machines, office automation equipment, computers and other information equipment, computer peripherals, microfilm equipment, devices, and their parts, accessories and supplies; (2) system analysis and programming of computer and other information software; (3) data processing services for clients, etc.

The Company's stock has been traded on the Taipei Exchange since September 17, 2001, after being listed on the Taipei Exchange for Over-the-Counter Securities on December 4, 1999.

As of December 31, 2022, the Company has four branches located in Taoyuan, Hsinchu, Taichung, and Kaohsiung.

The financial statements are expressed in the functional currency of the Company, which is New Taiwan Dollar.

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on March 24, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies.

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”	1 January 2024 (Note 2)
IFRS 17 “Insurance Contracts”	1 January 2023
Amendments to IAS 1 “Regarding the Classification of Liabilities with Covenants”	1 January 2024

Note 1 : Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2 : A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the impact that the application of above standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels:

- a. Level 1 inputs: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. °
- b. Level 2 inputs: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 inputs: Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the parent company only financial statements, the Company accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to owners of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Current Assets are:

- a. It holds the asset primarily for the purpose of trading;
- b. It expects to realize the asset within twelve months after the reporting period; or
- c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current Liabilities are:

- a. It holds the liability primarily for the purpose of trading;
- b. The liability is due to be settled within twelve months after the reporting period; or
- c. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other assets and liabilities are non-current assets and liabilities.

Foreign Currencies

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing the financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income.

On the disposal of the Company's entire interest in a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs or selling expenses. The weighted-average method is used in the calculation of cost.

Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary equals or exceeds its interest of that subsidiary, including carrying amount of its subsidiaries in the equity method and other long-term interests of net Investments in that subsidiary, the Company continues recognizing its losses from its existing ownership percentage.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land has an unlimited useful life and therefore is not depreciated.

The fixed-rate progressive decrease method is adopted to the depreciation of miscellaneous equipment, air conditioning systems and renovation. The straight-line method is adopted to the depreciation of the other over its useful life. Each significant item should be depreciated separately. Depreciation methods, useful lives, and residual values are reviewed at the end of each reporting period. If expectations

differ from the previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit and loss.

Investment Properties

Investment properties are properties held to earn rental and/or for capital appreciation, including land held for a currently undetermined future use.

Investment properties are measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The straight-line method is adopted to the depreciation of the building. The fixed-rate progressive decrease method is adopted to the other.

Property, plant and equipment should transfer to investment properties base on its carrying amount when end of owner-occupation.

The gain or loss arising from the derecognition of an item of investment properties shall be determined as the difference between the net disposal proceeds.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Property, plant, and equipment, right-of-use assets, investment properties, intangible assets, and incremental costs of obtaining a contract

At the end of each reporting period, the Company reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the asset, cash-generating unit or contract cost is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or contract cost in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized in the balance sheets when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

The Company adopts trade-date accounting to recognize and derecognize financial assets.

1) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, cash equivalents, notes, accounts receivable, other receivables, other financial assets and refundable deposits, etc., are measured at amortized cost, which equal to gross carrying amount

determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate method to the gross carrying amount except the status as follow:

- i. In the case of purchased or originated credit-impaired financial assets, interest revenue is always recognized by applying the credit-adjusted effective interest rate to the amortized cost carrying amount.
- ii. In the case of a financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortized cost balance in next reporting period.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

- b) Investments in equity instruments at FVTOCI

A debt instrument that meets the following two conditions must be measured at FVTOCI:

- i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables), investments in equity instruments at FVTOCI and contract assets.

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECLs. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECLs. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECLs.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial

instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Overdue for more than 365 days, unless there is reasonable and corroborated information that shows that the delayed default basis is more appropriate.

The impairment loss of all financial assets is reduced by the allowance account to reduce its carrying amount, but the loss allowance of debt instrument investment through other comprehensive income measured at fair value is recognized in other comprehensive income, and its carrying amount is not reduced.

3) Derecognition of financial asset

The Company only derecognizes the financial asset when the contractual rights to cash flows from the financial asset lapse, or the financial asset has been transferred and almost all the risks and rewards of the asset's ownership have been transferred to other companies.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Equity instruments

Equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost calculated using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products, at the Company's best estimate of the expenditure required to settle the obligation.

Revenue recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a. Revenue from the sale of goods

Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized

as receivable and contract assets when the goods are delivered to the customers and the customers have full discretion over the price to sell the goods, right to use the goods, and bears the risk of obsolescence, and recognizes revenue when performance obligations are satisfied. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

b. Revenue from rendering of services

Service revenue comes from system integration and maintenance of computer hardware and software.

As the Company provides service, customers simultaneously receive and consume the benefits provided by the Company's performance. Consequently, the related revenue is recognized when services are rendered. Because the contract stipulates that the customers make payment after completion of acceptance, the company recognizes the contract asset upon providing the service, and recognizes accounts receivable upon completion of acceptance.

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Company as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Lease payments from operating leases are recognized on a straight-line basis over the terms of the relevant leases.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease

payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier dates of the end of the useful lives of the right-of-use assets or the end of the lease term. Lease liabilities are initially measured at the present value of the lease payments (fixed payments). The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liability with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Cost of Borrowings

Cost of borrowings is recognized in profit or loss directly.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

The defined benefit costs (including service cost, net interest, and remeasurement) of defined benefit plan use the projected unit credit method for the actuarial valuation. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Remeasurement (including actuarial gains and losses and the return on plan assets, excluding amounts included in net interest) is recognized in other comprehensive income (loss) in retained earnings as it occurs, and is not reclassified to profit or loss subsequently.

Net defined benefit asset represents the surplus of defined benefit plans. IAS 19 requires the Company to limit the carrying amount of a net defined benefit asset so that it does not exceed the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current taxes

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally

recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the

assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses.

The Company's current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing</u>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flow. The bond credit rating of Moody's is high than B grade.	12 months expected credit loss
Doubtful	The credit risk of a financial instrument has increased significantly since initial recognition. The bond credit rating of Moody's diminishes lower than B.	Lifetime expected credit loss-not credit impaired
In default	There is evidence in credit-impaired. The bond credit rating of Moody's is lower than Ca.	Lifetime expected credit loss-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The Company's current expected credit loss ratio and gross carrying amount comprises the following categories:

December 31, 2022

<u>Category</u>	<u>Expected Credit Loss Ratio</u>	<u>Gross Carrying Amount</u>	
		<u>FVTOCI</u>	<u>Amortized cost</u>
Performing	0.03%	\$ 6,147	\$ -
Doubtful	-	-	-
In default	-	-	-
Write-off	-	-	-

December 31, 2021

<u>Category</u>	<u>Expected Credit Loss Ratio</u>	<u>Gross Carrying Amount</u>	
		<u>FVTOCI</u>	<u>Amortized cost</u>
Performing	0.00%~0.03%	\$ 12,834	\$ 71,414
Doubtful	-	-	-
In default	-	-	-
Write-off	-	-	-

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE and OTHER RECEIVABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Gross carrying amount at amortized cost	<u>\$ 17,166</u>	<u>\$ 18,545</u>
<u>Accounts receivable</u>		
Gross carrying amount at amortized cost	\$ 247,867	\$ 251,512
Less: Allowance for impairment loss	(<u>160</u>)	(<u>158</u>)
	<u>\$ 247,707</u>	<u>\$ 251,354</u>
<u>Other receivables</u>		
Receivable for payment on behalf of others	\$ 28,270	\$ -
Other	<u>1,810</u>	<u>3,412</u>
	<u>\$ 30,080</u>	<u>\$ 3,412</u>

The average credit period of receivable was 60 to 120 days. In order to mitigate credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure the recoverability of receivables. In addition, the Company reviews the recoverable amount of trade receivables at balance sheet dates to ensure that adequate allowance is provided for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk could be reasonably reduced.

