Stock Code:6231

# INSYDE SOFTWARE CORP.

## Financial Statements

## With Independent Auditors' Report

## For the Years Ended December 31, 2022 and 2023

Address:16F., No.120, Sec.2, Jianguo N. Rd., Zhongshan District. Taipei, Taiwan, R. O. C.
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The independent auditors′ report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors′ report and financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the Board of Directors of INSYDE SOFTWARE CORP.:

**Opinion**

We have audited the financial statements of INSYDE SOFTWARE CORP. ("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

Revenue recognition: Refer to Note 4(m) "Revenue" and Note 6(l) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the financial statements for accounting policies and disclosure information.

Description of the key audit matter:

The Company's revenue recognition is mainly based on software and system firmware licensing, sales of source code and provision of software and system firmware engineering services. Sales revenue is the most critical factor in determining the performance of the financial statements and is highly concerned by users of financial statements. Therefore, revenue recognition is a key audit matter for our audit.

How the matter was addressed in our audit:

- Assessed and tested the Company's internal accounting controls surrounding sales revenue recognition which were designed and implemented to be effective.

- Selected samples of sales contracts, performed detailed testing of transactions, examined significant terms in the contracts, and verified internal and external information to support the authenticity of the transactions.

- Examined the balance of contract liabilities and tested whether the amortization period was appropriate and checked the calculation of the amount to be transferred to sales revenues.

- Performed the substantive testing for the balance of trade receivables including confirmations and subsequent cash receipts, to ensure that the trade receivables and sales revenue were accurately recognized in the correct accounting period.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the 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 Company's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 auditor's report. However, future events or conditions

may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wu, Cheng-Yen and Chen, Chun-Kuang.

KPMG

Taipei, Taiwan (Republic of China)
February 29, 2024

**Notes to Readers**

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

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

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

# INSYDE SOFTWARE CORP.
## Balance Sheets
## December 31, 2023and 2022
(expressed in thousands of New Taiwan Dollar)

| Code | Assets | December 31, 2023 Amount | % | December 31, 2022 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 4, 6(a) and 6(o)) | $ 540,388 | 42 | $ 695,209 | 54 |
| 1170 | Trade receivables, net (note 4, 6(b), 6(l), 6(o) and 7) | 135,021 | 11 | 135,094 | 10 |
| 1210 | Other receivables due from related parties (note 6(o) and7) | 49,299 | 4 | 14,697 | 1 |
| 1410 | Prepayments | 17,835 | 1 | 33,540 | 3 |
| 1470 | Other current assets (note 4 and 8) | 60,749 | 5 | 17,371 | 1 |
| | Total current assets | 803,292 | 63 | 895,911 | 69 |
| | **Non-current assets:** | | | | |
| 1551 | Investments accounted for using equity method (note 4 and 6(c)) | 294,086 | 23 | 303,917 | 23 |
| 1600 | Property, plant and equipment (notes 4, 6(d) and 6(n)) | 20,915 | 1 | 29,932 | 2 |
| 1755 | Right-of-use assets (note 4 and 6(e)) | 88,976 | 7 | 21,026 | 2 |
| 1780 | Intangible assets (note 4 and 6(f)) | 38,281 | 3 | 26,022 | 2 |
| 1840 | Deferred income tax assets (note 4 and 6(i)) | 21,842 | 2 | 12,421 | 1 |
| 1920 | Refundable deposit (note 4 and 6(o)) | 10,883 | 1 | 11,489 | 1 |
| | Total non-current assets | 474,983 | 37 | 404,807 | 31 |
| | **Total assets** | $ 1,278,275 | 100 | $ 1,300,718 | 100 |

| Code | Liabilities and equity | December 31, 2023 Amount | % | December 31, 2022 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2130 | Current contract liabilities (note 6(l)) | $ 34,568 | 3 | $ 44,744 | 3 |
| 2200 | Other payable (note 4, 6(h), 6(i), 6(m), 6(o) and 7)) | 224,771 | 17 | 241,795 | 19 |
| 2355 | Current lease liabilities (note 4, 6(g), 6(n) and 6(o)) | 37,454 | 3 | 19,768 | 2 |
| 2399 | Other current liabilities-other | 89 | - | 3,005 | - |
| | Total current liabilities | 296,882 | 23 | 309,312 | 24 |
| | **Non-current liabilities:** | | | | |
| 2527 | Non-current contract liabilities (note 6(l)) | 5,540 | 1 | 364 | - |
| 2551 | Non-current definded benefit liabilities (note 4 and 6(h)) | 2,050 | - | 12,469 | 1 |
| 2570 | Deferred income tax liabilities (note 4 and 6(i)) | 12,923 | 1 | 12,923 | 1 |
| 2613 | Non-current lease liabilities (note 4, 6(g), 6(n) and 6(o)) | 52,006 | 4 | 1,923 | - |
| | Total non-current liabilities | 72,519 | 6 | 27,679 | 2 |
| | Total liabilities | 369,401 | 29 | 336,991 | 26 |
| | Shares (note 6(j))： | | | | |
| 3110 | Ordinary shares | 380,435 | 30 | 380,435 | 29 |
| | Capital surplus (note 6(j))： | | | | |
| 3211 | Capital surplus-additional paid-in capital arising from ordinary share | 48,769 | 4 | 48,769 | 4 |
| 3260 | Capital surplus-changes in equity of associates and joint ventures accounted for using equity method | 281 | - | 281 | - |
| 3280 | Capital surplus-others | 18,427 | 1 | 18,427 | 1 |
| | | 67,477 | 5 | 67,477 | 5 |
| | Retained earnings (note 6(j)): | | | | |
| 3310 | Legal reserve | 205,644 | 16 | 177,006 | 14 |
| 3320 | Special reserve | 23,865 | 2 | 23,865 | 2 |
| 3351 | Unappropriated retained earnings | 231,356 | 18 | 314,783 | 24 |
| | | 460,865 | 36 | 515,654 | 40 |
| | Other equity: | | | | |
| 3490 | Other equity-other | 97 | - | 161 | - |
| | Total equity | 908,874 | 71 | 963,727 | 74 |
| | **Total liabilities and equity** | $ 1,278,275 | 100 | $ 1,300,718 | 100 |

(See accompanying notes to financial statements.)

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

# INSYDE SOFTWARE CORP.

## Statements of Comprehensive Income

## For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollar, except earnings per share)

| Code | | 2023 Amount | 2023 % | 2022 Amount | 2022 % |
|---|---|---|---|---|---|
| 4110 | **Operating revenues (note 4, 6(l) and 7)** | $ 1,106,820 | 100 | $ 1,193,017 | 100 |
| 5000 | **Operating costs** | 216,110 | 20 | 198,841 | 17 |
| | **Gross profit from operations** | 890,710 | 80 | 994,176 | 83 |
| | **Operating expenses (notes 4, 6, 7 and 12):** | | | | |
| 6100 | Selling expenses | 88,492 | 8 | 98,107 | 8 |
| 6200 | Administrative expenses | 164,782 | 15 | 162,114 | 13 |
| 6300 | Research and development expenses | 414,436 | 37 | 413,297 | 35 |
| | | 667,710 | 60 | 673,518 | 56 |
| | **Net operating income** | 223,000 | 20 | 320,658 | 27 |
| | **Non-operating income and expenses (note 6(c), 6(n), and 6(o):** | | | | |
| 7100 | Interest income | 8,469 | 1 | 5,942 | - |
| 7020 | Other gains and losses, net | (5,545) | (1) | 23,629 | 2 |
| 7050 | Finance costs | (1,332) | - | (1,357) | - |
| 7070 | Shares of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method | (9,768) | (1) | 6,176 | 1 |
| | **Total non-operating income and expenses** | (8,176) | (1) | 34,390 | 3 |
| 7900 | **Profit before income tax** | 214,824 | 19 | 355,048 | 30 |
| 7951 | **Less: income tax expenses (note 4 and 6(i))** | 29,939 | 3 | 71,351 | 6 |
| | **Profit** | 184,885 | 16 | 283,697 | 24 |
| 8300 | **Other comprehensive income:** | | | | |
| 8310 | **Items that may not be reclassified subsequently to profit or loss:** | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans (note 4 and 6(h)) | - | - | 2,686 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | **Components of other comprehensive income that may not be reclassified subsequently to profit or loss** | - | - | 2,686 | - |
| 8360 | **Items that may be reclassified subsequently to profit or loss:** | | | | |
| 8361 | Exchange differences on translation to foreign financial statements | (64) | - | 24,027 | 2 |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - |
| | **Components of other comprehensive income that may be reclassified subsequently to profit or loss** | (64) | - | 24,027 | 2 |
| 8300 | **Other comprehensive income, net of tax:** | (64) | - | 26,713 | 2 |
| 8500 | **Total comprehensive income** | **$ 184,821** | **16** | **$ 310,410** | **26** |
| | **Earnings per share (expressed in dollars)(note 6(k))** | | | | |
| 9750 | **Basic earnings per share** | | 4.86 | | 7.46 |
| 9850 | **Diluted earnings per share** | | 4.83 | | 7.32 |

(See accompanying notes to financial statements.)

