

Tricorntech Corporation
Financial Statements and Independent Auditors'
Review Report
Second Quarter, 2023 and 2022
(Stock code: 6909)

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The independent auditors' review report and the accompanying consolidated 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' review report and consolidated financial statements, the Chinese version shall prevail.

Tricorntech Corporation

Financial Statements and Independent Auditors' Review Report, June 30, 2023 and 2022

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Independent Auditors' Review Report

Ref. No. (2023) Cai-Shen-Bao-Zi No. 23001479

To the Board of Directors and Shareholders of Tricorntech Corporation:

Introduction

We have reviewed the accompanying Statement of Financial Position of Tricorntech Corporation as of June 30, 2023 and 2022, and the related Statement of Comprehensive Income, of Statement of Changes in Equity and of Statement of Cash Flows for six months then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Scope

We conducted our reviews in accordance with the Standard on Review Engagements 2410 "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on the review results of the independent auditors, all material aspects of the abovementioned Financial Statements were prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 Interim Financial Reporting (IAS 34) that came into effect as endorsed by the Financial Supervisory Commission (FSC). The accompanying financial statements present fairly, in all material respects, the financial position of Tricorntech Corporation as of June 30, 2023 and 2022, and the financial performance and cash flow for the six months then ended.

PwC Taiwan

Sheng-Wei Teng

Certified Public Accountant

Yu-Fang Yen

Financial Supervisory Commission

Approval No.: Jin-Guan-Zheng-Shen-Zi No. 1020013788

No.: Jin-Guan-Zheng-Shen-Zi No. 1080323093

August 10, 2023

Tricorntech Corporation
Balance Sheet
June 30, 2023, December 31, 2022 and June 30, 2022

Unit: NTD thousands

Assets	Notes	June 30, 2023		December 31, 2022		June 30, 2022		
		Amount	%	Amount	%	Amount	%	
Current assets								
1100	Cash and cash equivalents	VI (I)	\$ 412,716	49	\$ 394,006	47	\$ 304,641	44
1136	Financial assets at amortized cost	VI (II)	2,500	-	2,500	-	2,500	-
1140	Contract assets		96,899	12	105,882	13	62,024	9
1150	Notes receivable, net	VI (III)	1,868	-	60	-	6,156	1
1170	Accounts receivable, net	VI (III)	58,102	7	99,273	12	101,861	15
1180	Receivables from related parties	VII.	-	-	-	-	1,431	-
1200	Other receivables		465	-	465	-	-	-
130X	Inventory	VI (IV)	104,631	13	89,834	11	92,565	14
1410	Prepayments		22,686	3	18,286	2	14,068	2
11XX	Total current assets		<u>699,867</u>	<u>84</u>	<u>710,306</u>	<u>85</u>	<u>585,246</u>	<u>85</u>
Non-current assets								
1600	Property, plant and equipment	VI (V)	32,711	4	30,123	3	30,378	5
1755	Right-of-use assets	VI (VI)	22,911	3	5,287	1	5,768	1
1780	Intangible assets	VI (VII)	50,261	6	55,486	7	61,114	9
1840	Deferred income tax assets		26,122	3	22,937	3	-	-
1920	Refundable deposits		5,084	-	3,182	-	2,673	-
1930	Long-term notes and receivables	VI (III)	-	-	8,036	1	-	-
15XX	Total non-current assets		<u>137,089</u>	<u>16</u>	<u>125,051</u>	<u>15</u>	<u>99,933</u>	<u>15</u>
1XXX	Total assets		<u>\$ 836,956</u>	<u>100</u>	<u>\$ 835,357</u>	<u>100</u>	<u>\$ 685,179</u>	<u>100</u>

(continued on next page)

Tricorntech Corporation
Balance Sheet
June 30, 2023, December 31, 2022 and June 30, 2022