The Company provides for expected credit losses which permits the use of lifetime expected loss provision for all receivable. The expected credit losses on receivable are estimated using a provision matrix by reference to the past default experience of the debtor, the debtor's current financial position, economic condition of the industry in which the debtor operates, as well as the GDP forecasts and industry outlook. According to loss

patterns for different customer segment, the provision of loss allowance is based on past due status.

The Company writes off a trade receivable when there are evidences indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of receivables based on the Company's provision matrix.

December 31, 2022

	Not Past Due	Overdue 1 to 60 days	Overdue 61 to 90 days	Overdue 91 to 120 days	Overdue Over 120 days	Total
Gross carrying amount	\$ 253,312	\$ 10,142	\$ 857	\$ 722	\$ -	\$ 265,033
Loss allowance (Lifetime ECLs)	(<u>160</u>)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>160</u>)
Amortized cost	<u>\$ 253,152</u>	<u>\$ 10,142</u>	<u>\$ 857</u>	<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 264,873</u>

December 31, 2021

	Not Past Due	Overdue 1 to 60 days	Overdue 61 to 90 days	Overdue 91 to 120 days	Overdue Over 120 days	Total
Gross carrying amount	\$ 256,570	\$ 12,581	\$ 846	\$ 60	\$ -	\$ 270,057
Loss allowance (Lifetime ECLs)	(<u>158</u>)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>158</u>)
Amortized cost	<u>\$ 256,412</u>	<u>\$ 12,581</u>	<u>\$ 846</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 269,899</u>

The movements of the loss allowance of receivable were as follow:

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 158	\$ -
Add: Provision	<u>2</u>	<u>158</u>
Balance, end of year	<u>\$ 160</u>	<u>\$ 158</u>

11. INVENTORIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Merchandise	<u>\$ 152,362</u>	<u>\$ 81,762</u>

For the years ended December 31, 2022 and 2021, the cost of goods sold related to inventories amounted to \$1,131,851 thousand and \$1,489,867 thousand, respectively, which included the inventory write-down totaling \$8 thousand. (2021: None)

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Investee subsidiary</u>		
Fortune Information System (In') LTD. (FIS HK)	\$ 56,907	\$ 49,428
IPAC Technology CO. LTD. (IPAC)	18,480	17,825
SBAS (HK) LTD. (SBAS)	13,001	11,058
Fortune Technology System Corp. (FTSC)	<u>421,593</u>	<u>196,361</u>
	<u>\$ 509,981</u>	<u>\$ 274,672</u>

On reporting day, percentage of ownership and voting rights held by the Company are as below:

	<u>% of Ownership</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FIS HK	100%	100%
IPAC	100%	100%
SBAS	100%	100%
FTSC	100%	100%

The Company invested to establish FTSC in January 2021. On August 8, 2022, the board of directors resolved to increase investment in FTSC by \$200 million, which will be fully invested by the Company. After the capital increase, FTSC's paid-in capital will be \$400 million.

13. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Building and improvements</u>	<u>Miscellaneous equipment</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1, 2021	\$ 172,042	\$ 162,877	\$ 48,155	\$ 383,074
Additions	-	-	849	849
Disposals	-	-	(812)	(812)
Reclassification	-	-	<u>2,005</u>	<u>2,005</u>
Balance at December 31, 2021	<u>\$ 172,042</u>	<u>\$ 162,877</u>	<u>\$ 50,197</u>	<u>\$ 385,116</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	\$ -	\$ 55,706	\$ 43,295	\$ 99,001
Depreciation expense	-	2,760	3,582	6,342
Disposals	-	-	(812)	(812)
Reclassification	-	<u>(900)</u>	<u>776</u>	<u>(124)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 57,566</u>	<u>\$ 46,841</u>	<u>\$ 104,407</u>
Carrying amount at December 31, 2021	<u>\$ 172,042</u>	<u>\$ 105,311</u>	<u>\$ 3,356</u>	<u>\$ 280,709</u>

Cost

	<u>Land</u>	<u>Building and improvements</u>	<u>Miscellaneous equipment</u>	<u>Total</u>
Balance at January 1, 2022	\$ 172,042	\$ 162,877	\$ 50,197	\$ 385,116
Additions	-	-	2,436	2,436
Disposals	-	-	(4,451)	(4,451)
Reclassification	-	-	785	785
Reclassified as investment properties	(34,385)	(37,743)	-	(72,128)
Balance at December 31, 2022	<u>\$ 137,657</u>	<u>\$ 125,134</u>	<u>\$ 48,967</u>	<u>\$ 311,758</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2022	\$ -	\$ 57,566	\$ 46,841	\$ 104,407
Depreciation expense	-	2,533	2,934	5,467
Disposals	-	-	(4,451)	(4,451)
Reclassification	-	-	(97)	(97)
Reclassified as investment properties	-	(10,342)	-	(10,342)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 49,757</u>	<u>\$ 45,227</u>	<u>\$ 94,984</u>
Carrying amount at December 31, 2022	<u>\$ 137,657</u>	<u>\$ 75,377</u>	<u>\$ 3,740</u>	<u>\$ 216,774</u>

The methods that property, plant and equipment are depreciated over the estimated useful life of the asset are as below:

	<u>Depreciation method</u>	<u>Useful life</u>
Building and improvements		
Main building	Straight-line	50 to 60 years
Air conditioning systems and renovation	Fixed-rate progressive decrease	10 to 15 years
Decoration equipment	Straight-line	5 years
Miscellaneous equipment	Fixed-rate progressive decrease	3 to 20 years

The Company did not have significant impairment of property, plant and equipment during the years ended December 31, 2022 and 2021.

14. LEASE ARRANGEMENTS

Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Land	\$ 1,271	\$ 2,117
Building	<u>14,884</u>	<u>18,867</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>\$ 16,155</u>	<u>\$ 20,984</u>
	<u>2022</u>	<u>2021</u>
Addition	<u>\$ 2,974</u>	<u>\$ 21,625</u>
Depreciation charge for right-of-use assets		
Land	\$ 846	\$ 848
Building	<u>6,957</u>	<u>5,956</u>
	<u>\$ 7,803</u>	<u>\$ 6,804</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts		
Current	<u>\$ 8,004</u>	<u>\$ 7,349</u>
Noncurrent	<u>\$ 8,244</u>	<u>\$ 13,642</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	0.88%	0.88%
Building	0.88%~1.19%	0.88%

Material lease-in activities and terms

The Company leases offices and warehouses with most of the lease terms ranging from 2 to 5 years. The Company does not have bargain purchase options to acquire the leasehold assets at the end of the lease terms. In addition, the Company applies the recognition exemption to leases of building and office equipment as short-term lease and certain photocopier qualifying as low-value asset leases and does not recognize right-of-use assets and lease liabilities for these leases.

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 1,332</u>	<u>\$ 2,245</u>
Total cash flow for leases	<u>(\$ 9,264)</u>	<u>(\$ 9,051)</u>

15. INVESTMENT PROPERTIES (2021: None)

	Land	Building and structures	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ -	\$ -	\$ -
From property, plant and equipment	<u>34,385</u>	<u>37,743</u>	<u>72,128</u>
Balance at December 31, 2022	<u>\$ 34,385</u>	<u>\$ 37,743</u>	<u>\$ 72,128</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ -	\$ -
Depreciation expenses	-	85	85
From property, plant and equipment	<u>-</u>	<u>10,342</u>	<u>10,342</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 10,427</u>	<u>\$ 10,427</u>
Carrying amount, December 31, 2022	<u>\$ 34,385</u>	<u>\$ 27,316</u>	<u>\$ 61,701</u>

Depreciation expenses are recognized according to depreciation methods and useful life as follow:

	Depreciation method	Useful life
Main building	Straight-line	50 years
Air conditioning systems and renovation	Fixed-rate progressive decrease	5 to 15 years

The fair values of investment properties were measured using Level 3 inputs, arising from direct capitalization method of income approach and comparative approach adopted by a third party real estate appraiser, ZHANG,FANG-QING. The key unobservable inputs adopted is discount rate. The fair values were measured as follow:

	December 31, 2022
Fair value	<u>\$ 257,212</u>
Discount rate	1.65%

All investment properties are own right and interest.

