

NEWSOFT TECHNOLOGY CORPORATION**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

Address: 6F., No.15, Ln. 128, Xinhua 1st Rd., Neihu Dist., Taipei 114, Taiwan
Telephone: (02)77210111

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~22
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	22~23
(6) Explanation of significant accounts	23~49
(7) Related-party transactions	50~53
(8) Pledged assets	53
(9) Significant contingent liabilities and unrecognized commitments	53
(10) Losses Due to Major Disasters	53
(11) Significant Subsequent Events	53
(12) Other	54~55
(13) Other disclosures	
(a) Information on significant transactions	56
(b) Information on investees	56
(c) Information on investment in mainland China	57
(d) Major shareholders	57
(14) Segment information	57
9. List of major account titles	58~62



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of NewSoft Technology Corporation:

Opinion

We have audited the financial statements of NewSoft Technology Corporation (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountant of the Republic of China (“these requirements”), 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. Based on our judgment, the key audit matters that should be disclosed in this report are as follow:

1. Revenue recognition

Please refer to note 4(m) for the accounting policies on revenue recognition; Note 5(a) for details on the significant accounting assumptions and judgments, and major sources of the estimation uncertainty on revenue recognition; Note 6(m) for revenue recognition

Description of key audit matter:

The income recognition of the Company is based on the identification and fulfillment of the relevant performance obligations under individual contracts. Due to the variety of contract forms and management judgment are involved, the accountants considered income recognition of project contracts to be a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included: including understanding and evaluating the internal control procedures for the recognition of revenue in project contracts, inspecting contracts with customers or customers' orders on a sample basis to identify the performance obligations of the contracts and obtaining documents relating to the completion of performance obligations to assess the reasonableness of revenue recognition.

Other Matter

The financial statements of the Company for the year ended December 31, 2021, was audited by other accountants, who issued an unqualified audit report on March 28, 2022.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the 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.

We conducted our audits in accordance with professional judgment and skepticism. We also:

1. Identified and assessed 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 auditors' 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 described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined 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 Shu-Ying Chang and Kuo-Tsung Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 23, 2023

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only 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 auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
Newsoft Technology Corporation

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2022</u>		<u>December 31, 2021</u>				<u>December 31, 2022</u>		<u>December 31, 2021</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 307,401	29	305,610	39	2130	Current contract liabilities (Note 6(m))	\$ 4,798	-	4,665	1
1110	Current financial assets at fair value through profit or loss (Note 6(b))	84,754	8	12,280	2	2150	Notes payable	2	-	5,851	1
1136	Current financial assets at amortized cost (Notes 6(d) and 7)	270,240	27	78,740	10	2170	Accounts payable	5,645	1	5,657	1
1150	Notes receivable, net (Notes 6(e) and (m))	1,045	-	239	-	2200	Other payables (Note (n))	18,201	2	31,925	4
1170	Accounts receivable, net (Notes 6(e) and (m))	15,684	2	30,416	4	2230	Current income tax liabilities	-	-	18,281	2
1199	Finance lease receivable due from related parties, net (Note 7)	515	-	2,459	-	2280	Current lease liabilities	10,148	1	11,275	1
1220	Current income tax assets	150	-	18	-	2300	Other current liabilities	4,172	-	823	-
130X	Inventories (Note 6(f))	4,371	-	988	-			<u>42,966</u>	<u>4</u>	<u>78,477</u>	<u>10</u>
1476	Other current financial assets (Note 8)	15,900	2	-	-						
1479	Other current assets	1,885	-	966	-						
		<u>701,945</u>	<u>68</u>	<u>431,716</u>	<u>55</u>						
Non-current assets:							Non-Current liabilities:				
1517	Non-current financial assets at fair value through other comprehensive income (Notes 6(c) and 7)	78,086	8	44,380	6	2570	Deferred income tax liabilities (Note 6(j))	634	-	-	-
1550	Investments accounted for using equity method, net (Note 6(g))	199,201	20	257,391	33	2580	Non-current lease liabilities	8,204	1	18,408	3
1600	Property, plant and equipment (Note 6(h))	986	-	811	-	2640	Non-current net defined benefit liability (Note 6(i))	1,443	-	17,515	2
1755	Right-of-use assets	17,136	2	23,608	3	2645	Guarantee deposits (Note 7)	335	-	792	-
1821	Intangible assets	1,102	-	226	-			<u>10,616</u>	<u>1</u>	<u>36,715</u>	<u>5</u>
1920	Refundable deposits	5,469	1	7,053	1			<u>53,582</u>	<u>5</u>	<u>115,192</u>	<u>15</u>
1945	Long-term lease payments receivable due from related parties (Note 7)	407	-	4,531	1						
1975	Non-current net defined benefit assets (Note 6(i))	13,003	1	11,111	1						
		315,390	32	349,111	45						
		<u>1,017,335</u>	<u>100</u>	<u>780,827</u>	<u>100</u>						
	Total assets	\$ 1,017,335	100	780,827	100						
							Total liabilities				
							Equity attributable to owners of parent (Note 6(k)):				
						3110	Ordinary share	890,940	87	590,940	76
						3200	Capital surplus	132,009	13	-	-
						3310	Legal reserve	7,469	1	-	-
						3320	Special reserve	100,270	10	110,239	14
						3350	Undistributed earnings from Deficit yet to be compensated	(151,997)	(15)	64,726	8
						3400	Other equity interest	(14,938)	(1)	(100,270)	(13)
								<u>963,753</u>	<u>95</u>	<u>665,635</u>	<u>85</u>
							Total equity	\$ 1,017,335	100	780,827	100
							Total liabilities and equity				

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Newsoft Technology Corporation

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the years ended December 31			
		2022		2021	
		Amount	%	Amount	%
4000	Operating revenues (Notes 6(m) and 7)	\$ 86,919	100	95,982	100
5000	Operating costs (Notes 6(f) and 7)	<u>30,850</u>	<u>35</u>	<u>47,624</u>	<u>50</u>
	Gross profit	<u>56,069</u>	<u>65</u>	<u>48,358</u>	<u>50</u>
	Operating expenses (Notes 6(i), (n) and 7):				
6100	Selling expenses	24,055	28	45,572	47
6200	Administrative expenses	52,943	61	48,941	51
6300	Research and development expenses	<u>35,259</u>	<u>41</u>	<u>30,874</u>	<u>32</u>
	Total operating expenses	<u>112,257</u>	<u>130</u>	<u>125,387</u>	<u>130</u>
	Net operating loss	<u>(56,188)</u>	<u>(65)</u>	<u>(77,029)</u>	<u>(80)</u>
	Non-operating income and expenses (Notes (o) and 7):				
7100	Interest income	2,981	3	538	-
7010	Other income	13,476	16	9,224	9
7020	Other gains and losses	(17,349)	(20)	73,749	77
7050	Finance costs	(405)	-	(440)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	<u>(20,441)</u>	<u>(24)</u>	<u>(4,384)</u>	<u>(5)</u>
	Profit (loss) from continuing operations before tax	<u>(77,926)</u>	<u>(90)</u>	<u>1,658</u>	<u>1</u>
7950	Less: Income tax expenses (Note 6(j))	845	1	20,420	21
	Net loss	<u>(78,771)</u>	<u>(91)</u>	<u>(18,762)</u>	<u>(20)</u>
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	3,171	4	(1,851)	(2)
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,308)	(6)	117,650	123
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	-	-	630	1
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>634</u>	<u>1</u>	<u>(370)</u>	<u>-</u>
		<u>(2,771)</u>	<u>(3)</u>	<u>116,799</u>	<u>122</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6,486	7	(4,747)	(5)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss, total	<u>6,486</u>	<u>7</u>	<u>(4,747)</u>	<u>(5)</u>
8300	Other comprehensive income	<u>3,715</u>	<u>4</u>	<u>112,052</u>	<u>117</u>
	Total comprehensive income for the period	<u>\$ (75,056)</u>	<u>(87)</u>	<u>93,290</u>	<u>97</u>
	Loss per share (Note 6(l))				
	Basic loss per share	<u>\$ (0.97)</u>		<u>(0.32)</u>	
	Diluted loss per share	<u>\$ (0.97)</u>		<u>(0.32)</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Newsoft Technology Corporation