Unit: NTD thousands

Liabilities and equity	Notes	June 30, 2023		December 31, 2022		June 30, 2022		
		Amount	%	Amount	%	Amount	%	
Current liabilities								
2130	Contract liabilities	VI (XV)	\$ 29,301	3	\$ 20,907	3	\$ 19,927	3
2170	Accounts payable		15,341	2	16,219	2	10,504	2
2180	Payables to related parties	VII.	-	-	-	-	1,911	-
2200	Other payables	VI (VIII)	59,406	7	83,271	10	35,700	5
2230	Current income tax liabilities		241	-	-	-	-	-
2250	Liability reserves		7,119	1	7,373	1	6,502	1
2280	Lease liabilities		8,909	1	2,713	-	5,649	1
2320	Current portion of long-term liabilities	VI (IX)	6,666	1	10,000	1	10,000	1
2399	Other current liabilities		803	-	673	-	605	-
21XX	Total current liabilities		<u>127,786</u>	<u>15</u>	<u>141,156</u>	<u>17</u>	<u>90,798</u>	<u>13</u>
Non-current liabilities								
2540	Long-term borrowings	VI (IX)	-	-	1,667	-	6,667	1
2570	Deferred income tax liabilities		5,050	1	1,864	-	-	-
2580	Lease liabilities - non-current		14,282	2	2,495	1	109	-
25XX	Total non-current liabilities		<u>19,332</u>	<u>3</u>	<u>6,026</u>	<u>1</u>	<u>6,776</u>	<u>1</u>
2XXX	Total liabilities		<u>147,118</u>	<u>18</u>	<u>147,182</u>	<u>18</u>	<u>97,574</u>	<u>14</u>
Equity								
Share capital								
VI (XII)								
3110	Common stock		563,673	68	558,753	67	521,505	76
3140	Capital received in advance		-	-	-	-	48,602	7
3150	Stock dividends to be distributed		36,327	4	-	-	-	-
Additional paid-in capital								
VI (XIII)								
3200	Additional paid-in capital		53,873	6	49,142	6	36,592	6
Retained earnings								
VI (XIV)								
3310	Legal reserve		8,028	1	-	-	-	-
3350	Undistributed earnings (losses to be covered)		<u>27,937</u>	<u>3</u>	<u>80,280</u>	<u>9</u>	<u>(19,094)</u>	<u>(3)</u>
3XXX	Total equity		<u>689,838</u>	<u>82</u>	<u>688,175</u>	<u>82</u>	<u>587,605</u>	<u>86</u>
3X2X	Total liabilities and equity		<u>\$ 836,956</u>	<u>100</u>	<u>\$ 835,357</u>	<u>100</u>	<u>\$ 685,179</u>	<u>100</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Chairman: Leo WANG

Manager: Leo WANG

Accounting Supervisor: Gisele LU

Tricorntech Corporation
Statements of comprehensive income
Six months ended June 30, 2023 and 2022

Unit: NTD thousands
(except earnings per share amount)

Item	Notes	For the six months ended June 30, 2023		For the six months ended June 30, 2022		
		Amount	%	Amount	%	
4000	Operating revenue	VI (XV) and VII	\$ 133,782	100	\$ 130,042	100
5000	Operating cost	VI (IV) and VII	(53,991)	(40)	(51,753)	(40)
5900	Gross operating profit		79,791	60	78,289	60
	Operating expenses	VI (XVIII) (XIX) and VII				
6100	Promotional expenses		(28,547)	(21)	(26,285)	(20)
6200	Administrative expenses		(23,284)	(17)	(17,373)	(13)
6300	Research and development expenses		(40,744)	(31)	(34,622)	(27)
6450	Expected credit impairment gain (loss)	XII (II)	1,995	1	(58)	-
6000	Total operating expenses		(90,580)	(68)	(78,338)	(60)
6900	Operating loss		(10,789)	(8)	(49)	-
	Non-operating income and expenses					
7100	Interest income		3,564	3	72	-
7010	Other income		8	-	923	1
7020	Other gains and losses	VI (XVI)	4,358	3	14,732	11
7050	Financial cost	VI (XVII)	(250)	-	(203)	-
7000	Total non-operating income and expenses		7,680	6	15,524	12
7900	Net income (loss) before tax		(3,109)	(2)	15,475	12
7950	Income tax expenses	VI (XX)	(843)	(1)	-	-
8200	Net income (loss) of the current period		(\$ 3,952)	(3)	\$ 15,475	12
8500	Total comprehensive income for the period		(\$ 3,952)	(3)	\$ 15,475	12
9750	Basic earnings (loss) per share		(\$ 0.07)		\$ 0.29	
9850	Diluted earnings (loss) per share		(\$ 0.07)		\$ 0.28	

The accompanying notes to the financial statements are an integral part of this financial statement.