16. BORROWINGS

a. Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured loans	<u>\$ 65,000</u>	<u>\$ 50,000</u>

For the years ended December 31, 2022 and 2021, the annual interest rates of bank unsecured loans are 1.98% and 0.85%, respectively.

b. Short-term bills payable

December 31, 2022

Guarantor / accepting institution	Face amount	Discount	Carrying amount	Interest rate
<u>Commercial paper payable</u>				
Ta Ching Bill	<u>\$ 60,000</u>	<u>\$ 260</u>	<u>\$ 59,740</u>	2.03%

December 31, 2021

Guarantor / accepting institution	Face amount	Discount	Carrying amount	Interest rate
<u>Commercial paper payable</u>				
TCB Bank	\$ 60,000	\$ 14	\$ 59,986	0.92%
KGI Bank	<u>60,000</u>	<u>29</u>	<u>59,971</u>	0.88%
	<u>\$ 120,000</u>	<u>\$ 43</u>	<u>\$ 119,957</u>	

17. OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for employees' salaries and bonus	\$ 53,953	\$ 50,842
Payables for receipts under custody	36,917	-
Payables for annual leave	13,197	12,068
Payables for insurance	4,445	4,607
Others	<u>16,608</u>	<u>19,074</u>
	<u>\$125,120</u>	<u>\$ 86,591</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of the Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee.

Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy. The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 62,690	\$ 68,768
Fair value of plan assets	(<u> 85,085</u>)	(<u> 81,866</u>)
Net defined benefit liabilities	(<u>\$ 22,395</u>)	(<u>\$ 13,098</u>)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2021	\$ <u>63,288</u>	(\$ <u>80,391</u>)	(\$ <u>17,103</u>)
Service cost			
Current service cost	-	-	-
Net interest expense (income)	<u>316</u>	(<u> 402</u>)	(<u> 86</u>)
Recognized in profit or loss	<u>316</u>	(<u> 402</u>)	(<u> 86</u>)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,073)	(1,073)
Actuarial profit or loss			
Changes in demographic assumptions	2,110	-	2,110
Changes in financial assumptions	(964)	-	(964)
experience adjustments	<u>4,018</u>	<u>-</u>	<u>4,018</u>
Recognized in other comprehensive income	<u>5,164</u>	(<u> 1,073</u>)	<u>4,091</u>
Contributions from the employer	<u>-</u>	<u>-</u>	<u>-</u>
Paid from defined benefit obligations	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 68,768</u>	(<u>\$ 81,866</u>)	(<u>\$ 13,098</u>)
Balance at January 1, 2022	\$ <u>68,768</u>	(\$ <u>81,866</u>)	(\$ <u>13,098</u>)
Service cost			
Current service cost	-	-	-
Net interest expense (income)	<u>431</u>	(<u> 512</u>)	(<u> 81</u>)
Recognized in profit or loss	<u>431</u>	(<u> 512</u>)	(<u> 81</u>)
Remeasurement			

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Return on plan assets (excluding amounts included in net interest)	-	(5,985)	(5,985)
Actuarial profit or loss			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	(5,213)	-	(5,213)
experience adjustments	<u>1,982</u>	<u>-</u>	<u>1,982</u>
Recognized in other comprehensive income	(<u>3,231</u>)	(<u>5,985</u>)	(<u>9,216</u>)
Contributions from the employer	<u>-</u>	<u>-</u>	<u>-</u>
Paid from defined benefit obligations	(<u>3,278</u>)	<u>3,278</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 62,690</u>	<u>(\$ 85,085)</u>	<u>(\$ 22,395)</u>

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan’s debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial present values of the defined benefit obligation were carried out by the chartered actuary. The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.38%	0.63%
Expected rates of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant,

the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
0.25% increase	(<u>\$ 1,616</u>)	(<u>\$ 1,923</u>)
0.25% decrease	<u>\$ 1,674</u>	<u>\$ 1,999</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 1,618</u>	<u>\$ 1,920</u>
0.25% decrease	(<u>\$ 1,570</u>)	(<u>\$ 1,858</u>)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plan for the next year	<u>\$ -</u>	<u>\$ -</u>
Average duration of the defined benefit obligation	10.5 years	11.3 years

19. EQUITY

a. Common shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of authorized shares (in thousands)	<u>107,000</u>	<u>107,000</u>
Amount of authorized shares	<u>\$ 1,070,000</u>	<u>\$ 1,070,000</u>
Number of issued and fully paid shares (in thousands)	<u>69,961</u>	<u>69,961</u>
Amount of issued and fully paid shares	<u>\$ 699,612</u>	<u>\$ 699,612</u>

b. Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Recognized from issuance of common shares	\$ 37,105	\$ 37,105
Recognized from treasury share transactions	<u>25,256</u>	<u>25,256</u>
	<u>\$ 62,361</u>	<u>\$ 62,361</u>

Capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and treasury stock transactions, may be applied to make-up accumulated deficit, if any, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no accumulated deficit, and this transfer is restricted to a certain percentage of the paid-in capital.

c. Appropriation of earnings and dividend policy

The Company's Articles of Incorporation provide that appropriation for legal reserve should be made at 10% of annual net income, less any accumulated deficit. From the remainder of the net income, appropriation for special reserve will be made based on relevant laws and regulations, and then any remaining profit together with any undistributed retained earnings may be appropriated and distributed.

Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board of Directors for approval at a stockholders' meeting. For the policies on distribution compensation of employees, please refer to Note 21.

The Company is currently in the growth phase of its industry life cycle, and in order to consider the future funding needs of the Company and

meet the needs of shareholders for cash inflows, if there are undistributed profits after the annual settlement, not less than 60% of the post-tax net profit shall be distributed as dividends to shareholders, of which cash dividends shall not exceed 50% of the total cash and stock dividends paid out during the year. However, when the earnings per share for the year are less than NT\$ 3, the proportion of cash dividends paid out may be increased to a maximum of 100%.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve. The FSC issued Rule No. 1090150022 on March 31, 2021, and Rule No. 1010012865 and No. 1010047490 were repealed on December 31, 2021 and March 31, 2021, respectively. The Company will be in compliance with the relevant Rule.

The appropriations of earnings for 2021 and 2020 which have been resolved in the shareholders' meetings on June 24, 2022 and July 20, 2021, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Legal reserve	\$ 4,141	\$ 3,795		
Special reserve	2,730	3,231		
Cash dividends	27,984	27,985	\$ 0.4	\$ 0.4

The appropriation of earnings for 2022, which was proposed by the Company's board of directors was as follows:

	<u>Appropriation of Earnings</u>	<u>Dividend Per Share (NT\$)</u>
Legal reserve	\$ 7,090	
Reversal of special reserve	6,411	
Cash dividends	41,976	\$ 0.6

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held on June 19, 2023.

20. REVENUE

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivables (Note 10)	\$ 247,707	\$ 251,354	\$ 444,784
Contract assets	\$ 365,055	\$ 337,313	\$ 210,567
Contract liability	\$ 65,770	\$ 42,723	\$ 52,372

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk as the trade receivables. Therefore, the Company concluded that the expected loss rates for trade receivables can be applied to the contract assets.