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
Balance on January 1, 2021	\$ 590,940	5,961	894	117,103	(32,315)	(12,458)	(97,780)	572,345
Net loss	-	-	-	-	(18,762)	-	-	(18,762)
Other comprehensive income for the year months ended December 31, 2021	-	-	-	-	(1,481)	(4,747)	118,280	112,052
Total comprehensive income for the period	-	-	-	-	(20,243)	(4,747)	118,280	93,290
Earnings appropriation and distribution:								
Reversal of special reserve	-	-	-	(6,864)	6,864	-	-	-
Capital surplus used to offset accumulated deficits	-	(5,961)	-	-	5,961	-	-	-
Legal reserve used to offset accumulated deficits	-	-	(894)	-	894	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	99,428	-	(99,428)	-
Disposal of subsidiaries in equity instruments at fair value through other comprehensive income	-	-	-	-	4,137	-	(4,137)	-
Balance on December 31, 2021	590,940	-	-	110,239	64,726	(17,205)	(83,065)	665,635
Net loss	-	-	-	-	(78,771)	-	-	(78,771)
Other comprehensive income for the year months ended December 31, 2022	-	-	-	-	2,537	6,486	(5,308)	3,715
Total comprehensive income for the period	-	-	-	-	(76,234)	6,486	(5,308)	(75,056)
Earnings appropriation and distribution:								
Legal reserve appropriated	-	-	7,469	-	(7,469)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(60,495)	-	-	(60,495)
Reversal of special reserve	-	-	-	(9,969)	9,969	-	-	-
Uncollected dividends that has been overdue	-	1,504	-	-	-	-	-	1,504
Issuance of shares for cash	300,000	121,800	-	-	-	-	-	421,800
Proceeds from disposal of subsidiaries	-	-	-	-	-	1,713	-	1,713
Difference between consideration and carrying amount of subsidiaries' acquired or disposed	-	837	-	-	(53)	-	-	784
Changes in a parent's ownership interest in a subsidiary	-	7,868	-	-	-	-	-	7,868
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	(82,441)	-	82,441	-
Balance on December 31, 2022	\$ 890,940	132,009	7,469	100,270	(151,997)	(9,006)	(5,932)	963,753

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Newsoft Technology Corporation

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2022	2021
Cash flows from (used in) operating activities:		
Net profit (loss) before tax	\$ (77,926)	1,658
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	10,229	8,118
Amortization	345	225
Net profit on financial assets or liabilities at fair value through profit or loss	17,181	(74,657)
Interest expense	405	440
Interest income	(2,981)	(538)
Dividend income	(6,620)	(3,119)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	20,441	4,384
Gain on disposal of investments	(3,852)	-
Impairment loss	4,892	-
Gain on modification of leases	(11)	-
Total adjustments to reconcile profit (loss)	<u>40,029</u>	<u>(65,147)</u>
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	(89,655)	-
Notes receivable	(806)	509
Accounts receivable	14,732	(7,231)
Inventories	(3,383)	5,274
Other current assets	(496)	44
Net changes in operating liabilities:		
Increase in contract liabilities	133	-
Notes payable	(5,849)	5,851
Accounts payable	(12)	(4,342)
Other payables	(13,724)	9,600
Other current liabilities	3,349	499
Net defined benefit liability	(14,793)	935
Net changes in operating assets and liabilities	<u>(110,504)</u>	<u>11,139</u>
Adjustments	<u>(70,475)</u>	<u>(54,008)</u>
Cash outflows generated from operations	(148,401)	(52,350)
Income taxes paid	(19,258)	(661)
Net cash outflows from operating activities	<u>(167,659)</u>	<u>(53,011)</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(87,600)	(8,000)
Disposal Financial assets at fair value through other comprehensive income	132,305	240,953
Acquisition of financial assets at amortised cost	(191,500)	(56,500)
Acquisition of financial assets designated at fair value through profit or loss	-	(20,138)
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	120,556
Acquisition of investments accounted for using equity method	(51,485)	-
Proceeds from disposal of investments accounted for using equity method	21,326	-
Acquisition of property, plant and equipment	(893)	(577)
Disposals of property, plant and equipment	198	-
Increase in refundable deposits	1,584	(473)
Acquisition of intangible assets	(1,221)	(206)
Decrease in finance lease receivable	2,400	2,212
Increase in other financial assets	(15,900)	-
Interest received	2,558	476
Dividends received	6,620	3,119
Net cash flows (outflows) from investing activities	<u>(181,608)</u>	<u>281,422</u>
Cash flows from (used in) financing activities:		
Increase in guarantee deposits received	(457)	-
Repayments of lease liabilities	(10,889)	(9,418)
Cash dividends paid	(60,495)	-
Issuance of shares for cash	421,800	-
Interest paid	(405)	(440)
Uncollected dividends that has been overdue	1,504	-
Net cash inflows (outflows) form financing activities	<u>351,058</u>	<u>(9,858)</u>
Increase in cash and cash equivalents	1,791	218,553
Cash and cash equivalents, beginning of year	305,610	87,057
Cash and cash equivalents, end of year	<u>\$ 307,401</u>	<u>305,610</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Newsoft Technology Corporation
Notes to the Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Newsoft Technology Corporation (the “Company”) was incorporated in September 1987 under the approval of Ministry of Economic Affairs, Republic of China (“ROC”). The address of its registered office is 6F., No.15, Ln. 128, Xinhua 1st Rd., Neihu Dist., Taipei 114, Taiwan. The principal activities of The Company are (1) trading in computer CPU and peripherals, (2) research and development, sales and trading of communications network equipment, (3) information software services and (4) research, design, manufacture and trading of software relating to the aforementioned computer peripherals. The Group’s common stock has been officially listed and traded on Taipei Exchange starting from October 18, 2000.

(2) Approval date and procedures of the financial statements:

These financial statements were authorized for issue by the Board of Directors on March 23, 2023.

(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, 2022:

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

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

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

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

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standard.

- (b) Basis of preparation

- (i) Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis, except for the following material items in the statement of financial position:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

- (ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(c) Foreign currencies

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyper-inflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income. The assets and liabilities of foreign operations are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence 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 any 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. For a partial disposal of the Company's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity 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 noncurrent.

- (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;

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

- (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 noncurrent.

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 shortterm, 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 shortterm cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI)—equity investment; or FVTPL. 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.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

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 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 exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) 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, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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.

The Company assumes that the credit risk on a financial asset has increased significantly if it is past due on its payment term.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month 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 ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. 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. An evidence that a financial assets 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;

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

- 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 assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. 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 amount due.

5) Derecognition of financial assets

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

When the Company enters into transactions whereby it transfers assets but retains either all or substantially all of the risks and rewards of the assets, the transferred assets are not derecognized from statement of balance sheet.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

4) Derecognition of financial liabilities

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

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only financial statement are the same as those attributable to the owners of parent in the financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Computer communication equipment	2~5 years
2) Transportation equipment	5 years
3) Other equipment	3 years
4) Lease	1 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

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.

(i) As a lessee

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.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

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 modifications

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 the difference in profit or loss for 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 balance sheets.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

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

(ii) 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.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|-------------|-----------|
| 1) Software | 1~5 years |
|-------------|-----------|

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue from contracts with customers

(i) Revenue from contracts with customers

After the Company identifies the performance obligations in the customer contract, the Company shares the transaction price among the performance obligations and recognizes revenue when the performance obligations are satisfied.

1) Sales revenue

Merchandise sales revenue is derived from sales of hardware and software products. As the goods arrive at the customer's designated location or are shipped out, the customer has the right to set the price and application of the goods and has the primary responsibility for reselling goods, as well as the risk of their obsolescence, the Company recognizes revenue and accounts receivable at that point.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Revenue from licensing

Because there is no commitment to any activity that will alter the functionality of the software, and the operation of the software is continued without renewal or technical support, the royalty collected is based on the recognition of license revenue for the transfer of the software license key. The royalty collected depending on usage is recognized as license revenue upon application.

3) Revenue from service rendered

Software development and revenue from extended warranty repair services is recognized as a percentage of contribution and service rendered.

(n) Government grants and government assistance

The Company recognizes an unconditional government grant related to business operation as other income when the unconditional grant becomes receivable. Grants that compensate The Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(o) 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

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

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(p) Income taxes

Income taxes comprise 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 are recognized in profit or loss.

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

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 are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Earnings per share

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the consolidated financial statements. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of The Company divided by the weighted average number of current 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 potential dilutive ordinary shares.

(r) Operating segments

Segment information was disclosed in consolidated financial statements; therefore, it was 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 parent company only financial statements in conformity with the IFRSs endorsed 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.

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows: None.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Estimated revenue receivable at the end of the period from software license income

Software license revenue is based on usage and is recognized on an accrual basis in accordance with the substantive terms of the contract when the economic benefits associated with the transaction are likely to flow to the Company and the amount of revenue from transactions can be measured reliably. Management performs an estimate of the revenue receivable at the end of the period based on historical experience and other known causes, and periodically reviews the reasonableness of the estimate.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

Valuation procedure

The Company's accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. The Company has established an internal control framework with respect to the measurement of fair value. The Company's financial instrument valuation segment conducts independent verification on all material fair value measurement by using data sources that are independent, reliable, and representative of exercise prices.(including level 3 inputs), then directly report to Chief Financial Officer. The valuation group periodically reviews significant unobservable inputs and adjustments. If the input data for valuation models is provided by external third parties (such as agency and pricing service institution), the valuation group would evaluate the evidence supporting such input data in order to ensure that the fair value measurement and hierarchy meet the IFRSs.