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

INSYDE SOFTWARE CORP.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollar)

| | Share capital | | Retained earnings | | | | Other equity | |
|---|---|---|---|---|---|---|---|---|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total | Exchange differences on translation of foreign financial statements | Total equity |
| **Balance on January 1, 2022** | $380,435 | 67,477 | 154,165 | 21,178 | 251,754 | 427,097 | (23,866) | 851,143 |
| Profit for the year ended December 31, 2022 | - | - | - | - | 283,697 | 283,697 | - | 283,697 |
| Other comprehensive income for the year ended December 31, 2022 | - | - | - | - | 2,686 | 2,686 | 24,027 | 26,713 |
| Comprehensive income for the year ended December 31, 2022 | - | - | - | - | 286,383 | 286,383 | 24,027 | 310,410 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve | - | - | 22,841 | - | (22,841) | - | - | - |
| Special reserve | - | - | - | 2,687 | (2,687) | - | - | - |
| Cash dividends on ordinary shares | - | - | - | - | (197,826) | (197,826) | - | (197,826) |
| **Balance on December 31, 2022** | **$380,435** | **67,477** | **177,006** | **23,865** | **314,783** | **515,654** | **161** | **963,727** |
| Profit for the year ended December 31, 2023 | - | - | - | - | 184,885 | 184,885 | - | 184,885 |
| Other comprehensive income for the year ended December 31, 2023 | - | - | - | - | - | - | (64) | (64) |
| Comprehensive income for the year ended December 31, 2023 | - | - | - | - | 184,885 | 184,885 | (64) | 184,821 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve | - | - | 28,638 | - | (28,638) | - | - | - |
| Cash dividends on ordinary shares | - | - | - | - | (239,674) | (239,674) | - | (239,674) |
| **Balance on December 31, 2023** | **$380,435** | **67,477** | **205,644** | **23,865** | **231,356** | **460,865** | **97** | **908,874** |

(See accompanying notes to financial statements.)

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

# INSYDE SOFTWARE CORP.

## Statements of Cash Flows

## For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollar)

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from (used in) operating activities:** | | |
| **Profit before tax** | $ 214,824 | $ 355,048 |
| **Adjustments:** | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 50,686 | 50,798 |
| Amortization expense | 10,069 | 11,200 |
| Interest expense | 1,332 | 1,357 |
| Interest revenue | (8,469) | (5,942) |
| Shares of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method | 9,768 | (6,176) |
| Gain from disposal of property, plant and equipment | (8) | (94) |
| Total adjustments to reconcile profit | 63,378 | 51,143 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Trade receivables | 73 | (16,745) |
| Other receivables due from related parties | 8,478 | 5,346 |
| Prepayments | (3,348) | (1,353) |
| Other current assets | 519 | 3,526 |
| Total changes in operating assets | 5,722 | (9,226) |
| Changes in operating liabilities: | | |
| Contract liabilities | (5,000) | (5,110) |
| Other payable | (17,024) | (2,048) |
| Other current liabilities-other | (2,916) | 2,234 |
| Definded benefit liablilities | (10,419) | (641) |
| Total changes in operating liabilities | (35,359) | (5,565) |
| Total changes in operating assets and liabilities | (29,637) | (14,791) |
| Cash inflow generated from operations | 248,565 | 391,400 |
| Interest received | 8,208 | 5,614 |
| Income taxes paid | (82,997) | (80,885) |
| **Net cash flows from operating activities** | 173,776 | 316,129 |
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of property, plant and equipment | (4,576) | (10,225) |
| Proceeds from disposal of property, plant and equipment | 8 | 98 |
| Refundable deposit | 606 | (717) |
| Acquisition of intangible assets | (1,936) | (3,657) |
| Prepayments | (1,339) | (909) |
| Other receivables due from related parties | (43,080) | - |
| **Net cash flows used in investing activities** | (50,317) | (15,410) |
| Payment of lease liabilities | (37,274) | (35,876) |
| Cash dividends paid | (239,674) | (197,826) |
| Interest paid | (1,332) | (1,357) |
| **Net cash flows from (used in) financing activities** | (278,280) | (235,059) |
| Net (decrease) increase in cash and cash equivalents | (154,821) | 65,660 |
| Cash and cash equivalents at beginning of period | 695,209 | 629,549 |
| Cash and cash equivalents at end of period | **$ 540,388** | **$ 695,209** |

(See accompanying notes to financial statements.)

**(English Translation of Financial Statements Originally Issued in Chinese.)**

# INSYDE SOFTWARE CORP.
# Notes to Financial Statements
# For the years ended December 31, 2023 and 2022
**(expressed in thousands of New Taiwan Dollar unless otherwise specified)**

## (1) Company history

INSYDE SOFTWARE CORP. (the "Company") was founded on September 18, 1998 under the approval of Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 16F., No.120, Sec.2, Jianguo N. Rd., Zhongshan District. Taipei, Taiwan, R. O. C. The Company start its operating activities on September 30, 1998. The Company's common shares were listed on the Taipei Exchange (TPEx) on January 23, 2003. The major business activities of the Company are the software and system firmware design and development, installation, and program modification.

## (2) Approval date and procedures of the consolidated financial statements

These financial statements were authorized for issue by the Board of Directors on February 29, 2024.

## (3) New standards, amendments and interpretations adopted

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

The Company has initially adopted the (following) new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

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

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

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

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

The Company assesses that the adoption of the (following) new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS21"Lack of Exchangeability"

**(4) Summary of material accounting policies**

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

Theses financial statement have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

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

2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 6(h).

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

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

(ii) Foreign operations

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When The Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When The Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting period; or
(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

Time deposits maturity with three months to one year which meet the above definition and are held for the purposes, and can be readily converted to fixed amount of cash with minimal risk of change in value, should be recognized as cash equivalents.

(f) Financial instruments

All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

The Company major financial assets is amortized cost.

The Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

(ii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables and notes receivable, other receivables, leases receivable, guarantee deposit paid and other financial assets).

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

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

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

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

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to

The Company in accordance with the contract and the cash flows that The Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, The Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer；
- a breach of contract such as a default or being more than 90 days past due；
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider；
- it is probable that the borrower will enter bankruptcy or other financial reorganization；or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when The Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with The Company’s procedures for recovery of amounts due.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity instruments

Debt or equity instruments issued by the Company are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized based on amount of consideration received less the direct issuance cost.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. A financial liability is classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. Financial liabilities, other than the ones classified as held-for-trading, are designated as at fair value through profit or loss at initial recognition under one of the following situations:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- Performance of the financial liabilities is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, under other gains and losses of non-operating income and expenses.

(iv) Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, under other gains and losses of non-operating income and expenses.

(v) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expires.

(vi) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in statement of comprehensive income. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and of the embedded derivatives are not closely related.

(h) Investment in subsidiary

In the preparation of financial reports, the Company adopts the equity method assessment method for the investee companies that can be controlled. Under the equity method, in the financial report, the current profit and loss and other comprehensive gains and losses, and in the financial report of the consolidated basis, the current profit and loss and other comprehensive gains and losses are attributable to the owners of the parent company, and the financial reporting owners' equity and consolidated basis the interests of the owners of the parent company in the financial report are the same. The Company's changes in the ownership interest of the subsidiaries did not result in loss of control and were treated as an interest transaction with the owners.

(i) Property, plant and equipment1.

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss account as other gains and losses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and is allocated using the straight-line method over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the leasehold improvements and leased asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Fixtures and fittings 3~5 years
2) Leasehold improvements 1~3 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(iv) Disposal

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

(j) Leases

(i) Identifying a lease

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

(ii) As a leasee

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

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

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

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

1) fixed payments, including in-substance fixed payments;
2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
3) amounts expected to be payable under a residual value guarantee; and
4) payments for purchase or termination options that are reasonably certain to be exercised.

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

1) there is a change in future lease payments arising from the change in an index or rate; or
2) there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
4) there is a change of its assessment on whether it will exercise a extension or termination option; or
5) there is any lease modification

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

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

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of computer machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
2) Its intention to complete the intangible asset and use or sell it.
3) Its ability to use or sell the intangible asset.
4) How the intangible asset will generate probable future economic benefits.
5) The availability of adequate technical, financial and other resources to complete

the development and to use or sell the intangible asset.