Chairman: Leo WANG

Manager: Leo WANG

Accounting Supervisor: Gisele LU

Tricorntech Corporation
Statements of changes in equity
Six months ended June 30, 2023 and 2022

Unit: NTD thousands

	Notes	Share capital			Retained earnings			Total
		Common stock	Capital received in advance	Stock dividends to be distributed	Additional paid-in capital	Legal reserve	Undistributed earnings (losses to be covered)	
<u>2022</u>								
Balance at January 1, 2022		\$ 499,663	\$ -	\$ -	\$ 471,358	\$ -	(\$ 482,199)	\$ 488,822
Profit for the period		-	-	-	-	-	15,475	15,475
Total comprehensive income for the period		-	-	-	-	-	15,475	15,475
Compensation cost for employee stock options	VI (XI)	-	-	-	1,403	-	-	1,403
Execution of employee stock options	VI (XII)	21,842	-	-	11,461	-	-	33,303
Employee pre-payment of exercised stock warrants		-	48,602	-	-	-	-	48,602
Capital surplus to make up for deficits	VI (XIII)	-	-	-	(447,630)	-	447,630	-
Balance at June 30, 2022		\$ 521,505	\$ 48,602	\$ -	\$ 36,592	\$ -	(\$ 19,094)	\$ 587,605
<u>2023</u>								
Balance at January 1, 2023		\$ 558,753	\$ -	\$ -	\$ 49,142	\$ -	\$ 80,280	\$ 688,175
Loss for the period		-	-	-	-	-	(3,952)	(3,952)
Total comprehensive income for the period		-	-	-	-	-	(3,952)	(3,952)
Compensation cost for employee stock options	VI (XI)	-	-	-	1,779	-	-	1,779
Execution of employee stock options	VI (XII)	4,920	-	-	2,952	-	-	7,872
Earning appropriation and distribution for 2022	VI (XIV)	-	-	-	-	8,028	(8,028)	-
Appropriation of legal reserve		-	-	-	-	-	(4,036)	(4,036)
Appropriation of cash dividends		-	-	-	-	-	(36,327)	-
Appropriation of stock dividends		-	-	36,327	-	-	-	-
Balance at June 30, 2023		\$ 563,673	\$ -	\$ 36,327	\$ 53,873	\$ 8,028	\$ 27,937	\$ 689,838

The accompanying notes to the financial statements are an integral part of this financial statement.

Chairman: Leo WANG

Manager: Leo WANG

Accounting Supervisor: Gisele LU

Tricorntech Corporation
Statements of cash flows
Six months ended June 30, 2023 and 2022

Unit: NTD thousands

	Notes	Six months ended June 30, 2023		Six months ended June 30, 2022
<u>Cash flows from operating activities</u>				
Net income (loss) before tax for the period		(\$ 3,109)	\$	15,475
Items for adjustment				
Income and expenses				
Expected credit loss (gain)	XII (II)	(1,994)		58
Depreciation expense	VI (V)(VI) (XVIII)	12,140		8,883
Amortization expense	VI (VII)(XVIII)	5,678		5,533
Interest income		(3,565 )	(	72)
Interest expense	VI (XVII)	250		203
Compensation cost for employee stock options	VI (XI)	1,779		1,403
Loss (gain) from disposal of property, plant and equipment	VI (XVI)	-		502
Changes in assets/liabilities related to operating activities				
Net changes in assets related to operating activities				
Contract assets		8,983		12,468
Notes receivable, net		(1,808 )	(	6,014)
Accounts receivable, net		43,165		62,365
Receivables from related parties		-	(	78)
Inventory		(17,884 )	(	23,880)
Other receivables		-		2,016
Prepayments		(4,400)		2,444
Long-term notes and receivables		8,036		-
Net changes in liabilities related to operating activities				
Contract liabilities		8,394		12,675
Accounts payable		(878)		2,087
Payables to related parties		-		1,638
Other payables		(29,101 )	(	1,929)
Liability reserves		(254 )	(	158)
Other current liabilities		129		151
Cash inflow from operations		25,561		95,770
Interest collected		3,565		72
Interest paid		(253 )	(	203)
Income tax paid		(601)		-
Net cash inflow from operating activities		28,272		95,639
<u>Cash flows from investing activities</u>				
Acquisition of property, plant and equipment	VI (V)	(5,770 )	(	2,446)
Acquisition of intangible assets	VI (VII)	(453 )	(	2,518)
Decrease (increase) in refundable deposits		(1,902)		48
Net cash outflows from investing activities		(8,125 )	(	4,916)
<u>Cash flows from financing activities</u>				
Lease principal repayment	VI (XXIII)	(4,308 )	(	4,159)
Repayment of long-term borrowings	VI (XXIII)	(5,001 )	(	5,000)
Increase in subscribed stock		-		48,602
Execution of employee stock options	VI (XI)	7,872		33,303
Net cash inflows (outflow) from financing activities		(1,437)		72,746
Increase in cash and cash equivalents for the period		18,710		163,469
Opening balance of cash and cash equivalents		394,006		141,172
Closing balance of cash and cash equivalents		\$ 412,716	\$	304,641

The accompanying notes to the financial statements are an integral part of this financial statement.