The Company uses the observable market data to evaluate its assets and liabilities. The different inputs of levels of fair value hierarchy in determination of fair value are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liabilities that are not based on observable market data.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash and cash on hand	\$ 203	202
Demand deposits	65,739	28,368
Checking account deposits	1,849	1,962
Cash deposits	<u>239,610</u>	<u>275,078</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 307,401</u>	<u>305,610</u>

Please refer to Note 6(p) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

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

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Non-derivative financial assets		
Stocks listed on domestic markets (current)	\$ 10,692	-
Beneficiary certificate for fund (current)	<u>74,062</u>	<u>12,280</u>
Total	<u>\$ 84,754</u>	<u>12,280</u>

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

- (i) Please refer to Note 6(o) for the amount of remeasurements at fair value through profit or loss.
- (ii) Please refer to Note 6(p) for credit risk and market risk.
- (iii) As of December 31, 2022 and 2021, no financial assets are pledged as collateral.
- (c) Financial assets at fair value through other comprehensive income

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic markets (current)	\$ 69,650	-
Shares of public entity	-	25,553
Domestic unlisted stocks	<u>8,436</u>	<u>18,827</u>
Total	<u>\$ 78,086</u>	<u>44,380</u>

- (i) The purpose that the Company invests in the aforementioned equity securities is for long term strategies rather than held for trading. Therefore, these equity securities have been designated as at FVOCI.
- (ii) The Company adjusted its investment positions to distribute risks for the years ended December 31, 2022 and 2021. The disposals of shares of Novax Technologies, Inc., SYNAGE TECHNOLOGY CORPORATION, Zhili Investment Co., Ltd., Skyvision Aviation Corp. and Powerchip Semiconductor Manufacturing Corporation, S-TECH CORP., Power World Funds Investment Inc., SYNTRONIX CORPORATION, ATBS TECHNOLOGY CO., LTD. And RETRONIX TECHNOLOGY INC. at a cost of \$132,305 thousand and \$240,953 thousand, respectively. Other equity interests - unrealised gains (losses) from financial assets measured at fair value through other comprehensive income is transferred to retained surplus as loss of \$82,441 thousand and gain of \$106,359 thousand respectively.
- (iii) The Company invested in Powerflash Technology Corporation, which was resolved to liquidation by regular shareholders' meeting on December 7, 2020 and was set to complete the liquidation and the distribution of remaining assets on March 16, 2021. The amount of repayment was nil as there was no remaining assets available for distribution. The fair value of the derecognized financial assets from the aforesaid liquidation was \$6,931 thousand and the accumulated liquidation losses amounted to \$6,931 thousand, so the aforesaid liquidation losses were transferred from other equity interests to retained earnings.
- (iv) Please refer to Note 6(p) for credit risk and market risk.
- (v) The aforementioned financial assets were not pledged as collateral.
- (d) Financial assets measured at amortized cost

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Domestic and foreign term deposits (current and non-current)	<u>\$ 270,240</u>	<u>78,740</u>

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

The above-mentioned financial assets were pledged as collateral, please refer to Note 8.

(e) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable from operating activities	\$ 1,045	239
Accounts receivable—measured at amortized cost	15,684	30,970
Less: Loss allowance	-	(554)
	<u>\$ 16,729</u>	<u>30,655</u>

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

	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Allowance provision for lifetime expected credit losses</u>
Current	\$ 12,538	0.00%	-
1 to 90 days past due	4,036	0.00%	-
More than 91 days past due	155	0.00%	-
	<u>\$ 16,729</u>		<u>-</u>
	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Allowance provision for lifetime expected credit losses</u>
Current	\$ 19,828	0.00%	-
1 to 90 days past due	7,606	0.00%	-
More than 91 days past due	3,775	0.00%	(554)
	<u>\$ 31,209</u>		<u>(554)</u>

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 554	13,065
Amounts written off	(554)	(12,511)
Ending balance	<u>\$ -</u>	<u>554</u>

(f) Inventories

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Merchandise	\$ 8,783	5,572
Less: Loss allowance	(4,412)	(4,584)
	<u>\$ 4,371</u>	<u>988</u>

(i) Component of operating cost were as below:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Cost of inventory sold	\$ 31,023	44,874
Write-down of inventories (reversal gains)	(173)	2,750
Operating costs	<u>\$ 30,850</u>	<u>47,624</u>

(ii) As of December 31, 2022 and 2021, there was no inventory pledged as collateral.

(g) Investments accounted for using the equity method

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Subsidiaries	<u>\$ 199,201</u>	<u>257,391</u>

(i) Subsidiaries

The Company did not subscribe for a pro rata equity interest in the cash capital increase of its subsidiary, Retronix Technology INC. (hereinafter referred to as Retronix Technology) on May 27, 2022. Thus, the Company's shareholding decrease to 22.60% from 50.23%, and it disposed of \$1,380 thousand shares on the same day to collect proceed from disposals amounting to \$21,326 thousand, which then decrease the Company's shareholding to 18.00%. However, the Company still obtained a majority of the director seats of Retronix Technology and lead all the relevant operating activities of Retronix Technology. The Company has control over Retronix Technology and since the transactions above did not changed The Company's control over Retronix Technology; The Company treated such transactions as an equity transaction and recognized an equity transaction difference of \$9,021 thousand, which is accounted for under the capital surplus. Retronix Technology subsequently re-elected its directors on June 1, 2022.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

The Company did not obtain any seat, and was assessed to have no significant influence over and lost its control on Retronix Technology. Retronix Technology ceased to be included in the Company's consolidated financial statements upon loss of control. Transfer of noncurrent financial assets at fair value through other comprehensive income amounting to \$83,719 thousand and the Company recognized gain on disposal of \$3,852 thousand. Please refer to the consolidated financial statements for the year ended December 31, 2022.

(ii) Collateral

As of December 31, 2022 and 2021, the investments in aforesaid equity-accounted investees were not pledged as collateral.

(h) Property, plant and equipment

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

	Computer communicatio n equipment	Transportation equipment	Leasehold improvements	Other equipment	Total
Cost or deemed cost:					
Balance on January 1, 2022	\$ 491	1,600	105	589	2,785
Additions	288	-	340	265	893
Disposals	(172)	(1,600)	-	(322)	(2,094)
Balance on December 31, 2022	<u>\$ 607</u>	<u>-</u>	<u>445</u>	<u>532</u>	<u>1,584</u>
Balance on January 1, 2021	\$ 286	1,600	-	322	2,208
Additions	205	-	105	267	577
Balance on December 31, 2021	<u>491</u>	<u>1,600</u>	<u>105</u>	<u>589</u>	<u>2,785</u>
Depreciation and impairment losses:					
Balance on January 1, 2022	\$ 238	1,324	9	403	1,974
Depreciation expenses	152	78	112	178	520
Disposals	(172)	(1,402)	-	(322)	(1,896)
Balance on December 31, 2022	<u>\$ 218</u>	<u>-</u>	<u>121</u>	<u>259</u>	<u>598</u>
Balance on January 1, 2021	\$ 120	1,057	-	322	1,499
Depreciation expenses	118	267	9	81	475
Balance on December 31, 2021	<u>\$ 238</u>	<u>1,324</u>	<u>9</u>	<u>403</u>	<u>1,974</u>
Carrying amount:					
Balance on December 31, 2022	<u>\$ 389</u>	<u>-</u>	<u>324</u>	<u>273</u>	<u>986</u>
Balance on January 1, 2021	<u>\$ 166</u>	<u>543</u>	<u>-</u>	<u>-</u>	<u>709</u>
Balance on December 31, 2021	<u>\$ 253</u>	<u>276</u>	<u>96</u>	<u>186</u>	<u>811</u>

As of December 31, 2022 and 2021, none of the Company's property, plant and equipment was pledged as collateral.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(i) Employee benefits

The Company engaged in defined benefit plan and provides pension benefits for employees upon retirement in accordance to Labor Standards Act and the Company's The Termination and Retirement Policy of Authorized managers.

(i) Defined benefit plans-employee

The reconciliation of defined benefit obligation at present value and plan asset at fair value is as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 13,803	15,866
Fair value of plan assets	<u>(26,806)</u>	<u>(26,977)</u>
Net defined benefit assets	<u>\$ (13,003)</u>	<u>(11,111)</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon retirement. Under the Labor Standards Act, each employee's retirement payment is calculated based on years of service and the average salary for the six months prior to retirement.

1) Composition of plan assets

In accordance with the requirements of the Labor Standards Law, the Company's pension fund account at Bank of Taiwan is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two year time deposits, with interest rates offered by local banks.