6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Trademarks 10 years
2) Patents 7~15 years
3) Computer software 1.5~10 years

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(l) Impairment of non-financial assets

The Company evaluates the impairment losses and estimates the recoverable amounts of the impaired assets on each reporting date in terms of inventories, deferred tax assets, assets arising from employee benefits and non-financial assets other than non-current assets held for sale. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company determines the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss is recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the Company recognizes the impairment loss and the impairment loss is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

(m)Revenue

(i) Revenue from contracts with customers

1) Software licenses and installation services

Licenses for software provide the customer with a right to use software and installation services owned by the Company, and the revenue is recognized in accordance with the agreement. Revenue is recognized based on the actual quantity of the software purchased or services are rendered with the completion of the contract, or in installments over the license period. The Company also provides software OEM and other technical services to customers. Revenue is recognized when services are rendered in accordance with the agreement and the amount is measurable. Related costs and expenses are also recognized in the current period.

Except for the above accounting policy, the following are effective on and after January 1, 2018:

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to the customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to the customer. Some contracts include multiple deliverables, such as the installation of hardware and software. In most cases, the installation is simple, does not include integrated services, and could be performed by other parties. It is therefore accounted for as a separate performance obligation. In this case, the transaction price is allocated to each performance obligation based on the stand-alone selling price. Where prices are not directly observable, they are estimated based on the expected cost plus margin. Estimates of revenues, costs and extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known to the management.

In case of fixed-price contracts, the customer pays the fixed amount based on the payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes the hourly fee, the revenue is recognized in the amount to which the Company has the right to issue invoices. Customers are invoiced on a monthly basis, and the consideration is payable when invoiced.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities. If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss. Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

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

(iii) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that the related income tax benefit will be realized.

If income tax expenses are recognized directly in equity or other comprehensive income, the temporary differences between the carrying amounts of relevant assets and liabilities for financial reporting purposes and their respective tax bases are measured using the trial tax rate when the temporary differences are expected to be realized or settled.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(r) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent-company-only financial statement.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the financial statements in conformity with the Regulations by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting estimates and assumptions. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

## (6) Explanation of significant accounts

(a) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand | 373 | 377 |
| Demand deposits | 14,392 | 18,854 |
| Foreign currency deposits | 6,403 | 713 |
| Cash equivalents | 519,220 | 675,265 |
| **Total** | **540,388** | **695,209** |

Time deposits maturity with three months to one year held for the purpose of meeting short-term cash commitments are classified as cash and cash equivalents because they can be converted to a fixed amount of cash at any time, and the risk of changes in value is minimal.

Please refer to note 6(o) for the foreign currency risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Trade receivables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Trade receivables from operating activities | 135,599 | 135,672 |
| Less: Loss allowance | (578) | (578) |
| **Net amount** | **135,021** | **135,094** |

Please refer to note 6(o) for the marketing risk and credit risk of the Company.

(c) Investments accounted for using equity method

| Name of Subsidiaries | Original investment amount | | Ending Balance | |
|---|---|---|---|---|
| | **December 31, 2023** | **December 31, 2022** | **December 31, 2023** | **December 31, 2022** |
| Clean Slate Ltd. | USD2,512,000 | USD2,512,000 | 309,388 | 267,241 |
| Insyde Software LTD. | USD3,500,000 | USD3,500,000 | (15,302) | 36,676 |
| **Total** | | | **294,086** | **303,917** |

The Company established Insyde Software Inc. through Clean Slate Ltd. to engage in sales of software and information services.

The Company recognized the profit (loss) of subsidiaries and associates which were recognized under the equity method in the audited financial statements for the years ended December 31, 2023 and 2022, that were audited. The information as follows:

| | 2023 | 2022 |
|---|---:|---:|
| Clean Slate Ltd. | 42,558 | 35,711 |
| Insyde Software LTD. | (52,326) | (29,535) |
| **Total** | **(9,768)** | **6,176** |

The consolidated financial statements comprise the Company's investees in which the Company has substantive control through its ownership of shares.

(d) Property, plant and equipment

| | | Fixtures and fittings | Leasehold improvements | Total |
|---|---|---:|---:|---:|
| Cost | Balance on January 1, 2023 | 76,307 | 52,968 | 129,275 |
| | Additions | 4,519 | 57 | 4,576 |
| | Transfer in | - | - | - |
| | Disposal | (19,082) | - | (19,082) |
| | **Balance on December 31, 2023** | **61,744** | **53,025** | **114,769** |
| | Balance on January 1, 2022 | **70,722** | **51,265** | **121,987** |
| | Additions | 8,610 | 1,615 | 10,225 |
| | Transfer in | 868 | 88 | 956 |
| | Disposal | (3,893) | - | (3,893) |
| | **Balance on December 31, 2022** | **76,307** | **52,968** | **129,275** |
| Accumulated depreciation | Balance on January 1, 2023 | **49,873** | **49,470** | **99,343** |
| | Depreciation | 10,587 | 3,006 | 13,593 |
| | Disposal | (19,082) | - | (19,082) |
| | **Balance on December 31, 2023** | **41,378** | **52,476** | **93,854** |
| | Balance on January 1, 2022 | **42,796** | **45,154** | **87,950** |
| | Depreciation | 10,966 | 4,316 | 15,282 |
| | Disposal | (3,889) | - | (3,889) |
| | **Balance on December 31, 2022** | **49,873** | **49,470** | **99,343** |
| Carrying amounts | **Balance on December 31, 2023** | **20,366** | **549** | **20,915** |
| | **Balance on December 31, 2022** | **26,434** | **3,498** | **29,932** |

(e) Right-of-use assets

| | January 1, 2023 | Additions | Less | December 31, 2023 |
|---|---|---|---|---|
| Cost | 130,947 | 105,043 | 115,491 | 120,499 |
| Accumulated depreciation | 109,921 | 37,093 | 115,491 | 31,523 |
| Carrying amounts | 21,026 | 67,950 | - | 88,976 |

| | January 1, 2022 | Additions | Less | December 31, 2022 |
|---|---|---|---|---|
| Cost | 130,947 | - | - | 130,947 |
| Accumulated depreciation | 74,405 | 35,516 | - | 109,921 |
| Carrying amounts | 56,542 | 35,516 | - | 21,026 |

(f) Intangible assets

| | | Trademarks | Patents | Computer software－internally developed | Computer software－purchased | Total |
|---|---|---|---|---|---|---|
| **Cost** | Balance on January 1, 2023 | 281 | 293,322 | 70,731 | 48,140 | 412,474 |
| | Additions | - | 159 | - | 1,777 | 1,936 |
| | Transfer in | - | 20,392 | - | - | 20,392 |
| | Disposal | - | - | - | - | - |
| | **Balance on December 31, 2023** | **281** | **313,873** | **70,731** | **49,917** | **434,802** |
| | Balance on January 1, 2022 | 281 | 293,057 | 70,731 | 43,309 | 407,378 |
| | Additions | - | 60 | - | 3,597 | 3,657 |
| | Transfer in | - | 205 | - | 1,234 | 1,439 |
| | Disposal | - | - | - | - | - |
| | **Balance on December 31, 2022** | **281** | **293,322** | **70,731** | **48,140** | **412,474** |
| **Accumulated amortization** | Balance on January 1, 2023 | 227 | 271,746 | 70,731 | 43,748 | 386,452 |
| | Amortization | 24 | 7,792 | - | 2,253 | 10,069 |
| | Disposal | - | - | - | - | - |
| | **Balance on December 31, 2023** | **251** | **279,538** | **70,731** | **46,001** | **396,521** |
| | Balance on January 1, 2022 | 197 | 263,297 | 70,731 | 41,027 | 375,252 |
| | Amortization | 30 | 8,449 | - | 2,721 | 11,200 |
| | Disposal | - | - | - | - | - |
| | **Balance on December 31, 2022** | **227** | **271,746** | **70,731** | **43,748** | **386,452** |
| **Carrying amounts** | **Balance on December 31, 2023** | **30** | **34,335** | **-** | **3,916** | **38,281** |
| | **Balance on December 31, 2022** | **54** | **21,576** | **-** | **4,392** | **26,022** |

| Statement of comprehensive income | | 2023 | 2022 |
|---|---|---|---|
| Operating expenses | The amortization of intangible assets | 10,069 | 11,200 |
| Operating expenses | Research and development expenses, related to internally developed intangible assets | 414,436 | 413,297 |

(g) Lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current lease liabilities | 37,454 | 19,768 |
| Non-current lease liabilities | 52,006 | 1,923 |
| **Total** | **89,460** | **21,691** |

| | | 2023 | 2022 |
|---|---|---|---|
| Statement of comprehensive income | Interest expense | 1,332 | 1,357 |
| Statements of Cash Flows | Payment of lease liabilities | 38,606 | 37,233 |

(h) Employee benefits

(i) Defined benefit plans

As of March 31, 2023, the Company applied for the settlement of the old pension plan in accordance with the Labor Standards Act and the Labor Pension Act. On April 20, 2023, the Company received approval from the Ministry of Labor. And the Company paid $18,141 from the Bank of Taiwan labor pension reserve account, and another $10,142 from the Company's pension fund.