	December 31, 2022	December 31, 2021
Gross carrying amount	\$ 365,055	\$ 337,313
Provision	-	-
	<u>\$ 365,055</u>	<u>\$ 337,313</u>

b. Contract information

<u>Item</u>	<u>2022</u>	<u>2021</u>
Revenue from the sale of goods and system integration	\$ 1,262,404	\$ 1,648,937
Revenue from rendering of services	214,650	237,210
	<u>\$ 1,477,054</u>	<u>\$ 1,886,147</u>

21. NET PROFIT

a. Other gains and losses

	<u>2022</u>	<u>2021</u>
Net foreign exchange losses (gains)	\$ 9,262	(\$ 1,267)
Gain on disposal of property, plant and equipment	6	2
Other	2	(83)
	<u>\$ 9,270</u>	<u>(\$ 1,348)</u>

b. Interest income

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 227	\$ 121

	2022	2021
Debt instrument at FVTOCI	531	1,000
Financial assets at amortized cost	1,030	338
Other	<u>722</u>	<u>210</u>
	<u>\$ 2,510</u>	<u>\$ 1,669</u>
c. Finance costs		
	111年度	110年度
Interest on lease liabilities	\$ 172	\$ 42
Interest on bank loans	<u>2,107</u>	<u>1,629</u>
	<u>\$ 2,279</u>	<u>\$ 1,671</u>
d. Depreciation and amortization		
	111年度	110年度
Property, plant and equipment	\$ 5,467	\$ 6,342
Right-of-use assets	7,803	6,804
Investment properties	85	-
Other intangible assets	<u>959</u>	<u>960</u>
Total	<u>\$ 14,314</u>	<u>\$ 14,106</u>
Depreciation expenses		
summarized by function		
Operating costs	\$ 7,254	\$ 5,485
Operating expenses	<u>6,101</u>	<u>7,661</u>
	<u>\$ 13,355</u>	<u>\$ 13,146</u>
Amortization expenses		
summarized by function		
Operating costs	\$ 67	\$ -
Operating expenses	<u>892</u>	<u>960</u>
	<u>\$ 959</u>	<u>\$ 960</u>
e. Employee benefits expenses		
	2022	2021
Short-term employee benefits		
Payroll	\$ 232,755	\$ 234,038
Labor and health insurance	22,164	23,085
Other employee benefits	<u>10,681</u>	<u>11,699</u>
	<u>265,600</u>	<u>268,822</u>
Post-employment benefits(Note18)		
Defined contribution plans	10,694	11,050
Defined benefit plans	(<u>81</u>)	(<u>86</u>)
	<u>10,613</u>	<u>10,964</u>
Total employee benefits expenses	<u>\$ 276,213</u>	<u>\$ 279,786</u>

	<u>2022</u>	<u>2021</u>
Employee benefits expenses by function		
Operating costs	\$ 166,170	\$ 166,972
Operating expenses	<u>110,043</u>	<u>112,814</u>
	<u>\$ 276,213</u>	<u>\$ 279,786</u>

f. Compensation of employees

According to the Company's articles of incorporation, the Company do not have to accrue remuneration of directors. The compensation of employees is accrued at the rate of 6% of net profit before income tax. The compensation of employees for 2022 and 2021 which have been resolved by the Board of Directors on March 24, 2023 and March 25, 2022, respectively, was as follows:

	<u>2022</u>		<u>2021</u>	
	Cash	%	Cash	%
Profit sharing bonus to employees	<u>\$ 4,611</u>	6	<u>\$ 3,570</u>	6

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There is no difference between the actual amounts of employees' compensation paid and amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

The information about the appropriations of profit sharing bonus to employees is available at the Market Observation Post System website.

22. INCOME TAXES

a. The major components of income tax recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 8,002	\$ 10,151
Income tax on unappropriated earnings	214	61
Adjustments for prior year	<u>(11)</u>	<u>479</u>
	8,205	10,691
Deferred tax		
In respect of the current year	<u>501</u>	<u>561</u>

	<u>2022</u>	<u>2021</u>
Income tax recognized in profit or loss	<u>\$ 8,706</u>	<u>\$ 11,252</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<u>2022</u>	<u>2021</u>
Profit before tax	<u>\$ 72,236</u>	<u>\$ 55,935</u>
Income tax expense at the statutory rate	\$ 14,447	\$ 11,187
Tax-exempt income	(5,399)	-
Fees that cannot be deducted from taxes	214	61
Income tax on unappropriated earnings	-	426
Unrecognized temporary difference	(545)	(901)
Adjustments from previous years	(11)	<u>479</u>
Income tax expenses recognized in profit or loss	<u>\$ 8,706</u>	<u>\$ 11,252</u>

b. Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
<u>Current deferred tax</u>		
Unrealized gain (loss) on financial assets at FVTOCI	(\$ 78)	(\$ 164)
Remeasurements of defined benefit plans	<u>1,843</u>	(819)
Income tax recognized in other comprehensive income	<u>\$ 1,765</u>	(983)

c. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

2022

Opening Balance	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	Closing Balance

<u>Deferred tax assets</u>				
Temporary difference				
Allowance for loss on inventories	\$ 902	\$ 1	\$ -	\$ 903
Unrealized loss on foreign exchange	430	(430)	-	-
Loss allowance	<u>1</u>	(<u>1</u>)	<u>-</u>	<u>-</u>
	<u>\$ 1,333</u>	(<u>\$ 430</u>)	<u>\$ -</u>	<u>\$ 903</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized profit on foreign exchange	\$ -	\$ 54	\$ -	\$ 54
Defined benefit plans	2,619	17	1,843	4,479
Financial assets at FVTOCI	<u>79</u>	<u>-</u>	(<u>78</u>)	<u>1</u>
	<u>\$ 2,698</u>	<u>\$ 71</u>	<u>\$ 1,765</u>	<u>\$ 4,534</u>

2021

	Opening Balance	Recognized in		Closing Balance
		Profit or Loss	Other Comprehensive Income (Loss)	
<u>Deferred tax assets</u>				
Temporary difference				
Allowance for loss on inventories	\$ 902	\$ -	\$ -	\$ 902
Unrealized loss on foreign exchange	973	(543)	-	430
Loss allowance	<u>2</u>	(<u>1</u>)	<u>-</u>	<u>1</u>
	<u>\$ 1,877</u>	(<u>\$ 544</u>)	<u>\$ -</u>	<u>\$ 1,333</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Defined benefit plans	\$ 3,421	\$ 17	(\$ 819)	\$ 2,619
Financial assets at FVTOCI	<u>243</u>	<u>-</u>	(<u>164</u>)	<u>79</u>
	<u>\$ 3,664</u>	<u>\$ 17</u>	(<u>\$ 983</u>)	<u>\$ 2,698</u>

d. Income tax assessment

Income tax returns of the Company through 2020 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Net income and weighted average number of common shares used for calculation of earnings per share are as follows:

Net income

	<u>2022</u>	<u>2021</u>
Net income of common shares used for calculation of basic and diluted earnings per share	<u>\$ 63,530</u>	<u>\$ 44,683</u>

Number of share (in thousands)

	<u>2022</u>	<u>2021</u>
Weighted average number of common shares used for calculation of basic earnings per share	69,961	69,961
Effect of potentially dilutive common shares:		
Employees' compensation	<u>243</u>	<u>297</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>70,204</u>	<u>70,258</u>

Since the Company has the discretion to settle the employees' compensation by cash or stock, the Company should presume that the entire amount of the compensation will be settled in stock, and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

24. CAPITAL RISK MANAGEMENT

The Company manages capital management under the precondition for sustainable development to ensure that it is able to maximize the benefit for its shareholders by optimizing debt and equity.

The capital structure of the Company is composed of equities attributable to the Company (capital, capital reserve, retained earnings, and other equity items).

The Company is not subject to any other external capital requirements.

25. FINANCIAL INSTRUMENTS

- a. Information on fair value – Financial instruments not measured at fair value

The Company considers that the carrying amount of financial assets and liabilities that are not at fair value is close to the fair value.

b. Information on fair value – Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value level

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets at Fair Value through Other Comprehensive Income</u>				
Debt instrument investments				
– Foreign Bond	\$ _____ -	\$ <u>6,147</u>	\$ _____ -	\$ <u>6,147</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets at Fair Value through Other Comprehensive Income</u>				
Debt instrument investments				
– Foreign Bond	\$ _____ -	\$ <u>12,834</u>	\$ _____ -	\$ <u>12,834</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2022 and 2021.

2) Valuation techniques and inputs of Level 2 fair value measurement:

<u>Financial instruments</u>	<u>Valuation techniques and inputs</u>
Foreign Bond	The valuation of corporate bonds is obtained by adjusting the quoted or transaction prices among participants in various securities trading markets.

c. Category of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Amortized cost (Note 1)	\$ 508,223	\$ 597,266
FVTOCI	6,147	12,834
 <u>Financial liabilities</u>		
Amortized cost (Note 2)	590,710	466,671

Note 1. The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, time deposit, note

receivables, account receivables (including noncurrent), other receivables, and refundable deposits.