As of December 31, 2021, the Company's pension fund with Bank of Taiwan amounted to \$26,618 thousand. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations of the Company were as follows:

	For the years ended December 31	
	2022	2021
Defined benefit obligation at January 1	\$ 15,866	15,814
Current service costs and interest	99	79
Remeasurement of net liabilities (assets) for defined benefit obligations		
— Actuarial losses (gains) arising from adjustments	1,604	(174)
— Actuarial loss (gain) arising from demographic assumptions	-	352
— Actuarial loss (gain) arising from financial assumptions	(1,225)	(205)
Benefits paid	(2,541)	-
Defined benefit obligations at December 31	\$ 13,803	15,866

3) Movements in the fair value of plan assets

The movement in present value of the defined benefit obligations of the Company were as follows:

	For the years ended December 31	
	2022	2021
Fair value of plan assets at January 1	\$ (26,977)	(26,372)
Interest income	(169)	(132)
Remeasurement of net liabilities (assets) for defined benefit obligations		
— Return on plan assets excluding interest income	(2,097)	(347)
Contributions paid by the employer	(105)	(126)
Benefits paid	2,542	-
Fair value of plan assets at December 31	\$ (26,806)	(26,977)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	For the years ended December 31	
	2022	2021
Administrative expenses	\$ (70)	(53)

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

5) Actuarial assumptions

The principal actuarial assumptions of the actuarial valuation were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.3750 %	0.6250 %
Future salary increase rate	2.70 %	2.700 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$100 thousand.

The weighted average lifetime of the defined benefits plans 10.1 years.

6) Sensitivity Analysis

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

	<u>Impact on the defined benefit obligations</u>	
	<u>Add</u>	<u>Decrease</u>
December 31, 2022		
Discount Rate (Changes 0.25%)	(323)	334
Future salary increases rate (Changes 0.25%)	324	(314)
December 31, 2021		
Discount Rate (Changes 0.25%)	(406)	421
Future salary increases rate (Changes 0.25%)	405	(393)

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. In practical, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation on the net defined benefit liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2021 and 2020.

(ii) Defined benefit plans-authorized managers

The reconciliation of defined benefit obligation at present value and plan asset at fair value is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Net defined benefit liabilities	<u>\$ 1,443</u>	<u>17,515</u>

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

The plans (covered by The Termination and Retirement Policy of Authorized managers) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

1) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations of the Company were as follows:

	For the years ended December 31	
	2022	2021
Defined benefit obligation at January 1	\$ 17,515	14,176
Current service costs and interest	1,599	1,114
Remeasurement of net liabilities (assets) for defined benefit obligations		
— Actuarial losses (gains) arising from adjustments	(1,332)	2,048
— Actuarial loss (gain) arising from demographic assumptions	-	361
— Actuarial loss (gain) arising from financial assumptions	(121)	(184)
Benefits paid	(16,218)	-
Defined benefit obligations at December 31	\$ 1,443	17,515

2) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	For the years ended December 31	
	2022	2021
Administrative expenses	\$ 1,599	1,114

3) Actuarial assumptions

The principal actuarial assumptions of the actuarial valuation were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.3750 %	0.6250 %
Future salary increase rate	2.70 %	2.700 %

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

4) Sensitivity Analysis

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

	Impact on the defined benefit obligations	
	Add	Decrease
December 31, 2022		
Discount Rate (Changes 0.25%)	(33)	34
Future salary increases rate (Changes 0.25%)	33	(32)
December 31, 2021		
Discount Rate (Changes 0.25%)	(364)	376
Future salary increases rate (Changes 0.25%)	363	(353)

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. In practical, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation on the net defined benefit liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2021 and 2020.

(iii) Defined benefit plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the 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 obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$3,410 thousand and \$3,491 thousand for the years ended December 31, 2022 and 2021, respectively.

(j) Income tax

(i) The components of income tax expense in the years 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Current tax expense		
Current period	\$ 485	18,967
Adjustment for prior years	360	-
Deferred income taxes		
Adjustment for deferred income tax of prior years	-	1,453
Income tax expense	\$ 845	20,420

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	\$ (634)	370

(ii) Reconciliation of income tax expense and profit before tax for 2022 and 2021 is as follows:

	For the years ended December 31	
	2022	2021
Profit (loss) before income tax	\$ <u>(77,926)</u>	<u>1,658</u>
Income tax using the Company's domestic tax rate	(15,586)	332
Gain (loss) on domestic investments accounted for using equity method	736	-
Non-deductible expenses and losses	978	-
Income (loss) from tax exemption	1,377	(15,461)
Change in provision in prior periods	360	-
Adjustment of current income tax for prior years	-	1,453
Losses from current periods of unrecognized deferred tax assets	11,485	14,370
Change in unrecognized temporary differences	3,610	759
Other	(2,600)	-
Income basic tax	-	18,605
Overseas income tax withholding	<u>485</u>	<u>362</u>
Income tax expense	\$ <u>845</u>	<u>20,420</u>

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31,	December 31,
	2022	2021
Tax effect of deductible Temporary Differences	\$ 7,114	<u>11,236</u>
Taxes losses credit	<u>66,721</u>	<u>64,747</u>
	\$ <u>73,835</u>	<u>75,983</u>

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The Income Tax Act of Mainland China for where the Company's subsidiaries are located allows deferred income tax assets, as assessed by the tax authorities, to offset taxable income over a period of five years for local tax reporting purposes. The aforementioned tax losses are not recognized as deferred tax assets as the Company estimates that the taxable income in the future will not be sufficient for covering temporary differences.

As of December 31, 2022, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax losses</u>	<u>Expiry date</u>
2013 (amount assessed)	\$ 75,820	2023
2014 (amount assessed)	61,548	2024
2016 (amount assessed)	8,437	2026
2017 (amount assessed)	28,038	2027
2018 (amount assessed)	10,039	2028
2020 (amount assessed)	42,273	2030
2021 (Examined)	56,651	2031
2022 (Examined)	50,801	2032
	<u>\$ 333,607</u>	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets:

	<u>Defined benefit plans</u>	<u>Other</u>	<u>Total</u>
January 1, 2021	\$ 723	360	1,083
Recognized in profit or loss	(1,093)	(360)	(1,453)
Recognized in other comprehensive income	370	-	370
Balance at December 31, 2021	<u>\$ -</u>	<u>-</u>	<u>-</u>

Deferred tax liabilities:

	<u>Defined benefit plans</u>
January 1, 2022	\$ -
Recognized in other comprehensive income	634
Balance at December 31, 2022	<u>\$ 634</u>

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iv) The Company's tax returns for the years through 2020 were assessed by the National Taxation Bureau of R.O.C..

(k) Capital and other equity

The authorized capital of the Company consisted of both 120,000 thousand shares, with authorized total of \$1,200,000 thousand with par value of \$10 per share, and its outstanding capital consisted of 89,094 thousand and 59,094 thousand common shares of stock, as of December 31, 2022 and 2021, respectively. All share proceeds from outstanding capital have been collected.

(i) Ordinary shares

On November 8, 2021, The Company issued private placement of 30,000 thousand ordinary shares with a par value of \$10 per share at premium of \$14.06, amounting to a total of \$421,800 thousand pursuant to a resolution of special shareholders' meeting. The base date was April 11, 2022, and the relevant registration procedures had been completed. In addition, this private placement of equity securities and subsequent distribution of securities should be completed three years after the delivery date of the private placement securities by obtaining a letter of consent from Taipei Exchange that meets the listing criteria before they can be traded on the market.

(ii) Capital surplus

The components of capital surplus were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Share capital at premium	121,800	-
Difference between the actual amount and the carrying amount of subsidiaries' share acquired	837	-
Changes in ownership interests in subsidiaries	7,868	-
Other (Uncollected dividends that has been overdue)	<u>1,504</u>	<u>-</u>
	<u>\$ 132,009</u>	<u>-</u>

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.

As of August 26, 2021, a resolution was approved during the general meeting of the shareholders for offsetting the loss amounting to \$5,961 thousand by capital surplus.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) Retained earnings

If there are appropriate earnings at current year-end, the after-tax earnings shall first be offset against any deficit, and 10% should be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special capital reserve may be appropriated in accordance with relevant laws. The remaining balance of the earnings can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the Stockholders' meeting.

When the Company appropriated a special reserve to complying with the regulation, for insufficient amount recognized in the net increase in the accumulated fair value of investment property and the net reduction of current period of other equity interests accumulated in prior periods, a portion of undistributed prior period earnings of same amount shall be reclassified as a special earnings reserve before earnings distribution, and if there are still shortfalls, a portion of undistributed current-period earnings shall be recognized after calculating current period profit after tax and other items of current period profit after tax.

The Company's dividend policy considering factors such as the Company's development, future investment environment, cash requirements, domestic and overseas competitive conditions, while taking into account shareholders' interest and the impact of earnings distribution on overall operation. Annually, the stock dividends shall be distributed at least 90% to the shareholders from distributable earnings. The earnings distribution may be distributed by way of cash dividend and/or stock dividend. The distribution ratio for cash dividend should not be less than 10% of the total dividend distribution. If the dividends distributed in the current year is less than \$1, the earnings distribution may be entirely distributed by stock dividend.

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.