The Company no longer has any Taiwanese employees who meet the criteria for the defined benefit plan on December 31, 2023, and there is no actuarial need for pension liabilities in 2023.

The following information is for the defined benefit plans in 2022:

The reconciliation of the present value of the defined benefit obligation to the fair value of the plan asset is as follows:

| | December 31, 2022 |
|---|---|
| Present value of the defined benefit obligations | 32,624 |
| **Total** | **32,624** |
| Fair value of plan assets | (20,155) |
| Deficit (surplus) of plan assets | 12,469 |
| Net defined benefit liabilities | 12,469 |

The Company makes the defined benefit plan contributions to the pension fund account of the Bank of Taiwan. Plans (covered by the Labor Standards Law) entitle the retired employees to receive retirement benefits based on years of service and the average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates the pension fund in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the pension fund, the minimum annual earnings from the distribution of the funds shall be no less than that calculated on the basis of the interest rate of the local bank's two-year time deposits.

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Bank of Taiwan labor pension reserve account | 2,622 | 20,155 |

For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

| | **2022** |
|---|---|
| Defined benefit obligations at January 1 | 33,706 |
| Current service costs and interest cost | 234 |
| Remeasurements loss (gain): | |
| Actuarial loss (gain) arising from:<br>—Experience adjustments | 318 |
| —Demographic assumptions | 7 |
| —Financial assumptions | (1,641) |
| Effect of curtailment or settlement | - |
| Benefits paid | - |
| **Defined benefit obligations at December 31** | **32,624** |

3) Movements of defined benefit plan assets

| | 2022 |
|---|---:|
| Fair value of plan assets at January 1 | 17,909 |
| Benefits paid | - |
| Expected return on plan assets | 126 |
| Contributions paid by the employer | 750 |
| Actuarial (loss) gain | 1,370 |
| **Fair value of plan assets at December 31** | **20,155** |

4) Expenses recognized in profit or loss

| | 2022 |
|---|---:|
| Interest cost | 234 |
| Past service costs | - |
| Expected return on plan assets | (126) |
| Research and development expenses－Pension expense (income) | 108 |
| Actual return on plan assets | 1,496 |

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income:

| | 2022 |
|---|---:|
| Cumulative amount on January 1 | (15,557) |
| Recognized during the period | 2,686 |
| **Cumulative amount on December 31** | **(12,871)** |

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

| | December 31, 2022 |
|---|:---:|
| Discount rate | 1.25% |
| Future salary increase rate | 3.00% |

7) Sensitivity analysis

In determining the present value of the defined benefit obligation, the Company's management makes judgments and estimates in determining certain actuarial assumptions on the balance sheet date, which includes employee turnover rate and future salary changes. Changes in actuarial assumptions may have significant impact on the amount of defined benefit obligation.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | Actuarial assumptions | Impact on the present value of defined benefit obligation | |
|---|---|---|---|
| | | Increase by 0.25% | Decrease by 0.25% |
| **December 31, 2022** | Discount rate | (707) | 731 |
| | Increase in future wage | 717 | (697) |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for current and prior periods.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs contributed to the statutory pension fund of the countries in which the Company operates under the defined contribution pension plans were as follows:

| | **2023** | **2022** |
|---|---|---|
| Selling expenses | 461 | 350 |
| Administrative expenses | 3,389 | 3,295 |
| Research and development expenses | 20,623 | 19,563 |
| **Total** | **24,473** | **23,208** |

(iii) Short-term employee benefit liability - Employee benefit payable and compensated absences liability were as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Employee benefit liability | 30,115 | 49,773 |
| Compensated absences payable | 12,694 | 12,694 |
| **Total** | **42,809** | **62,467** |

(i) Income taxes

(i) Income taxes

The components of income tax in the years 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Current tax expense: | | |
| Current period | 45,887 | 73,863 |
| Adjustment for prior periods | (6,527) | (2,572) |
| **Subtotal current tax expense** | **39,360** | **71,291** |
| Deferred tax expense: | | |
| Origination and reversal of temporary differences | (9,421) | 60 |
| **Subtotal deferred tax expense** | **(9,421)** | **60** |
| **Total** | 29,939 | 71,351 |

There was no recognized income tax expenses (income) under other comprehensive income for 2023 and 2022.

Reconciliation of income tax and profit before tax for 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Profit excluding income tax | 214,824 | 355,048 |
| Income tax using the Company's domestic tax rate | 42,965 | 71,010 |
| Tax withholdings on foreign-source income | 1,243 | 3,930 |
| Changes of permanent differences | (8,512) | (1,017) |
| Adjustment for prior periods | (6,526) | (2,572) |
| Additional tax on undistributed earnings | 769 | - |
| **Total** | 29,939 | 71,351 |

(ii) Deferred tax assets and liabilities

1) Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

| Deferred tax assets | | Unrealized exchange loss (gain) | Allowance for doubtful receivables | Shares of (profit) loss of subsidiaries, associates and joint ventures accounted for using equity method, net | Total |
|---|---|---|---|---|---|
| **2023** | Balance at January 1 | 324 | 2 | 12,095 | 12,421 |
| | Recognized in profit or loss | 585 | - | 8,836 | 9,421 |
| | **Balance at December 31** | **909** | **2** | **20,931** | **21,842** |
| **2022** | Balance at January 1 | 166 | 2 | 12,313 | 12,481 |
| | Recognized in profit or loss | 158 | - | (218) | (60) |
| | **Balance at December 31** | **324** | **2** | **12,095** | **12,421** |

| Deferred Tax Liabilities | Period | Balance at January 1 | Recognized in profit or loss | Balance at December 31 |
|---|---|---|---|---|
| Shares of (profit) loss of subsidiaries, associates and joint ventures accounted for using equity method, net | **2023** | 12,923 | - | 12,923 |
| | **2022** | 12,923 | - | 12,923 |

2) Unrecognized deferred tax liabilities for 2023 and 2022 were as follows:

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Aggregate amount of temporary differences related to investments in subsidiaries | 34,932 | 26,421 |

The Company is able to control the timing of the reversal of temporary differences associated with investments. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future, therefore, no deferred income tax liabilities have been recognized.

(iii) The Company's tax returns for the years through 2021 have been approved by the Taipei National Tax Administration.

(j) Capital and other equity

(i) Ordinary Shares

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| The value of authorized ordinary shares | $600,000 | $600,000 |
| The number of authorized ordinary shares (in thousands of shares) | 60,000 | 60,000 |
| The number of issued ordinary shares (in thousands) | 38,044 | 38,044 |

The total amount of authorized share capital consists of common stock and preferred stock, with a par value of $10 per share. All issued shares were paid up upon issuance.