Chairman: Leo WANG

Manager: Leo WANG

Accounting Supervisor: Gisele LU

TricornTech Corporation
Notes to Financial Statements
Second Quarter, 2023 and 2022

(The Statements are only reviewed and have not been audited in accordance with the auditing standards)

Unit: NTD thousands
except as otherwise indicated)

I. General

TricornTech Corporation (hereinafter referred to as the "Company") was incorporated on January 15, 2010. In June 2017, the Company changed its name from TricornTech Taiwan Corporation to TricornTech Corporation through a resolution of the shareholders. The Company is primarily engaged in the research and development, production and sale of gas detection and pollution prevention equipment.

The Company completed retroactive handling of public issuance procedures on July 18, 2022, and was registered as an Emerging Stock Board (ESB) Company on March 30, 2023.

II. The authorization of financial statements

This financial statement was approved by the Board of Directors for publication on August 10, 2023.

III. Application of new and revised international financial reporting standards

(I) Impacts of the adoption of new and amended IFRSs, endorsed and issued into effect by the Financial Supervisory Commission ("FSC")

The following table summarizes the newly issued, amended, and revised standards and interpretations of the IFRSs applicable in 2023 that were endorsed and issued by the FSC:

<u>New, amended or revised standards and interpretations</u>	<u>Effective date by IASB</u>
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

The Company has assessed that the standards and interpretations above have no material impact on the financial position and financial performance of the Company.

(II) Impacts of not adopting the new and revised IFRSs approved by the FSC

None.

(III) Impacts of IFRSs issued by the IASB but not yet endorsed by the FSC

The following table summarizes the newly released, amended, and revised standards and interpretations of the IFRSs issued by the IASB but not yet recognized by the FSC:

<u>New, Amended, Revised Standards and Interpretations</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28 "The Sale or Investment of Assets between Investors and Their Affiliates or Joint Ventures"	To be determined by IASB
Amendments to IFRS 16, "Lease Liability in a Sale and Leaseback"	January 1, 2024

IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17, “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	January 1, 2023
Amendments to IAS 1, “Classification of Liabilities as Current or Noncurrent”	January 1, 2024
Amendments to IAS 1, “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7, “Supplier Finance Arrangements”	January 1, 2024
Amendments to IAS 12, “Deferred Taxes Arising from OECD Pillar Two Model Rules”	May 23, 2023

The Company has assessed that the standards and interpretations above have no material impact on the financial position and financial performance of the Company.

IV. Summary of significant accounting policies

Significant accounting policies are identical to Note 4 in the 2022 financial statements, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance Statement

1. The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission (collectively referred herein as the “IFRSs”).
2. The financial statements should be read in conjunction with the 2022 financial statements.

(II) Basis of preparation

1. Except for the following items, the financial statements have been prepared under the historical cost convention:
Financial assets measured at fair value through profit or loss.
2. The preparation of financial statements, in conformity with the IFRSs, requires the use of certain critical accounting estimates, and the exercise of management’s judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Income tax

1. Income tax expenses include current and deferred income tax. Income tax is recognized in profit or loss, except when income tax relating to items recognized in other comprehensive income or recognized directly in equity.
2. Deferred income tax is recognized based on the temporary difference generated between the tax bases of assets and liabilities and their book values in the Statement of Financial Position using the Statement of Financial Position method. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the Statement of Financial Position date and is expected to apply when the relevant deferred

income tax assets are realized or deferred income tax liabilities are settled.

3. Deferred income tax assets shall be recognized when the temporary difference is likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets shall be re-evaluated on each Statement of Financial Position date.
4. Income tax expenses for the interim period are calculated by applying the estimated annual average effective tax rate to the pre-tax profit or loss in the interim period, and relevant information is disclosed in accordance with the aforementioned policies.

(IV) Dividend distribution

Dividends distributed to the Company's shareholders are recognized in the financial statements when the dividend distribution is resolved in the shareholders' meeting. Cash dividends are recognized as liabilities and stock dividends are recognized as stock dividends to be distributed and transferred to common shares on the base date of issuance of new shares.

(V) Employee share-based payment

1. Under the share-based payment arrangement, the service provided by the employee is measured at the fair value of the equity instrument on the grant date, and is recognized as the remuneration cost during the vested period, and the equity is adjusted accordingly. The fair value of equity instruments shall reflect the vested and non-vested conditions of the market value. The recognized remuneration cost is adjusted according to the quantity of remuneration expected to meet the service conditions and non-market value vested conditions, until the amount recognized is ultimately recognized based on the vested quantity on the vested date.
2. Restricted employee shares
 - (1) On the grant date, remuneration cost is recognized in the vested period based on the fair value of the equity instruments given.
 - (2) An employee acquires new restricted employee shares gratis. If the employee meets the vested conditions, the Company will take back the shares gratis and cancel the shares that are not vested.