As of August 26, 2021, a resolution was approved during the general meeting of the shareholders for offsetting the loss amounting to \$894 thousand by legal reserve.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First time Adoption of International Financial Reporting Standards" during The Group's first time adoption of the International Financial Reporting Standards endorsed by the FSC, the same amount of the cumulative translation adjustments (gains) under shareholders' equity shall be appropriated from the special reserve at the adoption date. And when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to \$5,217 thousand as of December 31, 2022 and 2021.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

In accordance with Rule issued by the FSC, difference between net reduction of other shareholders' equity in current period and special reserve shall be included in a portion of current-period earnings and shall be reclassified as special earnings reserve with undistributed prior— period earnings during earnings distribution, after calculating current period profit after tax and other items of current period profit after tax. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior period. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

Pursuant to the shareholders' meeting held on June 21, 2022 and August 26, 2021, respectively, The Company appropriated to reverse its special reserve amounting to \$9,969 and \$6,864 thousand, respectively.

3) Earnings distribution

On June 24, 2022 and July 23, 2021, the appropriation the earnings for 2021 and 2020 was resolved in the general meeting of shareholders. The amounts of dividends distributed to owners were as follows:

	For the years ended December 31			
	2021		2020	
	price per share	Total Amount	price per share	Total Amount
Cash	\$ 0.679	60,495	-	-

(iv) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (17,205)	(83,065)	(100,270)
Exchange differences on translation of net assets of foreign operations	6,486	-	6,486
Unrealized (loss) on financial assets at fair value through other comprehensive income	-	(5,308)	(5,308)
Disposal of equity investments at fair value through other comprehensive income	-	82,441	82,441
Proceeds from disposal of subsidiaries	1,713	-	1,713
Balance at December 31, 2022	\$ (9,006)	(5,932)	(14,938)
Balance at January 1, 2021	\$ (12,458)	(97,780)	(110,238)
Share of exchange differences of subsidiaries under the equity method	(4,747)	-	(4,747)
Unrealized (loss) on financial assets at fair value through other comprehensive income	-	117,650	117,650
Financial assets measured at fair value through other comprehensive income of subsidiaries accounted for using equity method	-	630	630
Disposal of equity investments at fair value through other comprehensive income	-	(103,565)	(103,565)
Balance at December 31, 2021	\$ (17,205)	(83,065)	(100,270)

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(l) Loss per share

The details on the calculation of basic earnings per share and diluted earnings per share were as follows:

	For the years ended December 31	
	2022	2021
	<u> </u>	<u> </u>
Basic loss per share		
Net loss attributable to ordinary shareholders of the Company	\$ <u>(78,771)</u>	<u>(18,762)</u>
Issued ordinary shares at January 1	\$ 59,094	59,094
Effect of the increase of share capital	<u>21,781</u>	<u>-</u>
Weighted average number of ordinary shares at December 31	<u>80,875</u>	<u>59,094</u>
	<u>\$ (0.97)</u>	<u>(0.32)</u>
Diluted loss per share		
Net loss attributable to ordinary shareholders of the Company	\$ <u>(78,771)</u>	<u>(18,762)</u>
Weighted-average number of ordinary shares outstanding	80,875	59,094
Effect of employee share bonus	<u>(Note)</u>	<u>-</u>
Weighted average number of ordinary shares outstanding	<u>80,875</u>	<u>59,094</u>
	<u>\$ (0.97)</u>	<u>(0.32)</u>

Note: It has antidilutive effect and is therefore not included in the calculation of diluted earnings per share.

(m) Revenue from contracts with customers

(i) Details of revenue

	For the years ended December 31	
	2022	2021
	<u> </u>	<u> </u>
Primary geographical markets:		
Taiwan	\$ 67,217	73,944
Japan	15,085	19,121
Other countries	<u>4,617</u>	<u>2,917</u>
	<u>\$ 86,919</u>	<u>95,982</u>
Major products/service lines:		
Computing software services	\$ 49,257	56,691
System services	<u>37,662</u>	<u>39,291</u>
	<u>\$ 86,919</u>	<u>95,982</u>

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Contract balances

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>January 1, 2021</u>
Notes receivable	\$ 1,045	239	748
Accounts receivable	15,684	30,970	36,250
Less: Loss allowance	<u>-</u>	<u>(554)</u>	<u>(13,065)</u>
Total	<u>\$ 16,729</u>	<u>30,655</u>	<u>23,933</u>
Contract liabilities	<u>\$ 4,798</u>	<u>4,665</u>	<u>4,150</u>

For details on notes and accounts receivable and allowance for impairment, please refer to note 6(e).

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied by transferring ownership to the customer and the payment to be received.

(n) Remuneration to employees and directors

In accordance with the articles of association of the Company if there is profit in the year, the Company shall accrue 5% to 15% of the profit as employee's remuneration. The board of directors decides to distribute it by stock or cash, and the object of distribution includes employees meeting certain conditions; and the board of directors decides to accrue up to 5% of the above profit as directors' remuneration. The distribution of remuneration of employees and directors should be submitted and reported to the shareholders' meeting. Prior years' accumulated deficit is first offset before any appropriation of profit, then contribute the employees' compensation and remuneration of directors by the aforementioned appropriate ratio.

The Company did not estimate remunerations for employees, directors, and supervisors due to loss before income tax for the year ended December 31, 2022. The employee remuneration for the year ended December 31, 2021 recognized \$310 thousand; the remuneration for directors and supervisors recognized was \$99 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, minus the accumulated deficits and multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during the period.

For the years ended December 31, 2021 and 2020, the remunerations to employees amounted to \$310 thousand and \$0, respectively. The remuneration to directors amounted to \$99 thousand and \$0, respectively. There was no difference from the actual distribution. The information is available on the Market Observation Post System website.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(o) Non-operating income and expenses

(i) Interest income

The details of interest income for 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Interest income from bank deposits	\$ 2,326	391
Other	655	147
Total	\$ 2,981	538

(ii) Other income

The details of other income for 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Dividend income	\$ 6,620	3,119
Rent income	592	308
Government grants	2,971	2,760
Other	3,293	3,037
Total	\$ 13,476	9,224

(iii) Other gains and losses

The details of other income for 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Gains on disposals of investments	\$ 3,852	-
Gain on modification of leases	11	-
Foreign exchange gains (Losses)	950	(409)
Losses (gain) on financial assets at fair value through profit or loss	(17,181)	74,657
Impairment loss (note)	(4,892)	-
Other	(89)	(499)
Other gains and losses, net	\$ (17,349)	73,749

Note: The goodwill of the Company's original acquired subsidiary was assessed on December 31, 2022 at \$4,892 thousand. Impairment losses were recognized in the current period as the Company's original plan of information security service system monitoring and other business was not operated as expected.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iv) Finance costs

The details of finance costs for 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Interest expenses on lease liabilities	\$ 400	433
Imputed interests of deposit	5	7
	\$ 405	440

(p) Financial instruments

(i) Credit risk

1) The maximum exposure to credit risk

The carrying amount of financial assets represent the maximum amount exposed to credit risk.

2) Concentration of credit risk

As sales are made to customers worldwide, the Company's exposure to credit risk concentration is expected to be low. The policy adopted by the Company is to deal only with reputable parties and, the principal counterparty to current capital is the bank with high credit ratings, so the credit risk is low, and the credit risk and credit rating of the counterparties is constantly monitored.

3) Credit risk of receivables and other financial assets

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

Other financial assets at amortized cost include other receivables and time deposits. Please refer to note 6(d) for more details. All of these financial assets mentioned above are considered to be low risk, therefore, the impairment provision recognized during the period was limited to 12 months expected losses. The time deposits held by The Company was determined as low credit risk since the trading and performing parties are the financial institutions above the investment grade.

(ii) Liquidity risk

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

	Carrying value	Contractual Cash flows	1 years Less than one year	1-2 years	2-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Non-interest bearing liabilities	\$ 24,183	24,183	23,848	-	-	335
Lease liabilities	18,352	18,623	10,362	8,261	-	-
	\$ 42,535	42,806	34,210	8,261	-	335

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

	<u>Carrying value</u>	<u>Contractual Cash flows</u>	<u>1 years Less than one year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2021						
Non-derivative financial liabilities						
Non-interest bearing liabilities	\$ 44,225	44,225	43,433	-	-	792
Lease liabilities	<u>29,683</u>	<u>30,371</u>	<u>11,692</u>	<u>18,679</u>	<u>-</u>	<u>-</u>
	<u>\$ 73,908</u>	<u>74,596</u>	<u>55,125</u>	<u>18,679</u>	<u>-</u>	<u>792</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD/TWD	\$ 115	30.71	3,538	232	27.68	6,411
JPY/TWD	6,101	0.2324	1,418	8,814	0.2405	2,120
<u>Non-monetary items</u>						
USD/TWD	4,433	30.71	136,144	5,308	27.68	146,921
JPY/TWD	34,167	0.2324	7,940	42,427	0.2405	10,204

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD, the JPY at December 31, 2022 and 2021, would have increased or decreased the profit before tax by \$248 thousand and \$427 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

3) Foreign exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, foreign exchange gains or loss (including realized and unrealized portions) amounted to \$950 thousand and (\$409) thousand, respectively.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iv) Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases/decreases by 1%, the Company's net income will decrease/increase by 657 thousand and \$284 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors that remain constant.