(ii) Capital surplus

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Premium of common stock | 48,769 | 48,769 |
| Long-term investments | 281 | 281 |
| Other | 18,427 | 18,427 |
| **Total** | **67,477** | **67,477** |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

For dividend distribution, the surplus dividend policy will be adopted based on the future operational planning, business development, capital expenditure budget and requirement of capital fund. Distribution of dividend may be made by cash dividend or by stock dividend, provided that the percentage of cash dividend shall exceed 10% of total distributed dividend, and the plan of distribution shall be proposed by the Board of Directors and shall be implemented after the distribution plan is approved by Shareholder' Meetings. Shareholders of the Company dividend distribution, of which cash dividends shall not be lower than 10% of the total shareholders' dividends distributed for the same year.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current earnings and previous unappropriated earnings shall be set aside as a special reserve during earnings distribution. The amount to be set aside should equal the total amount of contra accounts that are accounted for as deductions to other equity interests. A portion of previous unappropriated earnings shall be set aside as a special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

3) Earnings distribution

| Earnings distribution | **2022** | **2021** |
|---|---|---|
| Date of shareholders meeting | May 31, 2023 | June 14, 2022 |
| Amount per share | 6.3 | 5.2 |
| Dividends distributed to ordinary shareholders (Expressed in thousands of New Taiwan Dollar) | 239,674 | 197,826 |

(k) Earnings per share

| | **2023** | **2022** |
|---|---|---|
| Basic earnings per share: | | |
| Profit of the Company for the year | 184,885 | 283,697 |
| Weighted average number of ordinary shares | 38,044 | 38,044 |
| **Weighted average number of ordinary shares** | **4.86** | **7.46** |
| Diluted earnings per share: | | |
| Profit attributable to ordinary shareholders of the Company (diluted) | 184,885 | 283,697 |
| Weighted average number of ordinary shares (A) | 38,044 | 38,044 |
| Effect of dilutive potential ordinary shares<br>－Effect of employee share bonus (B) | 218 | 705 |
| Weighted average number of ordinary shares (diluted) (A+B) | 38,262 | 38,749 |
| **Diluted earnings per share** | **4.83** | **7.32** |

(l) Revenue from contracts with customers

(i) Regional sales revenue

| | 2023 | 2022 |
|---|---|---|
| Taiwan | 728,249 | 759,383 |
| China | 265,790 | 363,030 |
| U.S.A | 86,099 | 43,972 |
| Japan | 26,682 | 26,632 |
| **Total** | **1,106,820** | **1,193,017** |

The Company's classification of regional sales revenue information is based on the sales revenue amount of salespersons in each region, and the nature of the revenue from the above customer contracts is based on the provision of licenses and services.

(ii) Contract balances

| | December 31, 2023 | December 31, 2022 (January 1, 2023) | January 1, 2022 |
|---|---|---|---|
| Trade receivables | 135,599 | 135,672 | 118,927 |
| Less: allowance for impairment | (578) | (578) | (578) |
| Total | 135,021 | 135,094 | 118,349 |
| Current contract liabilities | 34,568 | 44,744 | 49,150 |
| Non-current contract liabilities | 5,540 | 364 | 1,068 |
| Contract liabilities －Licensing service | 40,108 | 45,108 | 50,218 |

| | 2023 | 2022 |
|---|---|---|
| The amount of sales revenue recognized was transferred from contractual liabilities in the respective years. | 44,744 | 48,212 |

For details on trade receivables and allowance for impairment, please refer to note 6(o).

(m)Employees’ and directors' and supervisors' remuneration

In accordance with the new Company Act of Article 231-1 was formulated in 2015 and the articles of incorporation was formulated in June 2016. The Company should contribute 10%~15% of the profit as employee remuneration and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

| Operating expenses | 2023 | 2022 |
|---|---|---|
| Employees’ remuneration | 30,115 | 49,773 |
| Directors’ remuneration | 6,023 | 9,955 |
| **Total** | **36,138** | **59,728** |

The estimated amounts mentioned above are based on the net profit before tax without the remunerations to employees and directors of each respective ending period, multiplied by the percentage of the compensation to employees and directors, which was approved by the management. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

(n) Non-operating income and expenses

(i) Interest income

| | 2023 | 2022 |
|---|---|---|
| Interest income from bank deposits | 8,469 | 5,942 |

(ii) Other gains and losses

| | 2023 | 2022 |
|---|---|---|
| Foreign currency exchange gains (losses) | (6,150) | 22,379 |
| Gains on disposals of property, plant and equipment | 8 | 94 |
| Other | 597 | 1,156 |
| **Total** | **(5,545)** | **23,629** |

(iii) Finance costs

| | 2023 | 2022 |
|---|---|---|
| Interest expense (Lease liabilities) | 1,332 | 1,357 |

(o) Financial instruments

(i) Financial risk management objectives

The Company manages the financial risks associated with its operating activities by controlling market risk (foreign currency risk), credit risk, and liquidity risk. In order to reduce the related financial risks, the Company strives to identify, evaluate and hedge market uncertainties, so as to minimize the potential adverse effects of market changes on the Company's financial performance.

(ii) Market risk (foreign currency risk)

The Company is mainly exposed to market risk from changes in foreign currency exchange rates, using certain derivative financial instruments to manage the related risk.

1) Foreign currency exchange rate risk

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

| | | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|---|
| | | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | Monetary items | | | | | | |
| | USD | 5,687 | 30.675 | 174,447 | 6,234 | 30.67 | 191,211 |
| | JPY | 12,073 | 0.2155 | 2,602 | 22,026 | 0.2311 | 5,090 |
| | CNY | 16,954 | 4.308 | 73,036 | 9,721 | 4.389 | 42,665 |
| | Non-Monetary items | | | | | | |
| | USD | 10,086 | 30.675 | 309,388 | 8,713 | 30.67 | 267,241 |
| | CNY | (3,552) | 4.308 | (15,302) | 8,356 | 4.389 | 36,676 |
| | | | | | | | |
| Financial liabilities | Monetary items | | | | | | |
| | USD | - | - | - | 24 | 30.67 | 736 |
| | CNY | 525 | 4.308 | 2,262 | 2,375 | 4.389 | 10,425 |
| Financial assets and liabilities, net | | | | 247,823 | | | 227,805 |

Since the Company has many kinds of functional currencies, the information o of exchange gains (losses) on monetary items is disclosed by total amount.

| | 2023 | 2022 |
|---|---|---|
| Foreign currency exchange gains (losses) – including realized and unrealized portions | (6,150) | 22,379 |

Most of the Company’s sales activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To prevent the reduction in the value of foreign-currency assets and the fluctuation of future cash flows due to changes in foreign exchange rates, the Company enters into forward exchange contracts with financial institutions for the purpose of trading to hedge the exchange rate risk.

The use of such derivative financial instruments can help the Company to reduce, but cannot completely eliminate, the impact of changes in foreign currency exchange rates.

The maturity dates of the derivative financial instruments undertaken by the Company are less than six months and do not meet the conditions for hedging accounting.

The Company’s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other payables that are denominated in foreign currency.

Regarding the sensitivity analysis of foreign currency exchange rate risk, the

Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on foreign currency-denominated cash and cash equivalents, trade receivables and other payables.

As of December 31, 2023 and 2022, when all other factors remain unchanged, the sensitivity analysis of strengthening (weakening) of the NTD against the USD, JPY, and CNY was as following:

| As of December 31, 2023 and 2022, financial assets and liabilities of monetary items —Sensitivity analysis | | The NTD against the USD, JPY, and CNY | |
|---|---|---|---|
| | | Strengthening 1% | Weakening 1% |
| Effect of net profit after tax | **2023** | (1,983) | 1,983 |
| | **2022** | (1,822) | 1,822 |

(iii) Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily from trade receivables (business related credit risk) and cash and cash equivalents (financial related credit risk).

1) Business related credit risk

In order to maintain the quality of trade receivables, the Company has established management procedures related to the credit risk. To reflect the possibility of recovery of trade receivables in the financial report in a timely manner, the Company has specially formulated an assessment method for impairment of trade receivables. The Company's customers are mainly from the high-tech industry. And to mitigate trade receivables credit risk, the Company constantly assesses the financial status of the customers, and regularly assesses the probability of collection of trade receivables, and requests collateral or guarantee from the counterparties when necessary, and the concentration of trade receivables is as follows:

| | | **December 31, 2023** | **December 31, 2022** |
|---|---|---|---|
| Trade receivables | % of balance | 76% | 85% |
| | Aggregated number of customers in the above ratio | 7 | 8 |

The aging analyses of trade receivables was determined as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Gross carrying amount | Loss allowance provision | Gross carrying amount | Loss allowance provision |
| Current | 116,656 | - | 108,443 | - |
| 1 to 90 days past due | 18,943 | (578) | 27,229 | (578) |
| **Total** | **135,599** | **(578)** | **135,672** | **(578)** |

The Company of allowance provisions were determined as follows:

| | 2023 | 2022 |
|---|---|---|
| December 31 (equal to January 1) | 578 | 578 |

As of December 31, 2023 and 2022, the allowance for losses mainly due to the economic environment, where it is expected that several customers will not be able to repay their outstanding balances.

2) Financial credit risk

Cash and cash equivalents were controlled and measurement by the Company's finance segment. The Company's counterparty financial institutions are all banks with good credit ratings, and each bank has decentralized control over the balances of its deposits, so that the Company does not have any significant financial credit risk.