V. Critical accounting judgments and key sources of estimation and uncertainty

There is no material change in the current period. Please refer to Note V to the financial statements of 2022.

VI. Details of significant accounts

(I) Cash and cash equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand	\$ 101	\$ 101	\$ 85
Checking accounts and demand deposits	320,335	393,905	304,556
Time deposits	<u>92,280</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 412,716</u>	<u>\$ 394,006</u>	<u>\$ 304,641</u>

1. The credit quality of the financial institutions with which the Company interacts is good, and the Company interacts with multiple financial institutions to diversify credit risks. The probability of default is expected to be very low.
2. The Company does not pledge any cash or cash equivalents.

(II) Financial assets measured at amortized cost

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Time deposits of more than 3 months	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>

1. Financial assets measured at amortized cost and recognized in profit or loss are as follows:

	Six months ended June 30, 2023	Six months ended June 30, 2022
Interest income	<u>\$ 14</u>	<u>\$ 8</u>

2. The Company does not pledge financial assets measured at amortized cost.
3. For information on the credit risk of financial assets measured at amortized cost, please refer to Note XII (II). The counterparties of the Company's time deposit certificates are financial institutions with good credit quality, and the probability of default is expected to be very low.

(III) Accounts and notes receivable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Notes receivable	<u>\$ 1,868</u>	<u>\$ 60</u>	<u>\$ 6,156</u>
Accounts receivable	\$ 58,220	\$ 109,421	\$ 106,298
Less: Recorded as long-term receivables	-	(8,036)	-
Less: Loss allowance	<u>(118)</u>	<u>(2,112)</u>	<u>(4,437)</u>
	<u>\$ 58,102</u>	<u>\$ 99,273</u>	<u>\$ 101,861</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
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Not overdue	\$	37,684	\$	95,656	\$	103,981
Within 30 days		140		-		248
31-90 days		5,243		3,440		1,392
91-180 days		7,747		8,312		30
181-360 days		9,274		-		493
More than 361 days		-		2,073		6,310
	\$	<u>60,088</u>	\$	<u>109,481</u>	\$	<u>112,454</u>

The above is an aging analysis based on the number of overdue days.

2. The balance of accounts receivable and notes receivable on June 30, 2023 and December 31, 2022 and June 30, 2022 were generated from contracts with customers.
3. The Company does not hold any collateral for accounts receivable.
4. Without considering the collateral or other credit enhancements held, the maximum amount of credit risk exposure that best represents the Company's notes and accounts receivable on June 30, 2023, December 31, 2022 and June 30, 2022 is the book value.

(IV) Inventory

	Cost	<u>June 30, 2023</u> Allowance for devaluation losses	Book value
Raw materials	\$ 44,801	(\$ 11,205)	\$ 33,596
Work in process	14,493	-	14,493
Semi-finished products	45,064	(10,601)	34,463
Finished goods	<u>33,108</u>	<u>(11,029)</u>	<u>22,079</u>
Total	<u>\$ 137,466</u>	<u>(\$ 32,835)</u>	<u>\$ 104,631</u>

	Cost	<u>December 31, 2022</u> Allowance for devaluation losses	Book value
Raw materials	\$ 39,728	(\$ 7,911)	\$ 31,817
Work in process	8,703	-	8,703
Semi-finished products	42,847	(8,767)	34,080
Finished goods	<u>25,272</u>	<u>(10,038)</u>	<u>15,234</u>
Total	<u>\$ 116,550</u>	<u>(\$ 26,716)</u>	<u>\$ 89,834</u>

	Cost	<u>June 30, 2022</u> Allowance for devaluation losses	Book value
Raw materials	\$ 38,406	(\$ 6,897)	\$ 31,509
Work in process	12,181	-	12,181
Semi-finished products	42,515	(10,745)	31,770

Finished goods	28,764	(11,659)	17,105
Total	\$ 121,866	(\$ 29,301)	\$ 92,565

1. Inventory cost recognized as expense losses by the Company in the current period:

	<u>Six months ended</u> June 30, 2023		<u>Six months ended</u> June 30, 2022	
Cost of sold inventory	\$	16,413	\$	23,396
Service cost		27,642		23,991
Warranty cost		3,751		2,286
Loss on devaluation		6,119		2,188
Inventory deficit (profit)		66	(	108)
	\$	53,991	\$	51,753