(v) Other market price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

<u>Prices of securities at the reporting date</u>	For the years ended December 31			
	2022		2021	
	Other comprehensive income after tax	Net Income	Other comprehensive income after tax	Net Income
Increase 10%	\$ 7,809	8,475	4,438	1,228
Decrease 10%	\$ (7,809)	(8,475)	(4,438)	(1,228)

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of The Company's financial assets and liabilities were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2022				
	<u>Carrying value</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 1</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 10,692	10,692	-	-	10,692
Beneficiary certificate for fund	74,062	74,062	-	-	74,062
Subtotal	84,754	84,754	-	-	84,754

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

	December 31, 2022				
	Carrying value	Fair value			Total
		Level 1	Level 1	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 69,650	69,650	-	-	69,650
Stocks unlisted on domestic markets	<u>8,436</u>	-	-	<u>8,436</u>	<u>8,436</u>
Subtotal	<u>78,086</u>	<u>69,650</u>	<u>-</u>	<u>8,436</u>	<u>78,086</u>
Total	<u>\$ 162,840</u>	<u>154,404</u>	<u>-</u>	<u>8,436</u>	<u>162,840</u>
	December 31, 2021				
	Carrying value	Fair value			Total
		Level 1	Level 1	Level 3	
Financial assets at fair value through profit or loss					
Beneficiary certificate for fund	<u>\$ 12,280</u>	<u>12,280</u>	<u>-</u>	<u>-</u>	<u>12,280</u>
Financial assets at fair value through other comprehensive income					
Stocks unlisted on domestic markets	<u>\$ 44,380</u>	<u>-</u>	<u>-</u>	<u>44,380</u>	<u>44,380</u>

2) Fair value valuation technique of financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial liabilities and assets 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. The fair value is determined by using valuation techniques and calculated as the discounting value of the estimated cash flows.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from 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 union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. Otherwise, the market is deemed to be inactive. In general, market with low trading volume or high bid ask spreads is an indication of a non active market.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

4) Reconciliation of Level 3 fair values

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
	Unquoted equity instruments	Unquoted equity instruments
January 1, 2022	\$ -	44,380
Recognized in other comprehensive income	-	(13,186)
Proceed from disposal of subsidiaries are deemed as reacquisition	-	83,719
Disposal	-	(106,477)
December 31, 2022	<u>\$ -</u>	<u>8,436</u>
January 1, 2021	\$ 25,778	159,683
Recognized in profit or loss	74,608	-
Recognized in other comprehensive income	-	117,650
Purchase	7,871	8,000
Disposal	(108,257)	(240,953)
December 31, 2021	<u>\$ -</u>	<u>44,380</u>

The above-mentioned total gains or losses were included in “other gains and losses” and “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”. The assets held as of December 31, 2022 and 2021 were follows:

	For the years ended December 31	
	2022	2021
Total gains and losses		
Recognized in profit or loss (recognized as other gains and losses)	\$ -	-
Recognized in other comprehensive income (classified as “unrealized losses from financial assets at fair value through other comprehensive income”)	\$ 432	14,978

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

- 5) Quantified 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 financial assets measured at fair value through profit or loss – equity investments, and financial assets measured at fair value through other comprehensive income – equity investments.

Most of the Company's financial assets in Level 3 have only one significant unobservable input, while its financial instrument investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of financial instrument investments without an active market are individually independent, and there is no correlation between them.

Quantified information of significant unobservable inputs were as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Assets approach	<ul style="list-style-type: none"> ·Market liquidity discount rate (as of December 31, 2022 and December 31, 2021 were 11.4% and 11.4%~16.12%, respectively) ·The minority interest discount(as of December 31, 2022 and December 31, 2021 were both between 27.3%~35.3%) 	· The higher the market liquidity discount rate, the lower the fair value

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments may change if different valuation models or inputs are used.

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	<u>Inputs</u>	<u>Upward or downward movement</u>	<u>Other comprehensive income arising from changes in fair value</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2022				
Financial assets at fair value through other comprehensive income				
	Discount for marketability	+5%	-	(476)
	Discount for marketability	-5%	476	-

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

December 31, 2021	<u>Inputs</u>	<u>Upward or downward movement</u>	<u>Other comprehensive income arising from changes in fair value</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Discounting of non-controlling interest	+5%	-	(2,067)
	Discounting of non-controlling interest	-5%	2,067	-
	Discount for marketability	+5%	-	(2,137)
	Discount for marketability	-5%	2,137	-

The favorable change and unfavorable change refer to the fluctuation of fair value. The fair value is calculated based on the different levels of unobservable inputs. The table above shows the impact on single input. Therefore, the relations and variations between inputs are not considered.

(q) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Risk management framework

The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks being faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

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

1) Accounts receivable and other receivables

As sales are made to customers worldwide, the Company's exposure to credit risk concentration is expected to be low. To reduce credit risk, the Company continuously assesses the financial position of its customers, normally without a request for collateral.

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk.

(iv) Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales and purchases and borrowings that are denominated in a currency other than the functional currency of the Company's respective entity. The currencies used in these transactions are denominated in TWD, CNY and USD.

Other monetary assets and liabilities denominated in foreign currencies are using the current exchange rates to maintain the net currency risk at the acceptable level.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(r) Capital management

The Company sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment and reduce the capital for redistribution to its shareholders. The Company also issues new shares or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2022, the Company's capital management strategy is consistent with the prior year as of December 31, 2021. the Company's debt-to-equity ratios at the end of the reporting periods were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 53,582	115,192
Less: cash and cash equivalents	<u>(307,401)</u>	<u>(305,610)</u>
Net liabilities	<u>\$ (253,819)</u>	<u>(190,418)</u>
Total equity	<u>\$ 963,753</u>	<u>665,635</u>
Debt-to-equity ratio	<u>- %</u>	<u>- %</u>

(s) Investing and financing activities not affecting cash flows

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follows:

(i) Reconciliations of liabilities arising from financing activities were as follows:

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes (note 1)</u>	<u>December 31, 2022</u>
Lease liabilities	\$ 29,683	<u>(10,889)</u>	<u>(442)</u>	<u>18,352</u>
	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes (note 2)</u>	<u>December 31, 2021</u>
Lease liabilities	\$ 29,535	<u>(9,418)</u>	<u>9,566</u>	<u>29,683</u>

Note 1: This represents a decrease of \$442 thousand for the current period.

Note 2: This represents an increase of \$9,566 thousand in the current period.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are related parties that have had transactions with the Company during the periods covered in the parent company only financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Gold Gleam Holdings Limited	Substantive related party
The Alchemy Asia Holdings Limited	Substantive related party
NewSoft Japan Corporation	Substantive related party
RETRONIX TECHNOLOGY INC.	Substantive related party (Note)
Yadran (Nanning) Biotechnology Co., Ltd.	Substantive related party
EBSUCCESS SOLUTIONS INC.	Substantive related party
SYNAGE TECHNOLOGY CORPORATION	Director of the Company
Li Hsin Investment Corp.	Director of the Company
Quantum Vision Corp.	Director of the Company
Powerchip Technology Corporation	The parent of the director of the Company
TAIWAN STEEL GROUP UNITED CO., LTD.	Substantive related party
Titan Assurance Broker Co., Ltd.	Substantive related party

Note: The Company has lost control over its subsidiary since June 1, 2022.

(b) Significant related-party transactions

(i) Sale revenue

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

	For the years ended December 31	
	2022	2021
NewSoft Japan (software licensing)	\$ 13,466	17,524
Subsidiaries	628	1,040
	\$ 14,094	18,564

Sales prices, payment and collection period for related parties are determined by agreement between the parties.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31	
	2022	2021
Subsidiary: Gold Gleam	\$ 6,970	-
Subsidiaries	<u>278</u>	<u>10,759</u>
	<u>\$ 7,248</u>	<u>10,759</u>

The main purpose of Company's purchases from related parties is for software research, development and designs, and it is the sole supplier. Therefore,

There is no similar transactions to compare with. For those transactions, transaction terms were determined in accordance with mutual agreements.