(iv) Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to maintain cash and cash equivalents for its operations.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount | Contractual cash flows | Within 6 months | 6-12 months | 1-2 years | 2-5 years |
|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Other payables | 224,771 | 224,771 | 161,063 | 63,708 | - | - |
| Lease liabilities | 89,460 | 91,909 | 20,422 | 18,567 | 35,280 | 17,640 |
| **Total** | **314,231** | **316,680** | **181,485** | **82,275** | **35,280** | **17,640** |

| | Carrying amount | Contractual cash flows | Within 6 months | 6-12 months | 1-2 years | 2-5 years |
|---|---|---|---|---|---|---|
| December 31, 2022 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Other payables | 241,795 | 241,795 | 155,243 | 86,552 | - | - |
| Lease liabilities | 21,691 | 22,083 | 18,616 | 1,486 | 1,981 | - |
| **Total** | **263,486** | **263,878** | **173,859** | **88,038** | **1,981** | **-** |

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts. Based on the current operating conditions, cash and cash equivalents are sufficient to cover the Company's financial liabilities.

(v) Fair value of financial instruments

1) Fair value and carrying amount

Except for financial liabilities designated as at fair value through profit or loss at the time of original recognition, which are measured at fair value, the carrying amounts of financial assets and financial liabilities measured at fair value through amortized cost in the consolidated financial statements approximate their fair values.

2) Valuation techniques and assumptions for financial instruments measured at fair value

The fair values of financial assets and liabilities are determined using the following techniques and assumptions:

A. Financial instruments traded in active markets are based on quoted market prices.

B. Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates over the maturity period of the contracts.

C. The fair value of other financial assets is determined by using the generally accepted evaluation model based on discounted cash flow analysis.

3) Fair value of levels

Fair value of levels was defined as follow:

A. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

C. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | | Fair values | | | |
|---|---|---|---|---|---|
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **December 31, 2023** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 540,388 | - | - | - | - |
| Trade receivables | 135,021 | - | - | - | - |
| Other receivables due from related parties | 49,299 | - | - | - | - |
| Other current assets | 5,980 | - | - | - | - |
| Refundable deposit | 10,883 | - | - | - | - |
| **Total** | **741,571** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | |
| Other payable | 224,771 | - | - | - | - |
| Lease liabilities | 89,460 | - | - | - | - |
| **Total** | **314,231** | - | - | - | - |

| | | Fair values | | | |
|---|---|---|---|---|---|
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **December 31, 2023** | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 695,209 | - | - | - | - |
| Trade receivables | 135,094 | - | - | - | - |
| Other receivables due from related parties | 14,697 | - | - | - | - |
| Other current assets | 9,190 | - | - | - | - |
| Refundable deposit | 11,489 | - | - | - | - |
| **Total** | **865,679** | - | - | - | - |
| Financial liabilities | | | | | |
| Other payable | 241,059 | - | - | - | - |
| Lease liabilities | 21,691 | - | - | - | - |
| **Total** | **262,750** | - | - | - | - |

4) Valuation techniques for financial instruments not measured at fair value

A. Financial assets measured at amortized cost (Held-to-maturity financial assets)

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by counterparties are adopted.

B. Financial assets and financial liabilities measured at amortized cost (current investments in debt instrument without active market) and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data are used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

5) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

Financial instruments trade in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from the main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market. If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial unions, pricing institutions, or authorities and such price represents actual and frequent arm's-length market transactions, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in compliance with the conditions mentioned above, then the market is considered inactive. In general, wide bid-ask spreads, significant increase in bid-ask spreads or low trading volume are all indicators of an inactive market.

The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of the counterparties. Fair value measured using the valuation technique can be calculated by reference to the current fair value of other financial instruments with similar substantive terms and characteristics, by discounted cash flow techniques or by using other valuation techniques, including the application of models based on market information available at the date of the consolidated balance sheet.

B. Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation models that are generally accepted by market users. Forward exchange contracts are generally valued based on current forward exchange rates.

6) Quantitative information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include net trade receivables, other current financial assets, refundable deposits, notes payable and other payables.

The price of the financial assets and liabilities is based on the contract transaction or other routine business activities, whereby the price is agreed by both parties to the transaction, and the fair value has only a single significant unobservable input.

(p) Capital management

The Company is a highly labor-intensive industry, and has no tangible assets such as land, buildings and inventories that can be easily financed, except for cash and cash equivalents and intangible assets. Therefore, the Company mostly operates with its own capital, and the proportion of capital stock is maintained at approximately 70%.

The Company's capital management is to ensure that it has the necessary financial resources and operating plans to support the working capital, capital expenditures and dividend payments for the next twelve months.

## (7) Related-party transactions

(a) Parent company and ultimate controlling company

The Company is both the parent company and the ultimate controlling party of the consolidated companies. The Company has issued the Consolidated Financial Statements Available for Public Use.

(b) Names and relationship with the Company

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

| Name of related party | Relationship with the Company |
|---|---|
| Professional Computer Technology Limited | The director of board of the Company |
| Silicon Professional Tech. (China) Ltd. | The third-tier subsidiary of the Professional Computer Technology Limited |
| Insyde Software Inc. | The second-tier subsidiary of the Company |
| Insyde Software LTD. | The subsidiary of the Company |
| All Board of Directors, general manager, and deputy general manager | The main managements of the Company |

(c) Significant transactions with related parties

(i) Sales revenue

The amounts of significant sales and trade receivables by the Company to related parties were as follows:

| | Sales revenue | | Trade receivables | |
|---|---|---|---|---|
| | **2023** | **2023** | **December 31, 2023** | **December 31, 2022** |
| Insyde Software Inc. | 86,100 | 43,972 | 7,979 | 9,637 |
| Insyde Software LTD. | 1,022 | 9,707 | - | 7,707 |
| **Total** | **87,122** | **53,679** | **7,979** | **17,344** |

The transactions with related parties were dealt with terms and conditions of sale and collection periods in accordance with the contracts. Amounts receivable from related parties were not collateralized, and no allowance for doubtful accounts was required after the assessment by the management.

(ii) The related parties provided the sales agency, management services, and their outstanding balances were as follows:

| | Service, management, and commission | | Other payables | |
|---|---|---|---|---|
| | **2023** | **2023** | **December 31, 2023** | **December 31, 2022** |
| Subsidiaries－service： | | | | |
| Insyde Software Inc. | 2,401 | 3,009 | 215 | 736 |
| Subsidiaries－commission： | | | | |
| Insyde Software LTD. | 25,489 | 34,764 | 2,262 | 10,425 |
| Associates－management： | | | | |
| Professional Computer Technology Limited | - | 20 | - | - |
| Associates－commission： | | | | |
| Professional Computer Technology Limited | 34,960 | 35,236 | 13,997 | 12,017 |
| **Total** | **62,850** | **73,029** | **16,474** | **23,178** |

All outstanding balances between the Company and the related parties are dealt with by the agreed payment terms and conditions.

(iii) The amounts of other receivables from related parties were as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Insyde Software Inc. | 6,219 | 14,697 |
| Insyde Software LTD. | 43,080 | - |
| **Total** | 49,299 | 14,697 |

In 2023, the Company's Board of Directors approved an interest-free loan to a subsidiary, Insyde software LTD., which loaned CNY10,000,000 in July 2023, and as of December 31, 2023, the loan has not yet been repaid.

(iv) Key management personnel compensation:

The directors and key management personnel compensation comprised:

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | 40,261 | 52,575 |
| Post-employment benefits | 11,076 | 324 |
| **Total** | **51,337** | **52,899** |

(8) **Assets pledged as security**

| Assets pledged as security | Balance sheet | Liabilities secured by pledges | **December 31, 2023** | **December 31, 2022** |
|---|---|---|---|---|
| Time deposits | Other current assets | Forward exchange contracts | 2,990 | 8,970 |
| Time deposits | Other current assets | Deposit of imported goods pledged by the Customs Administration | 2,990 | 220 |
| **Total** | | | **5,980** | **9,190** |

(9) **Significant Commitments and Contingencies: None.**

(10) **Losses due to major disasters: None.**

(11) **Subsequent events**

As of November 9, 2023, the Board of Directors of the Company resolved a long-term equity capital increase, and it is expected that the capital increase in the subsidiary, Insyde Software LTD., will not exceed US 2,000 thousand. This capital increase was approved by the regulator in December 2023, and the full amount of the capital increase was remitted in the amount of US 2,000 thousand (approximately NT 61,790 thousand) on January 2, 2024.