Note 2. The balance includes financial liabilities measured at amortized cost such as short-term borrowings, accounts payables, other payables, long-term payables, and deposited margins.

d. Financial risk management objectives and policies

The main financial instruments of the Company include debt instrument investments, notes and account receivables, account payables, loans, and lease liabilities. The financial management department of the Company provides services for the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the Company by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risks include market risk (foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

1) Market risk

The main financial risks that the Company's operating activities make the Company bear are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates.

a) Foreign exchange risk

The Company's exchange rate risk arising from the foreign financial instrument investments.

For the monetary assets and liabilities of the Company denominated in non-functional currencies on the balance sheet date, refer to Notes 29.

Sensitivity analysis

The Company is mainly exposed to USD fluctuations.

When the New Taiwan Dollar and the Hong Kong Dollar (functional currencies) appreciate/depreciate by 5% against the US Dollar, the combined company's pre-tax net profit for 2022 and 2021 will decrease/increase by NT\$322 thousands and NT\$4,232 thousands, respectively. A sensitivity rate of 5% is used internally when foreign exchange risk is reported to the management. It also represents the management's

assessment on the reasonably possible scope of foreign exchange rates. Sensitivity analysis only includes monetary items in foreign currencies in circulation and forward foreign exchange contracts designated as cash flow hedging, and the conversion at the end of the period is adjusted with a change in exchange rate of 5%. The Company's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period.

b) Interest rate risk

The interest rate risk insurance was incurred because of the deposit of the Company at fixed and floating interest rate at the same time. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
– Financial assets	\$ 65,890	\$ 124,222
– Financial liabilities	140,988	190,948
Cash flow interest rate risk		
– Financial assets	9,754	11,355

Sensitivity analysis

If interest rates had been 5% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would decrease/increase by NT\$488 thousands and NT\$568 thousands, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the

Company. As at the end of the reporting years, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets
- b) The amount of contingent liabilities in relation to financial guarantees issued by the Company.

The policy that the Company adopts is to only make transactions with reputable targets, and the Company will obtain full collateral when necessary so as to reduce the risk of financial loss owing to delinquency. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

To lower the credit risk, management of the merged company appoints a specific team to handle decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Company would review the recoverable amount of each receivables on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As a result, the Company's management concludes that the credit risk of the Company is significantly reduced.

Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Company does not hold any collateral or other credit enhancement instruments to mitigate credit risk of financial assets.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As of December 31, 2022 and 2021, the Company had available unutilized bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the maturity analysis of non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	Over 1 year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 157,268	\$ 99,206	\$ 204,492	\$ 761
Lease liabilities	676	1,353	6,087	8,307
Fixed interest rate instrument	-	125,593	-	-
	<u>\$ 157,944</u>	<u>\$ 226,152</u>	<u>\$ 210,579</u>	<u>\$ 9,068</u>

December 31, 2021

	On Demand or Less than <u>1 M o n t h</u>	<u>1-3 Months</u>	<u>3 Months to 1 Y e a r</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 94,061	\$ 96,754	\$ 98,495	\$ 41
Lease liabilities	625	1,250	5,625	13,751
Fixed interest rate instrument	<u>170,253</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 264,939</u>	<u>\$ 98,004</u>	<u>\$ 104,120</u>	<u>\$ 13,792</u>

The operating capital of the Company is sufficient to support its operations, and therefore there is no concern of a shortage of funds.

b) Financing facilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank facilities		
— Amount used	\$ 181,061	\$ 248,211
— Amount unused	<u>253,200</u>	<u>321,789</u>
	<u>\$ 434,261</u>	<u>\$ 570,000</u>

26. RELATED-PARTY TRANSACTIONS

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
CECGP Electronics Corp. (CECGP)	Investor with significant influence over the Company
IPAC	Subsidiary
FTSC	Subsidiary

b. Operating revenues

<u>Account Items</u>	<u>Related Party Category/Name</u>	<u>2022</u>	<u>2021</u>
Operating revenues	Investor with significant influence over the Company	\$ 131	\$ 1,258
	Subsidiary	<u>12,143</u>	<u>711</u>
		<u>\$ 12,274</u>	<u>\$ 1,969</u>

The terms of the transactions with related parties are generally the same as those for unrelated parties.

c. Operating cost

Account Items	Related Party Category/Name	2022	2021
Operating cost	Subsidiary	<u>\$ 7,455</u>	<u>\$ 12,334</u>

Purchases were made at market price discounted to reflect the quantity of goods purchased and relationships between the parties.

d. Contract assets

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Contract assets	Subsidiary	<u>\$ 422</u>	<u>\$ -</u>

The Company did not recognize loss allowance for the contract assets from related parties for the years ended December 31, 2021.

e. Contract liabilities

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Contract liabilities	Subsidiary	<u>\$ 8</u>	<u>\$ -</u>

f. Receivables from related parties (excluding loans to related parties)

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Trade receivables	Investor with significant influence over the Company	\$ 90	\$ 177
	Subsidiary	<u>5,054</u>	<u>486</u>
		<u>\$ 5,144</u>	<u>\$ 663</u>
Other receivable	Subsidiary		
	– FTSC	\$ 1,261	\$ 70
	Subsidiary		
	– Others	<u>152</u>	<u>147</u>
		<u>\$ 1,413</u>	<u>\$ 217</u>

The Company did not obtain guarantees for receivables from related parties. The Company did not recognize loss allowance for receivables from related parties for the years ended December 31, 2022 and 2021.

g. Payables to related parties

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Accounts payable	Subsidiary	<u>\$ 59</u>	<u>\$ -</u>
Other payables	Subsidiary	<u>\$ 1,435</u>	<u>\$ 418</u>

The Company did not provide guarantees for payables from related parties.

h. Others

Account Items	Related Party Category/Name	2022	2021
Other income	Subsidiary	<u>\$ 2,212</u>	<u>\$ 2,819</u>
Logistic service income (recognized as deduction of costs and expenses)	Subsidiary	<u>\$ 15,164</u>	<u>\$ -</u>

The terms of the transactions with related parties are generally the same as those for unrelated parties.

i. Lease arrangements

Transaction Items	Related Party Category/Name	2022	2021
Acquisition of right-of-use assets	Investor with significant influence over the Company -CECGP	<u>\$ -</u>	<u>\$ 16,593</u>

Account Items	Related Party Category/Name	December 31, 2022	December 31, 2021
Lease liabilities	Investor with significant influence over the Company -CECGP	<u>\$ 11,111</u>	<u>\$ 16,593</u>

Account Items	Related Party Category/Name	2022	2021
Interest expenses	Investor with significant influence over the Company	<u>\$ 120</u>	<u>\$ 26</u>
Lease expenses	Investor with significant influence over the Company	<u>\$ 91</u>	<u>\$ 91</u>

The Company pays building rental to related parties once a month or every two months, with reference to local rental rates.

j. Loans to related parties

Account Items	Related Party Category/Name	2022	2021
Interest income	Subsidiary	<u>\$ 111</u>	<u>\$ 13</u>

The Company provided unsecured short-term loans to FTSC and IPAC. The highest actual disbursement amounts for the years 2022 and 2021

were NT\$45,000 thousands and NT\$60,000 thousands respectively, with an annual interest rate of 1%.

k. Endorsements and guarantees

The amount that the Company make endorsements/guarantees for its subsidiary is as follow:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
FTSC	<u>\$ 300,000</u>	<u>\$ 300,000</u>

l. Compensation of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 26,688	\$ 25,914
Post-employment benefits	<u>689</u>	<u>677</u>
	<u>\$ 27,377</u>	<u>\$ 26,591</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As at December 31, 2022, the amount of the performance guarantee that the Company entrusted financial institutions to issue is as follow:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Performance guarantee	<u>\$ 56,061</u>	<u>\$ 78,211</u>

28. OTHER ITEMS

The Company conducted a government procurement case for the Ministry of Labor, and on July 26, 2021, the Ministry of Labor claimed that the Company violated relevant provisions of the Government Procurement Act and published the Company's name in the Government Procurement Bulletin. The Company is prohibited from bidding, being the winning bidder or subcontractor for one year from the effective date (from July 27, 2021 to July 26, 2022).