(iii) Receivables from related parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Accounts receivable	NewSoft Japan (software licensing)	\$ 1,813	7,402
	Subsidiaries	<u>629</u>	<u>253</u>
		<u>\$ 2,442</u>	<u>7,655</u>

(iv) Lease

Account	Relationship	For the years ended December 31	
		2022	2021
Rent income	Other related parties	<u>\$ 408</u>	<u>-</u>

(v) Finance lease and sublease

Account	Relationship	December 31, 2022	December 31, 2021
Finance lease receivable	RETRONIX TECHNOLOGY INC.	\$ -	5,604
"	EBSUCCESS SOLUTIONS INC.	<u>922</u>	<u>1,386</u>
		<u>\$ 922</u>	<u>6,990</u>

The Company has no control over RETRONIX TECHNOLOGY INC. since the disposal of all of its shares, the Company has terminated the RETRONIX TECHNOLOGY INC. Lease Agreement effective from June 1, 2022. The rent income of the subsidiary for the years ended December 31, 2022 and 2021 were \$100 thousand and \$188 thousand, respectively. Interest income from subletting recognized were \$50 thousand and \$125 thousand, respectively.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(vi) Property transactions

The details of disposal of financial assets to related parties were as follows:

Relationship	Account	For the years ended December 31							
		2022				2021			
		Number of shares	Transaction	Disposal price	Gain or loss on disposal	Number of share	Transaction	Disposal price	Gain or loss on disposal
Powerchip Technology Corporation	Noncurrent financial assets at fair value through other comprehensive income	88 thousand shares	SYNTRONIX CORPORATION	\$ 1,094	(493)	-		-	-
Powerchip Technology Corporation	Noncurrent financial assets at fair value through other comprehensive income	644 thousand shares	Lishi Venture Capital Co., Ltd.	\$ 7,020	(4,732)	-		-	-
Powerchip Technology Corporation	Noncurrent financial assets at fair value through other comprehensive income	3,671 thousand shares	RETRONIX TECHNOLOGY INC.	\$ 52,448	(1,905)	-		-	-
Powerchip Technology Corporation	Noncurrent financial assets at fair value through other comprehensive income	1,380 thousand shares	RETRONIX TECHNOLOGY INC.	\$ 21,390	(19,222)	-		-	-
Powerchip Technology Corporation	Noncurrent financial assets at fair value through other comprehensive income	-		\$ -	-	1,617 thousand shares	NOVAX TECHNOLOGIES, INC.	41,332	4,643

Note: gain or loss on disposal is net of the original investment cost at the disposal price.

The Company acquired a total of 11,990 shares in EBSUCCESS SOLUTIONS INC. from Investment and Quantum Vision Corp. in October 2022 at a price of \$100 thousand.

(vii) Guarantee deposits received

	For the years ended December 31	
	2022	2021
RETRONIX TECHNOLOGY INC.	\$ -	542
EBSUCCESS SOLUTIONS INC.	249	250
Other related parties	86	-
	<u>\$ 335</u>	<u>792</u>

(viii) Other

- 1) The Company entered into a labor contract with its subsidiary, EBSUCCESS SOLUTIONS INC. for the year ended December 31, 2022 to provide its subsidiary with accounting, administration and information processing services, and received \$1,200 thousand for the year ended December 31, 2022, Which is recognized under other benefits and losses.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

- 2) The Company received \$162 thousand and \$144 thousand for the provision of information maintenance and management services for Retronix Technology INC., a subsidiary of the Company, in both the year ended December 31, 2022 and 2021, respectively, and other income of \$66 thousand was recognized from the disposal of managed assets to Retronix Technology INC. for the year ended December 31, 2022.

- (c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2022	2021
Short-term employee benefits	\$ 14,778	16,563
Post-employment benefits	1,990	1,560
	<u>\$ 16,768</u>	<u>18,123</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Other financial assets - current (financial assets at amortized cost - time deposit slip)	Bank guarantees and purchases of derivative finance merchandises	<u>\$ 15,900</u>	<u>8,500</u>

(9) Significant contingent liabilities and unrecognized commitments:

- (a) Significant unrecognized commitments

The Company has outstanding payments (including taxes) that were due for contracts entered amounting to \$10,260 thousand as of December 31, 2022.

(10) Losses Due to Major Disasters:None

(11) Significant Subsequent Events:None

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the years ended December 31					
		2022			2021		
		Cost of good sold	Operating expense	Total	Cost of good sold	Operating expense	Total
Employee benefits							
Salary		-	63,307	63,307	-	75,456	75,456
Labor and health insurance		-	5,893	5,893	-	6,215	6,215
Pension		-	4,939	4,939	-	4,552	4,552
Remuneration of directors		-	1,980	1,980	-	1,112	1,112
Others employee benefits expense		-	4,190	4,190	-	2,239	2,239
Depreciation		91	10,138	10,229	-	8,118	8,118
Amortization		-	345	345	-	225	225

The information about number of employees and employee benefit expenses for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Number of employees	<u>75</u>	<u>77</u>
Number of Directors who are not concurrently employed	<u>8</u>	<u>5</u>
Average employee benefit expense	<u>\$ 1,169</u>	<u>1,229</u>
Average employee salary expense	<u>\$ 945</u>	<u>1,048</u>
Salary	<u>(9.83)%</u>	<u>17.60 %</u>
Remuneration to supervisors	<u>\$ -</u>	<u>18,000</u>

The Company's remuneration policy (including directors, supervisors, managers and employees) is as follows:

- (i) Directors and supervisors: Subject to the articles of incorporation, of the Company, if there were distributable earnings, upon the approval of a resolution of the shareholders' general meeting, the remuneration of the Director and supervisor shall be distributed, The Company established an audit Committee to replace the supervisors as required by the Securities Exchange Law on August 26, 2021. The remuneration is paid according to the participation levels of each board of director. The Company also established independent directors and their remuneration is paid in the light of the usual standard of the peers. The remuneration is paid by the remuneration Committee considering common standard of the peers and taking into account the performance of the company's operations. The relationship and reasonableness of individual performance and future risks, and regularly review the policies, systems, standards and structure of performance assessment and remuneration for directors and supervisors. The remuneration of the Directors shall then be determined and submitted to the Board and in effect after obtaining the approval by the Board.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

- (ii) **Manager:** In accordance with the ROC Company Act and the relevant terms of Articles of incorporation, the remuneration of the manager is submitted to the remuneration committee for approval before being submitted to the Board of Directors. The remuneration is paid in accordance with the Company's salary and bonus system. Each reward is based on the Company's operation and personal performance, which in turn aligning it to operational performance.
- (iii) **Employees:** The Company regularly conducts annual salary surveys across industry to analyze salaries, bonuses and annual earnings of individual employees. Salary adjustments are made in accordance with the Company's work rules and performance appraisal results to ensure that industry standards are met to achieve the principles of fairness within and outside of the Company.

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the Regulations for the Company:

- (i) Loans to other parties:None
- (ii) Guarantees and endorsements for other parties:None
- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(Thousand shares/In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	CAMEO COMMUNICATIONS, INC.	-	Current financial assets at fair value through profit or loss	1,038	10,692	0.31 %	10,692	- %	
"	FuhHwa You Li Fund	-	"	5,422	74,062	- %	74,062	- %	
"	TMP STEEL CORPORATION	-	Noncurrent financial assets at fair value through other comprehensive income	2,000	44,900	3.29 %	44,900	- %	
"	Lishi Venture Capital Co., Ltd.	The Company is the chairman of this Group	"	1	11	0.01 %	11	- %	
"	OFCO INDUSTRIAL CORPORATION	-	"	1,000	24,750	1.00 %	24,750	- %	
"	Daily Ocean CO., LTD.	-	"	800	8,425	6.40 %	8,425	- %	
"	IMAGEDJ CORPORATION	-	"	60	-	2.40 %	-	- %	

- (iv) Marketable securities for which the accumulated purchase or sale amounts for the period exceed \$300 million or 20% of the paid in capital:None
- (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid in capital:None
- (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid in capital:None
- (vii) Related party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:None
- (viii) Receivable from related parties exceeding the lower of \$100,000 thousand or 20% of the Group's paid-in capital:None
- (ix) Trading in derivative instruments:None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
NewSoft Technology Corporation	Gold Gleam Holdings Limited	Samoa	Reinvestment business	155,817	155,817	5,000	100.00 %	136,144	(14,017)	(14,017)	Subsidiary
"	NewSoft Japan Corporation	Japan	Sales of multimedia computer software	19,410	18,334	1	100.00 %	7,941	(2,952)	(2,746)	Subsidiary
"	RETRONIX TECHNOLOGY INC	Taiwan	AI IoT	-	150,427	-	- %	-	(544)	(136)	Note 2
"	EBSUCCESS SOLUTIONS INC.	Taiwan	Monitoring and information security services	64,339	13,930	6,075	99.92 %	55,116	(3,730)	(3,542)	Subsidiary
RETRONIX TECHNOLOGY INC	Lonex Holding Limited	Cayman Islands	Reinvestment business	-	2,500	-	- %	-	-	N/A	Note 2
Gold Gleam Holdings Limited	The Alchemy Asia Holdings Limited	Cayman Islands	Reinvestment business	101,048 (USD3,400)	101,048 (USD3,400)	3,400	100.00 %	110,863 (USD3,610)	298 (USD10)	N/A	Subsidiaries

Note 1: The assets and liabilities shown in the table are translated into Taiwanese dollars at the spot exchange rate as of the balance sheet date for each period, and the profit and loss account is translated into Taiwanese dollars at the average exchange rate.