(12) **Other**

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

If any of the research and development expense incurred is on a project basis, it will be transferred to operating costs based on the number of hours invested.

| | **2023** | | | | **2022** | | | |
|---|---|---|---|---|---|---|---|---|
| **By function** / **By item** | Selling expenses | Administrative expenses | Research and development expense | Total | Selling expenses | Administrative expenses | Research and development expense | Total |
| Employee benefits | | | | | | | | |
| Salary | 14,639 | 89,910 | 490,581 | 595,130 | 13,427 | 87,308 | 481,579 | 582,314 |
| Labor and health insurance | 780 | 9,890 | 36,638 | 47,308 | 585 | 9,452 | 34,379 | 44,416 |
| Pension | 461 | 3,389 | 20,661 | 24,511 | 350 | 3,295 | 19,671 | 23,316 |
| Others | 243 | 1,875 | 12,362 | 14,480 | 192 | 1,837 | 12,037 | 14,066 |
| Remuneration of directors | - | 6,846 | - | 6,846 | - | 9,237 | - | 9,237 |
| Subtotal | **15,976** | **111,910** | **560,242** | **688,275** | **14,554** | **111,129** | **547,666** | **673,349** |
| Depreciation | 628 | 11,551 | 38,507 | 50,686 | 416 | 12,769 | 37,613 | 50,798 |
| Amortization | - | 3,023 | 7,046 | 10,069 | - | 3,531 | 7,669 | 11,200 |

In 2023 and 2022, additional information on the number of employees and employee benefits expense of the Company are summarized as follows:

| Years | Average number of employees (a) | Number of non-employee directors (b) | Total average number of employees (a+b) |
|---|---|---|---|
| **2023** | 503 | 8 | 511 |
| **2022** | 486 | 8 | 494 |

The information as below was calculated excluding the number of directors' and supervisors' remuneration and the number of directors who are not also employees of the Company.

| Years | Average employee benefits expenses | Average employee salary expenses | Average employee remuneration adjustments | Supervisor salary expenses |
|---|---|---|---|---|
| **2023** | 1,356 | 1,184 | - | - |
| **2022** | 1,367 | 1,198 | 3% | 1,643 |

The Company re-elected 11 directors (including 4 independent directors) at the regular meeting of shareholders on June 14, 2022, and there are no supervisors.

Information on the Company's salary remuneration policy (including directors, managers, and employees).

Directors:

- Transportation allowance: Attend the Board of Directors meeting in person (except for those who are also employees of the Company), and the transportation allowance is NT$10,000 (per meeting). For video conference the transportation allowance is NT 5,000 (per conference).
- Directors also serving as members of the functional committees: Attend any functional committee in person, the traffic allowance is NT 5,000 (per time), attend any functional committee by video conference, the traffic allowance is NT 2,500 (per conference).
- Variable remuneration (directors' remuneration): The total remuneration shall be handled in accordance with Article 28 of the Company's Articles of Association, and individual remuneration will be approved in consideration of the attendance status of the directors at the Board of Directors meeting.

Managers:

General manager and vice general manager:

- In accordance with the Company's remuneration management regulations and Article 28 of the Company's Articles of Association, the number of employees' remuneration under the salary structure is approved on the basis of the value of the participation and contribution to the Company's operation, and the proposal is submitted to the Board of Directors after the Remuneration Committee has discussed and resolved the issue.

The Company implements corporate governance and improves the remuneration system for for directors and supervisors as well as internal personnel such as the general manager and vice general manager. According to the Securities and Exchange Act, the Company has set up a Remuneration Committee to approve and make recommendations on managers' remuneration, and to ensure the subsequent implementation. of the relevant plans.

Employee:

- Basic salary: Salary will be assessed based on the employee's previous relevant work experience, ability and valuation of the position applied for. Superior to the basic remuneration under the Labor Standards Act and without distinction based on gender, age, nationality, or race.
- Year-end bonus: Based on the Company's overall operating performance and individual performance.
- Other bonuses: Other bonuses are designed to consider overall operational performance and individual performance. For example, R&D unit project bonuses, maintenance bonuses and module bonuses. longevity bonuses for top performers, incentive bonuses, or performance bonuses.

Through a comprehensive performance management system, the Company's overall strategic goals are linked to the results of individual work, with reference to segment performance and individual performance, other evaluation criteria such as teamwork, integrity, entity, company recognition, participation in company affairs, support and contribution to company social responsibility are all highly valued by the Company in order to motivate the behavior of employees. Bonuses and training plans are given to talents with development potential, and outstanding talents are promoted through an open promotion system to provide them with higher responsibilities and importance in the organization, and more favorable remuneration is given to them, in order to promote better performance of individuals, which in turn affects the overall operational performance of the organization.

## (13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollar)

| Number | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Loss allowance | Collateral | | Individual funding loan limits | Maximum limit of fund financing | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | Indyde Software LTD. | Other receivable - related parties | Yes | 45,750 | 2,670 | 43,080 | - | Short loan | - | Operating | - | - | - | 150,488 | 150,488 | (Note1) |

Note 1: In accordance with the Company's procedures for lending funds to others, the total amount of short-term financing and the limit for each individual shall not exceed 20% of the Company's net worth.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates, and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes receivable/ Trade receivables (Notes payable/ Trade payables) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | Purchase/ Sale | Amount | Purchase/ Sale | Amount | Ending balance | Percentage of total notes receivable/trade receivables (Notes payable/ Trade payables) | |
| The Company | Insyde Software Inc. | Second- tier subsidiaries of the Company | Sale | (86,100) | (7.8%) | Base on contract | - | Base on contract | 7,979 | 0.62% | |

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock: None.

(ix) Trading in derivative instruments: Please refer to notes 6(o).

(b) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in Mainland China)

(In Thousands of New Taiwan Dollar / In Thousands of US Dollar)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance of December 31, 2023 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Shares | Percentage of ownership | Carrying value | | | |
| The Company | Clean Slate Ltd. | BVI | Acquisition of foreign intellectual property rights and investments | USD2,512 | USD2,512 | 2,512,000 | 100.00% | 309,388 | 42,558 | 42,558 | Subsidiaries of the Company |
| 〃 | Insyde Software LTD. | China Shanghai | Sale of software and information services | USD3,500 | USD3,500 | - | 100.00% | (15,302) | (52,326) | (52,326) | 〃 |
| Clean Slate Ltd. | Insyde Software Inc. | State of Delaware USA | Sale of software and service rendered | USD 435 | USD 435 | 1 | 100.00% | 308,524 | 42,551 | 42,551 | Second-tier subsidiaries of the Company |

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollar)

| Name of investee | Main businesses and products | Total amount of capital surplus | Method of investment | Accumulated outflow of investment from Taiwan as of January 1,2023 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31,2023 | Net income (losses) of the investee | percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Insyde Software LTD. | Sale of software and service rendered | 107,255 | Note1 | 107,255 | - | - | 107,255 | (52,326) | 100% | (52,326) | (15,302) | - |

Note1: The Company directly invests in China.

(ii) Limitation on investment in Mainland China：

(In Thousands of New Taiwan Dollar / In Thousands of US Dollar)

| Accumulated Investment in Mainland China as of December 31, 2023 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|
| 107,255<br>(USD 3,500) | USD3,500 | 545,324<br>(Note1) |

Note1: In accordance with the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" amended on August 29, 2008, the investment amount or investment percentage of the Company in the Mainland of China is 60% of the net worth or the consolidated net worth, whichever is higher.

(iii) Significant transactions：

The significant transactions between the Company and its investees in Mainland China, directly or indirectly, in 2023 (which have been eliminated in the preparation of the consolidated financial statements), are disclosed in “Information on significant transactions”.

(d) Major shareholders:

| Name of company / Shareholding | December 31, 2023 | |
|---|---|---|
| | Shares | Percentage |
| Professional Computer Technology Limited | 4,920,111 | 12.93% |
| Wang, Chih-Kao | 2,150,511 | 5.65% |

**(14) Segment information:** Please refer to the consolidated financial statement.

**INSYDE SOFTWARE CORP.**
**Statement of cash and cash equivalents**
**December 31, 2023**
**(expressed in thousands of New Taiwan Dollar)**

| Item | Description | Amount | Note |
|---|---|---|---|
| Cash on hand | | 373 | |
| Bank deposits | Demand deposits | 14,392 | |
| | Foreign currency deposits | 6,403 | |
| | Cash equivalents | 519,220 | |
| **Total** | | 540,388 | |

**Statement of trade receivables**

| Item | Description | Amount | Note |
|---|---|---|---|
| Customer I | Payment for services | 23,914 | |
| Customer J | 〃 | 18,812 | |
| Customer G | 〃 | 18,301 | |
| Customer A | 〃 | 16,451 | |
| Customer E | 〃 | 11,128 | |
| Customer F | 〃 | 7,501 | |
| Customer K | 〃 | 7,396 | |
| Other | | 32,096 | No customer balance exceeds 5% individually |
| Subtotal | | 135,599 | |
| Less: Allowance for doubtful receivables | | (578) | |
| **Total** | | 135,021 | |