The Company's actual operational capacity is still normal and stable. This suspension only affects the Company's right to bid for government procurement cases in the future for one year and has little impact on the Company's consolidated profit and loss amount. The Company will

consolidate its existing private business and actively expand into new business areas. At present, its operations and finances are normal, and the impact of this sanction on the Company's financial operations is limited.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31, 2022		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 210	30.71 (USD : NTD)	\$ <u>6,449</u>
<u>Non-monetary items</u>			
HKD	17,752	3.938 (HKD : NTD)	\$ <u>69,908</u>
		December 31, 2021	
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 3,058	27.68 (USD : NTD)	\$ <u>84,645</u>
<u>Non-monetary items</u>			
HKD	17,043	3.549 (HKD : NTD)	\$ <u>60,486</u>

The net exchange (loss) gain arising from significant foreign exchange variation on the unrealized foreign currencies held by the Company for the years ended December 31, 2022 and 2021, amounted to \$270 thousands and (\$2,158 thousands), respectively.

30. SUPPLEMENTARY DISCLOSURES

a. Significant transactions information

- 1) Loans to others: Table 1.
- 2) Provision of endorsements and guarantees to others: Table 2.

- 3) Holding of marketable securities at the end of the period (not including subsidiaries): Table 3.
 - 4) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
 - 5) Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
 - 6) Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
 - 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
 - 8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
 - 9) Trading in derivative instruments undertaken during the reporting periods: None.
- b. Information on investees: Table 4.
- c. Information on investments in Mainland China
- 1) The names of investees in mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: None.
 - 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, and unrealized gain or loss: None
- d. Major shareholders information:
- The name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or great: Table 5.

FORTUNE INFORMATION SYSTEMS CORPORATION
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

No (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 4)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	Note
													Item	Value			
0	The Company	FTSC	Other receivabl es	Yes	\$ 45,000	\$ 45,000	\$ -	The interest on funds lent shall be calculated on a daily basis and shall not be lower than the Company's cost of funds on the day of the loan.	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 47,924	\$ 239,619	
0	The Company	IPAC	Other receivabl es	Yes	30,000	30,000	-	The interest on funds lent shall be calculated on a daily basis and shall not be lower than the Company's cost of funds on the day of the loan.	2	-	Operating capital	-	-	-	47,924	239,619	

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

(1) The Company is '0'

(2) The subsidiaries are numbered in order starting from '1'

Note 2 : The maximum balance of funds lent to others during the year, in response to the funding needs of its subsidiaries, FTSC and IPAC, the Company intends to lend up to NT\$45,000 million and NT\$30,000 million respectively, and such loans may be made in installments.

Note 3 : In accordance with the Company's policy, limit on total loans shall not exceed 20% of the Company's net assets based on the latest financial statements, and limit on loans to a single party shall not exceed 20% of the limit on total loans.

Note 4 : Nature for Financing:

(1) Business dealings.

(2) Short-term financing needs.

FORTUNE INFORMATION SYSTEMS CORPORATION
 ENDORSEMENTS/GUARANTEES PROVIDED
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (Amounts in Thousands of New Taiwan Dollars)

No (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiar y	Guarantee Provided to Subsidiari es in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
0	The Company	FTSC	2	\$ 599,048	\$ 300,000	\$ 300,000	\$ -	\$ -	25.04	\$ 1,198,095	Y	N	N	

Note1 : The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'
- (2) The subsidiaries are numbered in order starting from '1'

Note2 : Nature for endorsement/ guarantee provided:

- (1) Business dealings.
- (2) Companies with direct and indirect ownership of voting shares exceeding 50%.

Note 3 : In accordance with the Company's policy, limit on endorsement/ guarantee provided to a single party shall not exceed 50% of the Company's net assets based on the latest financial statements, and limit on total endorsement/ guarantee provided shall not exceed 100% of the Company's net assets based on the latest financial statements.

Table 3

FORTUNE INFORMATION SYSTEMS CORPORATION
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				Note
				Units (In Thousands)	Carrying Value	Percentage of Ownership(%)	Fair Value	
The Company	<u>Corporate bond</u> Citic Pacific Ltd Bond	—	Financial assets at fair value through other comprehensive income—current	200	\$ 6,147	N/A	\$ 6,147	

Note: The aforementioned securities are not provided as collateral for pledged loans or subject to any other restrictions.

Table 4

FORTUNE INFORMATION SYSTEMS CORPORATION
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	FIS HK IPAC	Hong Kong Taipei	Information	\$ 38,484	\$ 38,484	8,426,000	100	\$ 56,907	\$ 1,992	\$ 1,992	Subsidiary
			Data Storage Media	45,681	45,681	1,231,776	100	18,480	1,763	1,763	Subsidiary
	Units Manufacturing										
	SBAS FTSC	Hong Kong Taipei	Information	1,452	1,452	20,000	100	13,001	707	707	Subsidiary
			Information	400,000	200,000	40,000,000	100	421,593	25,232	25,232	Subsidiary

Table 5

FORTUNE INFORMATION SYSTEMS CORPORATION
 INFORMATION ON MAJOR SHAREHOLDERS
 FOR THE YEAR ENDED DECEMBER 31, 2022

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Standard Plastics LTD.	23,441,327	33.50%
CECGP Electronics Corp.	22,282,954	31.85%

Note 1 : The table discloses the information of major stockholders whose stockholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The number of stocks reported in the Company's consolidated financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

Note 2 : If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

6.6 The company and its affiliated companies had no financial turnover difficulties in the most recent year and up to the date of publication of the annual report.

VII. Review of Financial Status, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ 1,000

Item \ Year	2022	2021	Difference		Remark(Note 1)
			Amount	%	
Current Assets	1,632,006	1,384,114	247,892	17.91	
Property, Plant and Equipment	236,477	298,155	(61,678)	(20.69)	Reclassified as investment properties.
Financial Assets at FVTOCI	0	5,831	(5,831)		
Other Intangible Assets	1,311	611	700	114.57	Increased intangible assets in 2022.
Right-of-Use Assets	16,155	20,984	(4,829)	(23.01)	Increase in Depreciation of Right-of-Use Assets
Investment Property	61,701	0	61,701		
Other Assets	210,750	148,755	61,995	41.68	Increase in long-term receivables and refundable deposits.
Total Assets	2,158,400	1,858,450	299,950	16.14	
Current Liabilities	944,322	691,109	253,213	36.64	Increased borrowing amount due to capital requirements.
Non-current Liabilities	15,983	18,577	(2,594)	(13.96)	
Total Liabilities	960,305	709,686	250,619	35.31	Increased borrowing amount due to capital requirements.
Common Stock	699,612	699,612	0	0.00	
Capital Surplus	62,361	62,361	0	0.00	
Retained Earnings	439,400	396,481	42,919	10.82	
Other Equity	(3,278)	(9,690)	6,412	(66.17)	Exchange rate increased.
Total Stockholders' Equity	1,198,095	1,148,764	49,331	4.29	

Note 1: Analysis is not required if the increase or decrease is more than 20%

Note 2: Where the effect is of material significance, the annual report shall describe the measures to be taken in response: None.