2. The Company does not pledge or guarantee the Company's inventory.

(V) Property, plant and equipment

	<u>Machinery and equipment</u>	<u>Lease improvement</u>	<u>Other equipment</u>	<u>Total</u>
January 1, 2023				
Cost	\$ 46,644	\$ 14,529	\$ 16,996	\$ 78,169
Accumulated depreciation	(24,878)	(10,444)	(12,724)	(48,046)
	\$ 21,766	\$ 4,085	\$ 4,272	\$ 30,123
<u>2023</u>				
January 1	\$ 21,766	\$ 4,085	\$ 4,272	\$ 30,123
Additions	4,853	2,120	-	6,973
Transfer from inventories	3,087	-	-	3,087
Depreciation expense	(3,724)	(2,228)	(1,520)	(7,472)
June 30	\$ 25,982	\$ 3,977	\$ 2,752	\$ 32,711
June 30, 2023				
Cost	\$ 54,585	\$ 16,649	\$ 16,557	\$ 87,791
Accumulated depreciation	(28,603)	(12,672)	(13,805)	(55,080)
	\$ 25,982	\$ 3,977	\$ 2,752	\$ 32,711

	<u>Machinery and equipment</u>	<u>Lease improvement</u>	<u>Other equipment</u>	<u>Total</u>
January 1, 2022				
Cost	\$ 31,704	\$ 11,774	\$ 15,918	\$ 59,396
Accumulated depreciation	(20,662)	(7,113)	(11,450)	(39,225)
	\$ 11,042	\$ 4,661	\$ 4,468	\$ 20,171
<u>2022</u>				
January 1	\$ 11,042	\$ 4,661	\$ 4,468	\$ 20,171
Additions	232	2,214	-	2,446
Disposals	(502)	-	-	(502)
Transfer from inventories	11,120	-	1,862	12,982
Depreciation expense	(2,199)	(1,297)	(1,223)	(4,719)
June 30	\$ 19,693	\$ 5,578	\$ 5,107	\$ 30,378

June 30, 2022

Cost	\$ 42,237	\$ 13,988	\$ 16,705	\$ 72,930
Accumulated depreciation	(22,544)	(8,410)	(11,598)	(42,552)
	<u>\$ 19,693</u>	<u>\$ 5,578</u>	<u>\$ 5,107</u>	<u>\$ 30,378</u>

(VI) Lease transactions - Lessee

1. The underlying assets leased by the Company include buildings and official vehicles. The lease contract term is usually between 1 and 5 years. Lease contracts are negotiated individually and contain various terms and conditions. No other restrictions are imposed except that the leased assets may not be used as loan guarantees.
2. The book value of the right-of-use assets and the information of recognized depreciation expenses are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	<u>Book value</u>	<u>Book value</u>	<u>Book value</u>
Office	\$ 22,888	\$ 5,125	\$ 5,467
Transportation equipment (official vehicle)	<u>23</u>	<u>162</u>	<u>301</u>
	<u>\$ 22,911</u>	<u>\$ 5,287</u>	<u>\$ 5,768</u>

	<u>Six months ended June 30, 2023</u>	<u>Six months ended June 30, 2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Office	\$ 4,529	\$ 4,025
Transportation equipment (official vehicle)	<u>139</u>	<u>139</u>
	<u>\$ 4,668</u>	<u>\$ 4,164</u>

3. The increase in the Company's right-of-use assets for the periods January 1 to June 30, 2023 and 2022 were NT\$22,292 and NT\$0, respectively.
4. The information of income items related to lease contracts is as follows:

	<u>Six months ended June 30, 2023</u>	<u>Six months ended June 30, 2022</u>
<u>Items affecting current profit and loss</u>		
Interest expense of lease liabilities	<u>\$ 153</u>	<u>\$ 67</u>
Expenses of short-term lease contracts	<u>\$ 416</u>	<u>\$ 267</u>
Expenses of low-value asset lease	<u>\$ 42</u>	<u>\$ 93</u>

5. The total cash outflow from leases of the Company for the periods January 1 to June 30, 2023 and 2022, amounted to NT\$4,919 and NT\$4,586, respectively.