**INSYDE SOFTWARE CORP.**
**Statement of other receivables**
**December 31, 2023**
**(expressed in thousands of New Taiwan Dollar)**

| Item | Description | Amount | Note |
|---|---|---|---|
| Other receivables due from related parties | Insyde Software Inc. collects payments from customers of the Company | 6,219 | |
| | Loans to Insyde Software Ltd. | 43,080 | |
| **Total** | | 49,299 | |

## Statement of prepayments

| Item | Description | Amount | Note |
|---|---|---|---|
| Prepaid expenses | Patent annual fees and maintenance fees for information equipment | 8,350 | |
| Prepaid patent cost | Patent application fees | 9,485 | |
| **Total** | | 17,835 | |

## Statement of other current assets

| Item | Description | Amount | Note |
|---|---|---|---|
| Tax refund receivable | Tax refund for profit-making business income tax | 50,658 | |
| Other current assets | Interests receivable and temporary debits | 4,111 | |
| Other financial assets | Forward exchange guarantees and deposit of imported goods pledged by the Customs Administration | 5,980 | |
| **Total** | | 60,749 | |

# INSYDE SOFTWARE CORP.
## Statement of other receivables
## December 31, 2023
## (expressed in thousands of New Taiwan Dollar)

| | Beginning Balance | | Addition | | Decrease | | Ending Balance | | Net Assets Value | Provide a guarantee or pledge |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of investee | Share (in thousands) | Amount | Share (in thousands) | Amount | Share (in thousands) | Amount | Share (in thousands) | Amount | Amount | |
| Non-listed company: | | | | | | | | | | |
| Clean Slate Ltd. | 2,512 | 267,241 | - | 42,147 | - | - | 2,512 | 309,388 | | None. |
| Insyde Software LTD. | - | 36,676 | - | - | - | 51,978 | - | (15,302) | | None. |
| **Total** | | 303,917 | - | 42,147 | - | 51,978 | | 294,086 | | |

# INSYDE SOFTWARE CORP.
## Statement of changes in property, plant and equipment
## For the year ended December 31, 2023
## (expressed in thousands of New Taiwan Dollar)

### Cost

| Items | Beginning Balance | Addition | Decrease | Ending Balance | Note |
|---|---|---|---|---|---|
| Fixtures and fittings | 76,307 | 4,519 | 19,082 | 61,744 | |
| Leasehold improvements | 52,968 | 57 | - | 53,025 | |
| **Total** | 129,275 | 4,576 | 19,082 | 114,769 | |

### Accumulated depreciation

| Items | Beginning Balance | Addition | Decrease | Ending Balance | Note |
|---|---|---|---|---|---|
| Fixtures and fittings | 49,873 | 10,587 | 19,082 | 41,378 | |
| Leasehold improvements | 49,470 | 3,006 | - | 52,476 | |
| **Total** | 99,343 | 13,593 | 19,082 | 93,854 | |

## Statement of changes in right-of-use assets

| Items | Beginning Balance | Addition | Decrease | Ending Balance | Note |
|---|---|---|---|---|---|
| Cost | 130,947 | 105,043 | 115,491 | 120,499 | |
| Accumulated depreciation | 109,921 | 37,093 | 115,491 | 31,523 | |
| **Carrying amounts** | 21,026 | 67,950 | - | 88,976 | |

## Statement of changes in intangible assets

| Items | Beginning Balance | Addition | Decrease | Ending Balance | Note |
|---|---|---|---|---|---|
| Trademarks | 54 | - | 24 | 30 | |
| Patents | 21,576 | 20,551 | 7,792 | 34,335 | |
| Computer software | 4,392 | 1,777 | 2,253 | 3,916 | |
| **Total** | 26,022 | 22,328 | 10,069 | 38,281 | |

## Statement of deferred tax assets
## December 31, 2023

| Item | Description | Amount | Note |
|---|---|---|---|
| Deferred tax assets | Shares of loss of subsidiaries, associates and joint ventures accounted for using equity method, net | 20,931 | |
| | Unrealized exchange loss | 909 | |
| | Allowance for doubtful receivables | 2 | |
| **Total** | | 21,842 | |

**INSYDE SOFTWARE CORP.**
**Statement of other non-current assets**
**December 31, 2023**
**(expressed in thousands of New Taiwan Dollar)**

| Item | Description | Amount | Note |
|---|---|---|---|
| Refundable deposit | Refundable deposits for offices and vehicles | 10,883 | |

**Statement of contract liabilities**

| Item | Description | Amount | Note |
|---|---|---|---|
| Contract liabilities | Licensing and installation service | 40,108 | |
| Less: current portion | Current contract liabilities | (34,568) | |
| | Non-current contract liabilities | 5,540 | |

**Statement of lease liabilities**

| Item | Description | Amount | Note |
|---|---|---|---|
| Lease liabilities | Right-to-use for payment | 89,460 | |
| Less: current portion | Current lease liabilities | (37,454) | |
| | Non-current lease liabilities | 52,006 | |

**Statement of other payables**

| Item | Description | Amount | Note |
|---|---|---|---|
| Payroll and bonus payables | | 145,982 | |
| Accrued expenses | Employee', directors' and supervisors' remuneration | 36,138 | |
| | Commission | 16,259 | |
| | Labor and health insurance expenses | 8,701 | |
| | Value added taxes | 1,460 | |
| | Freight, Stationery supplies and petty cash | 16,231 | |
| **Total** | | 224,771 | |

**INSYDE SOFTWARE CORP.**
**Statement of other current liabilities**
**December 31, 2023**
**(expressed in thousands of New Taiwan Dollar)**

| Item | Description | Amount | Note |
|---|---|---|---|
| Other current liabilities | Withholding taxes and provisional receipts | 89 | |

**Statement of non-current defined benefit liabilities**

| Item | Description | Amount | Note |
|---|---|---|---|
| Defined benefit liabilities | Estimate for defined benefit | 2,050 | |

**Statement of deferred tax liabilities**

| Item | Description | Amount | Note |
|---|---|---|---|
| Deferred tax liabilities | Shares of profit of subsidiaries, associates and joint ventures accounted for using equity method | 12,923 | |

**INSYDE SOFTWARE CORP.**
**Statement of operating revenue**
**For the year ended December 31, 2023**
**(expressed in thousands of New Taiwan Dollar)**

| Item | Description | Amount | Note |
|---|---|---|---|
| Operating revenue | InsydeH2O | 1,046,771 | |
| | Supervyse | 60,049 | |
| **Total** | | 1,106,820 | |

**Statement of operating cost**

| Item | Description | Amount | Note |
|---|---|---|---|
| Internal service costs | | 200,932 | |
| Other cost | | 15,178 | |
| **Total** | | 216,110 | |

**Statement of selling expenses**

| Item | Description | Amount | Note |
|---|---|---|---|
| Commission | | 64,370 | |
| Payroll expenses | | 14,639 | |
| Other expenses | | 9,483 | No balance exceeds 5% individually |
| **Total** | | 88,492 | |

**Statement of administrative expenses**

| Item | Description | Amount | Note |
|---|---|---|---|
| Payroll expenses | | 89,910 | |
| Depreciation expenses | | 11,551 | |
| Insurance expense | | 10,641 | |
| Miscellaneous expenses | | 9,439 | |
| Other expenses | | 43,241 | No balance exceeds 5% individually |
| **Total** | | 164,782 | |

**INSYDE SOFTWARE CORP.**
**Statement of research and development expenses**
**For the year ended December 31, 2023**
**(expressed in thousands of New Taiwan Dollar)**

| Item | Description | Amount | Note |
|---|---|---|---|
| Payroll expenses | | 490,581 | |
| Depreciation expenses | | 38,506 | |
| Insurance expense | | 36,638 | |
| Other expenses | | 49,643 | No balance exceeds 5% individually |
| **Subtotal** | | 615,368 | |
| Less: Internal service cost | | (200,932) | |
| **Total** | | 414,436 | |

**Statement of Interest income**

| Item | Description | Amount | Note |
|---|---|---|---|
| Interest income | | 8,469 | |

**Statement of other gains and losses**

| Item | Description | Amount | Note |
|---|---|---|---|
| Other income | | 597 | |
| Gains on disposals of property, plant and equipment | | 8 | |
| Foreign exchange gains (losses) | | (6,150) | |
| **Total** | | (5,545) | |

**Statement of finance cost**

| Item | Description | Amount | Note |
|---|---|---|---|
| Interest expense | Lease liabilities | 1,332 | |

**Statement of shares of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method, net**

| Item | Description | Amount | Note |
|---|---|---|---|
| shares of profit of subsidiaries, associates and joint ventures accounted for using equity method | | (9,768) | |