7.2 Analysis of Operating Results

Unit: NT\$ 1,000

Item \ Year	2022	2021	Difference		Remark
			Amount	%	
Operating Revenue	2,270,033	2,148,503	121,530	5.66	
Operating Cost	(2,023,539)	(1,916,539)	107,000	5.58	
Gross Profit	246,494	231,964	14,530	6.26	
Operating Expenses	(182,733)	(178,805)	3,928	2.20	
Operating Income	63,761	53,159	10,602	19.94	
Non-operating Income and Expenses	14,624	3,329	11,295	339.29	Increase in profit from foreign exchange.
Profit Before Income Tax	78,385	56,488	21,897	38.76	
Income Tax Expenses	(14,855)	(11,805)	3,050	25.84	
Net Income	63,530	44,683	18,847	42.18	Increase in gross profit, net profit from operations, and profit from foreign currency exchange
Other Comprehensive Income (loss) for the period (Net of Income Tax)	13,785	(6,002)	19,787	(329.67)	
Total Comprehensive Income for the period	77,315	38,681	38,634	99.88	

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ 1,000

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (Inflow) (3)	Effect from Foreign Exchange (4)	Cash Surplus (Deficit) (1)+(2)+(3)+(4)	Remedy for Cash Deficit	
					Investment Plans	Financing Plans
343,147	(90,244)	37,895	12,873	303,671	-	-

Analysis of change in cash flow:

- Operating activities: Net cash outflow is mainly due to an increase in contract assets and a increase in accounts receivable and inventory.
 - Investing activities: Net cash inflow is mainly due to an increase in the disposal of financial assets measured at amortized cost.
 - Financing activities: Net cash inflow is primarily due to a net increase in short-term borrowings.
- Remedy and liquidity analysis for insufficient cash: Not Applicable.

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ 1,000

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
303,671	(38,731)	46,969	311,909	-	-

Analysis of change in cash flow:

- Operating activities: Expected to stock up in advance for future one-year order demand.
 - Investing activities: Maturity of financial assets measured at fair value through other comprehensive income and cash equivalents.
 - Financing activities: Increased borrowing due to the need for working capital.
- Remedy and liquidity analysis for insufficient cash: Not Applicable.

7.4 Financial and Business Impact from Major Capital Expenditure Items: None.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

Unit: NT\$ 1,000

Investee	Amount	Main Businesses and Products	Net Income (Losses) of the Investee	Main Causes for Profits or Losses	Improvement Plans	Investment Plans for the Coming Year
FIS HK	38,484	Sales, maintenance, and professional image processing services for computer equipment in Hong Kong.	1,992	Business profit, cost and expenses are well-controlled.	Provide necessary assistance to the invested business for sustainable profitability.	Maintaining profitability
SBAS	1,452	Sales and maintenance services of information systems in Hong Kong.	706	Business profit, cost and expenses are well-controlled.		
IPAC	45,681	Manufacturing and sales of information storage and processing equipment, sales and maintenance services of projection equipment.	1,763	Business profit, cost and expenses are well-controlled.		
FTSC	400,000	Sales and maintenance of computer equipment, information software services, and system integration services.	25,232	The company officially started operating in January 2021, and due to undertaking multiple large-scale projects, revenue was recognized based on the percentage of completion. After acceptance in 2022, the operational performance was demonstrated in the 2022 fiscal year.		

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Effects of Changes in Interest Rates and Foreign Exchange Rates on Corporate Finance, and Future Response Measures

The total annual interest expenses on loans of the Company in 2022 was NT\$2,956 thousand.

Unit: NT\$ 1,000/ %

Item \ Year	2022	Percentage of Operating Revenue	Percentage of Net Operating Income
	Interest Income	3,968	0.17%
Interest Expenses	2,956	0.13%	4.64%

The Company mainly uses its own funds to meet its operational funding needs.

Unit: NT\$ 1,000/ %

Item \ Year	2022	Percentage of Operating Revenue	Percentage of Net Operating Income
	Exchange Benefits	9,269	0.41%

The Company's main business is domestic sales, with a very low ratio of foreign currency purchases and sales. Its foreign currency positions mainly consist of foreign currency deposits and bond investments. The Company benefits from exchange gains due to the appreciation of the USD and HKD against NTD. In addition to regular evaluation of its foreign currency positions, the Company also maintains contact with the foreign

exchange departments of financial institutions to assess exchange rate trends and reduce investment risks.

B. Inflation on Corporate Finance, and Future Response Measures

The Company is a system integration provider in the information service industry. Therefore, inflation has no significant impact on our business operations and profitability.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

A. High-risk and High-leveraged Investments:

None.

B. Loans to Other:

- a. Policy: The Company and the individual legal entities included in the consolidated financial statements provide funds to others in accordance with the Company's "Operating Procedure for Loaning Funds to Others."
- b. Main reasons: On August 8, 2022, the Board of Directors approved the execution of funding loans to subsidiaries, with a loan limit of NT\$ 45 million for FTSC and NT\$ 30 million for IPAC. The actual amount of funds loaned to FTSC and IPAC in 2022 was zero.
- c. Future measures: Necessary control measures will be taken in accordance with the operating procedure for loaning funds to others.

C. Endorsement Guarantees

- a. Policy: The endorsement or guarantee provided by the Company and individual entities within the consolidated financial statements shall be handled in accordance with the "Endorsement and Guarantee Operating Procedures" of the Company.
- b. Main reasons: On March 26, 2021, the Board of Directors approved a endorsement guarantee limit of NTD 300 million for FTSC. The remaining endorsement guarantee balance for FTSC in 2022 was zero. In accordance with the Company's "Endorsement Guarantee Operation Regulations," the endorsement guarantee amount provided by the company to FTSC is within the prescribed limit and has been announced in accordance with the regulations.
- c. Future response measures: Necessary control measures will be taken in accordance with the lending operation procedures for endorsement and guarantee.

D. Derivatives Transactions:

None.

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company is in the information service industry and has developed expertise in system integration, outsourcing services, banking and financial terminal systems, logistics systems, and insurance systems in response to customer demands. We have accumulated strong market experience over the years and have a keen understanding of technological trends and strong integration capabilities. We continuously train our professionals and cultivate advanced technical talents while continuing to develop innovative and unique technologies and information products.

A. Research & Development Project: Please refer to page 65 to 67.

B. Estimated R&D expenditure in 2023 is NT\$ 90,206 thousand.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

None. If any such impact occurs, our finance and management team, or project contingency team, will prepare solutions for various situations.

7.6.5 Effects of and Response to Changes in Technology (including cyber security risk) and in Industry Relating to Corporate Finance and Sales

In response to technological changes and industry trends, the Company keeps abreast of market changes through participation in relevant conferences, online resources, industry associations, and labor unions. We adjust our business strategies accordingly to adapt to changes in market structure.

Cybersecurity Risks and Response Measures:

The Company established comprehensive network and computer security protection measures to prevent network attacks from any third party that could paralyze our systems, and to prevent malicious hackers from introducing computer viruses, destructive software, or ransomware into our network systems to disrupt our operations. To prevent and minimize the damage caused by such attacks, we have strengthened and implemented backup and recovery capabilities for our information systems and data, enabling us to quickly restore compromised systems and data, and resume normal business operations.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

None.

7.6.7 Expected Benefits from Risks Relating to and Response to Merger and Acquisition Plans

None.

7.6.8 Expected Benefits from Risks Relating to and Response to Factory Expansion Plans

None.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

In the past fiscal year and the first quarter of 2023, only one customer accounted for more than 10% of the total sales.

In terms of purchasing, the highest percentage of the total purchase amount in the past fiscal year and the first quarter of 2023 were 22.51% and 19.83%, respectively. The main purchasing items of the company are computers and related peripherals, which are maintained through purchasing from agents. Overall, there have been no significant changes, and the suppliers are well-known domestic and foreign manufacturers. Changes in the amount of purchases from suppliers are mainly due to the characteristics of the industry, and the selection of suitable suppliers is based on the nature of the project, delivery conditions, and negotiation results. There is no concentration of sales or purchases.

7.6.10 Effects of Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

None.

7.6.11 Effects of Risks Relating to and Response to Changes in Control over the Company:

None.

7.6.12 For litigation and non-litigation cases, specify the company and directors, supervisors, president, chief executive, and major shareholders with over 10% of shareholding, as well as affiliates. For major litigation, non-litigation, or administrative disputes with major effects on the interests of shareholders or stock prices, disclose the facts, target value, starting dates for litigation, major parties involved, and the status of the cases up to the publication of the annual report.

None.