(VII) Intangible assets

	Patents and IP	Computer software	Total
January 1, 2023			
Cost	\$ 134,897	\$ 5,986	\$ 140,883
Accumulated amortization	(79,562)	(4,313)	(83,875)
Accumulated impairment	(1,522)	-	(1,522)
	<u>\$ 53,813</u>	<u>\$ 1,673</u>	<u>\$ 55,486</u>
<u>2023</u>			
January 1	\$ 53,813	\$ 1,673	\$ 55,486
Increase in the current period	-	453	453
Current amortization	(4,784)	(894)	(5,678)
June 30	<u>\$ 49,029</u>	<u>\$ 1,232</u>	<u>\$ 50,261</u>
June 30, 2023			
Cost	\$ 134,897	\$ 3,756	\$ 138,653
Accumulated amortization	(84,346)	(2,524)	(86,870)
Accumulated impairment	(1,522)	-	(1,522)
	<u>\$ 49,029</u>	<u>\$ 1,232</u>	<u>\$ 50,261</u>
	Patents and IP	Computer software	Total
January 1, 2022			
Cost	\$ 134,897	\$ 3,432	\$ 138,329
Accumulated amortization	(69,992)	(2,686)	(72,678)
Accumulated impairment	(1,522)	-	(1,522)
	<u>\$ 63,383</u>	<u>\$ 746</u>	<u>\$ 64,129</u>
<u>2022</u>			
January 1	\$ 63,383	\$ 746	\$ 64,129
Increase in the current period	-	2,518	2,518
Current amortization	(4,785)	(748)	(5,533)
June 30	<u>\$ 58,598</u>	<u>\$ 2,516</u>	<u>\$ 61,114</u>
June 30, 2022			
Cost	\$ 134,897	\$ 5,950	\$ 140,847
Accumulated amortization	(74,777)	(3,434)	(78,211)
Accumulated impairment	(1,522)	-	(1,522)
	<u>\$ 58,598</u>	<u>\$ 2,516</u>	<u>\$ 61,114</u>

1. The details of amortization of intangible assets are as follows:

	Six months ended June 30, 2023	Six months ended June 30, 2022
Administrative expenses	\$ 624	\$ 559

Research and development expenses	5,054	4,974
Total	<u>\$ 5,678</u>	<u>\$ 5,533</u>

2. The Company obtained the gas detection and analysis patent and specialized technology from the related party TRICORNTECH CORPORATION in 2013 and 2017.

(VIII) Other payables

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Salaries and bonuses payable	\$ 32,733	\$ 51,796	\$ 14,957
Payable commission	7,917	15,615	7,600
Service expense payable	6,293	3,312	3,179
Dividends payable	4,036	-	-
Others	<u>8,427</u>	<u>12,548</u>	<u>9,964</u>
	<u>\$ 59,406</u>	<u>\$ 83,271</u>	<u>\$ 35,700</u>

(IX) Long-term borrowings

<u>Debt</u>	<u>Duration and repayment</u>	<u>Interest rate</u>	<u>Collaterals</u>	<u>June 30, 2023</u>
Loans amortization				
Secured loans	From February 23, 2021 to February 23, 2024, the principal was amortized evenly over 36 months, and the interest was paid monthly.	2.06%	None.	\$ 6,666
				<u>-</u>
				6,666
Less: Long-term borrowings due within one year or one business cycle				<u>(6,666)</u>
				<u>\$ -</u>

<u>Debt</u>	<u>Duration and repayment</u>	<u>Interest rate</u>	<u>Collaterals</u>	<u>December 31, 2022</u>
Loans amortization				
Secured loans	From February 23, 2021 to February 23, 2024, the principal was amortized evenly over 36 months, and the interest was paid monthly.	2.06%	None.	\$ 11,667
				<u>-</u>
				11,667
Less: Long-term borrowings due within one year or one business cycle				<u>(10,000)</u>
				<u>\$ 1,667</u>

<u>Debt</u>	<u>Duration and repayment</u>	<u>Interest rate</u>	<u>Collaterals</u>	<u>June 30, 2022</u>
Loans amortization				

Secured loans	From February 23, 2021 to February 23, 2024, the principal was amortized evenly over 36 months, and the interest was paid monthly.	2.06%	None.	\$	16,667
					-
					16,667
Less: Long-term borrowings due within one year or one business cycle				(	10,000)
				\$	6,667

1. From January 1 to June 30, 2023 and 2022, the interest expense recognized in profit or loss was NT\$97 and NT\$136, respectively.
2. The Company's unutilized short-term uncommitted facilities amounted to \$110,000, \$110,000, and \$30,000 as of June 30, 2023, December 31, 2022, and June 30, 2022, respectively. Suretyship is provided by the Chairman of the Company for the abovementioned long-term debt and unutilized short-term uncommitted facilities.

(X) Pension expense

In accordance with the "Labor Pension Act," the Company has established a retirement contribution allocation policy, which is applicable to employees that are natural citizens. For the employees who choose to apply the labor pension system under the "Labor Pension Act", the Company contributes 6% of the monthly salary to the individual accounts of the employees with the Labor Insurance Bureau. The pension payment for the employees is based on the individual pension accounts of the employees and the amount of accumulated income withdrawn as monthly pension or one-time lump sum.