Note 2: Retronix Technology subsequently re-elected its directors on June 1, 2022. The Company did not obtain any seat, and was assessed to have no significant influence over and lost its control on Retronix Technology. Retronix Technology ceased to be included in the Company's consolidated financial statements upon loss of control, and was transferred to noncurrent financial assets at fair value through other comprehensive income.

(Continued)

NEWSOFT TECHNOLOGY CORPORATION
Notes to the Financial Statements

(c) Information on investment in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
NewSoft (X'ian) Technology Corporation	Production and sale of software such as images, video, text recognition, international connectivity and galleries	44,450 (USD1,400)	(2)A	44,450 (USD1,400)	-	-	44,450 (USD1,400)	(14,932) (USD501)	100.00%	(14,932) (USD501)	19,500 (USD635)	-
Yadran (Nanning) Biotechnology Co.,Ltd	Oral care and health care services	42,863 (USD1,350)	(2)B	101,156 (USD3,186)	-	-	101,156 (USD3,186)	566 (USD19)	100.00%	566 (USD19)	93,020 (USD3,029)	-

Note 1: Three types of investment method are as follows:

- (1) Direct investment in the Mainland China.
- (2) A. Investment made through Gold Gleam Holdings Limited
B. Investment made through Gold Gleam Holdings Limited and the Alchemy Asia Holdings Limited.
- (3) Others.

Note 2: The exchange rate is based on USD\$1=NTD\$30.71 as of December 31, 2022 and the average exchange rate of US\$1=NT\$29.805 for the period from January to December 2022.

Note 3: The financial statements were audited by the parent's external accountants.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
145,606 (USD4,586)	145,606 (USD4,586)	578,252

Note: The calculation is based on 60% of the net value of The Company as of December 31, 2022.

(iii) Significant transactions with the investees in Mainland China.:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2022, are disclosed in "Information on significant transactions".

(d) Major shareholders

Shareholder's Name	Shareholding	Shares	Percentage
Xin Apollo Energy Co., Ltd		15,001,000	16.83 %
Daily Cosmetics Co., Ltd.		15,001,000	16.83 %
TRIKO FOODS CO., LTD.		5,370,000	6.02 %

(14) Segment information

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

NewSoft Technology Corporation
Statement of cash and cash equivalents
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash and cash on hand		\$ 203
Bank deposits		
Demand deposits		63,060
Checking account deposits		1,849
Foreign currency deposits	US\$81 thousand, JPY\$851 thousand, and Euro\$1 thousand	2,679
Time deposits		<u>239,610</u>
		<u><u>\$ 307,401</u></u>

Statement of financial assets measured at fair value
through profit or loss - current

<u>Financial instruments</u>	<u>shares</u>		<u>Fair value</u>		<u>Note</u>
	<u>Unit</u>	<u>Costs</u>	<u>Unit price(\$)</u>	<u>Total amounts</u>	
CAMEO COMMUNICATIONS, INC.	1,038	\$ 10,476	10.30	10,692	
FuhHwa You Li Fund	<u>5,422</u>	<u>74,000</u>	13.66	<u>74,062</u>	
	<u><u>6,460</u></u>	<u><u>\$ 84,476</u></u>		<u><u>84,754</u></u>	

NewSoft Technology Corporation
Statement of financial assets measured at amortized
cost - current
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Annual interest rate</u>	<u>Amount</u>	<u>Notes</u>
Taipei Fubon Bank	Time deposits	0.22%-1.17%	\$ 65,740	
Taiwan Cooperative Bank	Time deposits	1.22%	4,500	
King's Town Bank	Time deposits	1.20%	<u>200,000</u>	
			<u><u>\$ 270,240</u></u>	

Statement of financial assets measured at fair value
through other comprehensive income - non-current
For the year ended December 31, 2022

<u>Name</u>	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decrease</u>		<u>Ending balance</u>		<u>Note</u>
	<u>Shares/Units</u> <u>(thousands)</u>	<u>Fair</u> <u>value</u>	<u>Shares/Units</u> <u>(thousands)</u>	<u>Total</u> <u>Amount</u>	<u>Shares/Units</u> <u>(thousands)</u>	<u>Total</u> <u>Amount</u>	<u>Shares/Units</u> <u>(thousands)</u>	<u>Fair</u> <u>value</u>	
Powerchip Investment Holding Corporation	897	\$ 25,553	-	59,560	897	85,113	-	-	
TMP STEEL CORPORATION	-	-	2,000	449,000	-	-	2,000	44,900	
OFCO INDUSTRIAL CORPORATION	-	-	1,000	26,000	-	1,250	1,000	24,750	
S-TECH CORP.	-	-	1,200	216,000	1,200	216,000	-	-	
Lishi Venture Capital Co., Ltd.	645	7,915	-	3,827	644	11,731	1	11	
IMAGEDJ CORPORATION	60	-	-	-	-	-	60	-	
SYNTRONIX CORPORATION	88	1,339	-	244	88	1,583	-	-	
ATBS TECHNOLOGY CO., LTD.	900	1,579	-	9,421	900	11,000	-	-	
Daily Ocean CO., LTD.	800	7,994	-	-	-	-	800	8,425	
RETRONIX TECHNOLOGY INC.	-	-	5,671	<u>83,719</u>	5,671	<u>83,719</u>	-	-	
		<u>\$ 44,380</u>		<u>847,771</u>		<u>410,396</u>		<u>78,086</u>	

NewSoft Technology Corporation
Statement of changes in investments accounted for using the equity method
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Name	Beginning Balance		Increases		Decrease		Ending balance			Market price or P/B ratio		Pledge or guarantee Object
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Percentage	Amount	Unit price(\$)	Total price	
Gold Gleam Holding Limited	5,000,000	\$ 146,921	-	3,240	-	14,017	5,000,000	100.00 %	136,144	8.74	136,144	None
NewSoft Japan Corporation	1,170	10,204	130	1,076	-	3,339	1,300	100.00 %	7,941	0.45	7,941	None
Ebsuccess Solutions Inc.	1,030,055	13,284	5,045,307	50,409	-	8,577	6,075,362	99.92 %	55,116	9.10	55,302	None
Retronix Technology Inc.	6,781,258	86,982 (Note)	270,063	12,634	7,051,321	99,616	-	-	-	-	-	-
		<u>\$ 257,391</u>		<u>67,359</u>		<u>125,549</u>			<u>199,201</u>		<u>199,387</u>	

Note 1: Is a stock dividend.

Note 2: The details of long-term investments under the equity method are as follow:

Name of investee	Gain on investments accounted for using equity method	Individual Acquisition	Exchange differences on translation of foreign financial statements	Accumulated profit and loss	Capital surplus	Impairment loss	Disposal	Total
Gold Gleam Holding Limited	\$ (14,017)		3,240	-	-	-		(10,777)
NewSoft Japan Corporation	(2,746)	1,076	(367)	-	(226)	-	-	(2,263)
Ebsuccess Solutions Inc.	(3,542)	50,409	-	(53)	(90)	(4,892)	-	41,832
Retronix Technology Inc.	(136)	-	3,613	-	9,021	-	(99,480)	(86,982)
	<u>\$ (20,441)</u>	<u>51,485</u>	<u>6,486</u>	<u>(53)</u>	<u>8,705</u>	<u>(4,892)</u>	<u>(99,480)</u>	<u>(58,190)</u>

NewSoft Technology Corporation
Statement of operating revenue
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Income from software licensing and services	\$ 58,366	
Sales revenue	29,414	
Allowance for sales return and discounts	(861)	
	<u>\$ 86,919</u>	

Statement of Operating Costs

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Beginning inventory	\$ 5,572	
Add: Purchase of raw materials	28,617	
Less: Inventories at the end of the period	8,783	
Other	(265)	
Add: Write-down of inventories	(173)	
Cost of goods sold	<u>24,968</u>	
Add: Royalty	1,281	
Commission development fees	<u>4,601</u>	
Other operating costs	<u>30,850</u>	
Total operating costs	<u>\$ 30,850</u>	

NewSoft Technology Corporation
Statement of operating expenses
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expense</u>	<u>Total</u>	<u>Note</u>
Wages and salaries	\$ 14,641	27,902	22,744	65,287	
Entertainment expense	78	358	9	445	
Depreciation	2,434	4,753	2,951	10,138	
Pension	945	2,623	1,371	4,939	
Insurance expense	1,904	2,017	2,640	6,561	
Professional service fees	2	7,554	29	7,585	
Other	<u>4,051</u>	<u>7,736</u>	<u>5,515</u>	<u>17,302</u>	Note
Total	<u>\$ 24,055</u>	<u>52,943</u>	<u>35,259</u>	<u>112,257</u>	

Note: The amount does not exceed 5% for this account.