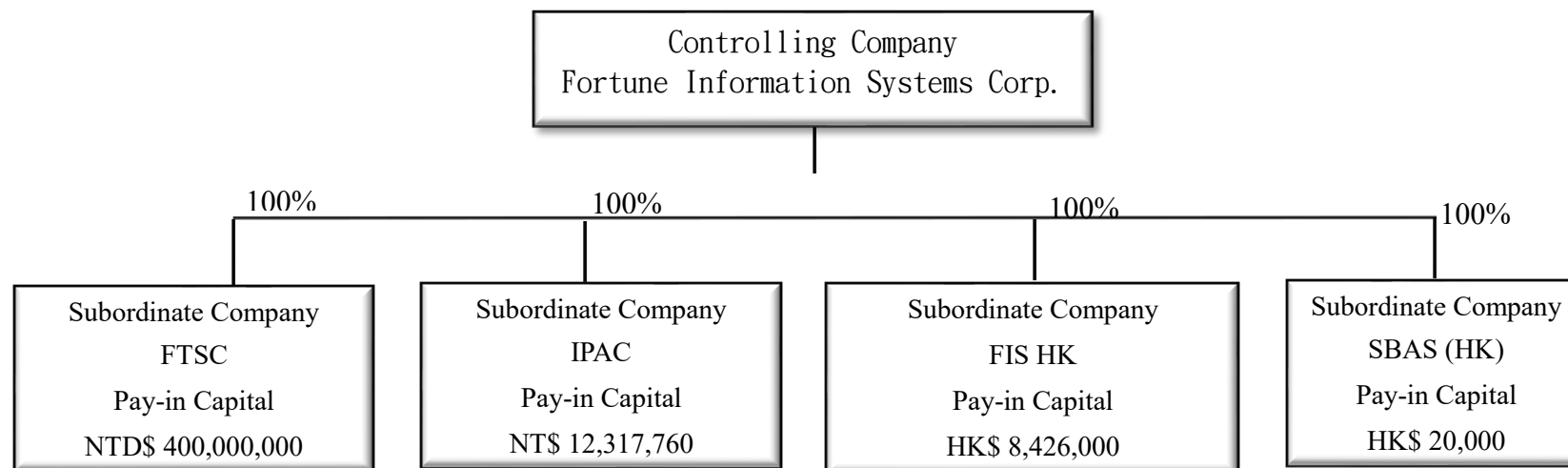
7.6.13 Other Major Risks and Countermeasures: None.

7.7 Other Important Items: None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

Chart of Affiliated Companies



Note : All subordinate companies are not public companies.

Information Regarding Affiliated Companies

Company	Date of Incorporation	Address	Pay-in Capital	Major Business
FORTUNE INFORMATION SYSTEMS (INT'L) LIMITED	1994/04/12	ROOM 1804, WESTLANDS CENTRE, 20 WESTLANDS ROAD, QUARRY BAY, HONG KONG	HK\$8,426 thousand Exchange rate on Dec. 30, 2022: 3.969	Sales, maintenance, and professional image processing services for computer equipment in Hong Kong.
SBAS (HONG KONG) LIMITED	1998/12/01	ROOM 1804, WESTLANDS CENTRE, 20 WESTLANDS ROAD, QUARRY BAY, HONG KONG	HK\$20 thousand Exchange rate on Dec. 30, 2022: 3.969	Sales SPSS software
IPAC	2003/08/26	3F., No. 25, Ln. 78, Xing'ai Rd., Neihu Dist., Taipei	NT\$ 12,318 thousand	Manufacturing and sales of information storage and processing equipment, sales and maintenance services of projection equipment.
FTSC	2021/01/06	4F., No. 25, Ln. 78, Xing'ai Rd., Neihu Dist., Taipei	NT\$ 400,000 thousand	Sales and maintenance of computer equipment, information software services, and system integration services.

Identical shareholder information for entities deemed to have control or be under common control: None.

Industries covered by affiliates' business operations

Company	Positioning Strategy	Major Business	Business relationships between related companies	Customers
FIS	A provider of solutions in the information service industry that emphasizes on planning, analysis, and comprehensive services.	<ol style="list-style-type: none"> Sales and maintenance of computer software, hardware, and peripherals. Integrated planning, integration, and office automation software services for Internet, Intranet, and application systems. Professional image processing services. Sales of EasyWare and Ascent logistics software systems, as well as logistics information technology consulting services. 	Transitioning from Exceed to building the product sales chain for EasyWare, and conducting inter-company discussions on product characteristics and business strategies.	End Users (enterprises, bank, or government)
Fortune Information Systems (Int'l) Limited	Sales, maintenance, and professional image processing services for computer equipment	<ol style="list-style-type: none"> Sales and maintenance of computer software, hardware, and peripherals. Professional image processing services. 	Collaborating with the parent company on the development and promotion of the CMP	End Users in Hong Kong (enterprises or government)

Company	Positioning Strategy	Major Business	Business relationships between related companies	Customers
SBAS (Hong Kong) Limited	Agency sales of SPSS statistical software	SPSS software	None	Schools in Hong Kong
IPAC	Agents for electronic equipment sales	sales and maintenance services of information storage, processing equipment, and projection equipment.	None	End Users (enterprises OEM/ODM)
FTSC	Focus is on providing solutions for IT infrastructure, network equipment, storage, backup and disaster recovery, information security, virtualization, and more. We specialize in intelligent AIoT devices and cloud management platform (CMP) solutions to meet the constantly changing market environment.	1.IT infrastructure construction and services. 2.IoT smart logistics solution. 3.Backup and disaster recovery solution. 4.Cloud management platform (CMP). 5.Network management and information security solution.	None	End Users (enterprises, bank, or government)

Affiliates' lists of directors, supervisors and presidents

Unit: NT\$ 1,000

April 30, 2023

Company	Title	Name/ Representative	Holding	
			Shares	%
Fortune Information Systems (Int'l) Limited	DIRECTOR	PAN,ZI-XING	0	0.00%
	DIRECTOR	SU,MEI-CHUN	0	0.00%
	DIRECTOR	TANG, YU-HUA	0	0.00%
	General Manager	PAN,ZI-XING	0	0.00%
SBAS (Hong Kong) Limited	DIRECTOR	PAN,ZI-XING	0	0.00%
	DIRECTOR	SU,MEI-CHUN	0	0.00%
	DIRECTOR	TANG, YU-HUA	0	0.00%
	General Manager	PAN,ZI-XING	0	0.00%
IPAC	Chairman	SU,MEI-CHUN Representative of FIS	1,231,776	100.00%
	Director	WEI, XING-XIONG Representative of FIS	1,231,776	100.00%
	Director	CHEN, XIU-YUE Representative of FIS	1,231,776	100.00%
	Supervisor	WANG,XIN Representative of FIS	1,231,776	100.00%

Company	Title	Name/ Representative	Holding	
			Shares	%
FTSC	General Manager	None	0	0.00%
	Chairman	TANG, YU-HUA Representative of FIS	40,000,000	100.00%
	General Manager	YANG,ZHENG-NING	0	0.00%

Affiliates' operating highlights

Unit: NT\$ 1,000

Code	Company	Pay-in Capital	Total Assets	Total Liabilities	Net Worth	Operating revenue	Operating income	Net Profit / Loss	EPS (NT\$)
2468	FIS	699,612	1,897,409	699,314	1,198,095	1,477,054	27,099	63,530	0.91
24680003	FIS HK	32,826	61,887	4,980	56,907	33,952	426	1,992	0.24
24680004	SBAS HK	85	31,102	18,101	13,001	25,587	710	707	35.31
24680010	IPAC	12,318	28,882	10,402	18,480	21,253	2,019	1,763	1.43
2468012	FTSC	400,000	661,113	239,520	421,593	745,871	30,131	25,232	0.63

8.1.1 Declaration of Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises

Declaration of Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as those included in the consolidated financial statements of Fortune Information Systems Corporation and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Fortune Information Systems Corporation and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Fortune Information Systems Corporation

By

WEI, XING-XIONG

Chairman

March 24, 2023

8.1.2 Affiliation Report

Do not be required to prepare.

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.4 Other necessary supplementary explanations: None.

IX. In the most recent year and up to the date of publication of the annual report, if any event that has a significant impact on shareholders' equity or securities prices as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: None.