From January 1 to June 30, 2023 and 2022, the Company recognized pension costs amounting to NT\$2,625 and NT\$2,250, respectively, in accordance with the above regulations governing the recognition of pension fund.

(XI) Share-based payment

1. As of June 30, 2023, the Company's share-based payment agreements were as follows:

Type of agreement	Grant date	Quantity granted (Unit) (Note 1)	Vested conditions	Duration of contract
Employee stock option plan A	2013.01.01	882.00	1~4 years service	10 years (Note 2)
Employee stock option plan C	2013.05.01	10.00	1~4 years service	10 years (Note 2)
Employee stock option plan D	2014.03.01	282.25	1~4 years service	10 years (Note 2)
Employee stock option plan E	2014.07.01	2,601.00	1~4 years service	10 years (Note 2)
Employee stock option plan F	2014.12.01	258.00	1~4 years service	10 years (Note 2)
Employee stock option plan I	2016.05.19	652.00	1~4 years service	10 years (Note 2)
Employee stock option plan J	2016.12.30	2,000.00	1~4 years service	10 years (Note 2)
Employee stock option plan L	2019.12.01	100.00	1~4 years service	10 years (Note 2)
Employee stock option plan M	2021.07.01	2,464.20	1~4 years service	10 years (Note 2)
Employee stock option plan N	2022.03.01	30.00	1~4 years service	10 years (Note 3)
Employee stock option plan O	2022.06.06	506.80	1~4 years service	10 years (Note 3)

Note 1: Each unit is entitled to 1,000 shares.

Note 2: Pursuant to the Company's Regulations Governing the Issuance of Employee Stock Option Certificates and Stock Subscription, employees who meet the conditions set by the Company may exercise the vested stock in advance with the consent of the Board of Directors when the Company applies for a public offering of stock or for Emerging Stock Market listing. The above conditions were agreed in December 2021 and the Chairman was authorized to handle the matter. The Chairman of the Company approved and announced the relevant early enforcement measures in December 2021, and set a batch base date between February and March 2022.

Note 3: The chairman of the Company approved the announcement of the relevant early enforcement measures in January 2023, and set the batch base date between January and February 2023.

2. Details of the above share-based payment agreements are as follows:

	2023		2022	
	Quantity of stock options (thousand shares)	Weighted average strike price (NTD)	Quantity of stock options (thousand shares)	Weighted average strike price (NTD)
Outstanding stock options at the beginning of January 1	1,462	\$ 15.91	6,977	\$ 14.14
Stock options granted in the current period	-	-	537	16.00
Stock options waived and expired in the current period	-	-	(35)	16.00
Stock options exercised in the current period	(492)	16.00	(2,184)	15.25
Number of outstanding shares at the end of June 30	<u>970</u>	15.86	<u>5,295</u>	13.86
Stock options not exercisable at the end of June 30	<u>404</u>		<u>3,888</u>	

3. The maturity date and exercise price of the outstanding stock options at the Statement of Financial Position date are as follows:

Approved date of issuance	Maturity date	June 30, 2023		December 31, 2022		June 30, 2022	
		Number of shares (Thousand shares)	Exercise price (NTD)	Number of shares (Thousand shares)	Exercise price (NTD)	Number of shares (Thousand shares)	Exercise price (NTD)
January 1, 2013	December 31, 2022	-	\$ 10	-	\$ 10	552	\$ 10
May 1, 2013	April 30, 2023	-	10	-	10	10	10
March 1, 2014	February 29, 2024	7	10	7	10	121	10
July 1, 2014	June 30, 2024	26	12.5	26	12.5	1,389	12.5
December 1, 2014	November 30, 2024	-	12.5	-	12.5	20	12.5

May 19, 2016	May 18, 2026	-	12.5	-	12.5	652	12.5
December 30, 2016	December 29, 2026	45	16	76	16	1,094	16
December 1, 2019	November 30, 2029	-	16	-	16	50	16
July 1, 2021	June 30, 2031	685	16	846	16	870	16
March 1, 2022	February 29, 2032	-	16	-	16	30	16
June 6, 2022	June 5, 2032	207	16	507	16	507	16

4. The Company used the Black-Scholes option evaluation model for the share-based payment transaction on the grant date to estimate the fair value of the stock option.

Relevant information is as follows:

Grant date	Stock price (NTD)	Exercise price per share (NTD)	Expected weighted average volatility	Expected duration (years)	Expected dividend yield	Risk-free interest rate	Fair value per share (NTD)
2013.01.01	\$ 4.62	\$ 10.0	30%	6.25	0.00%	1.02%~1.14%	\$ 0.4411
2013.05.01	3.69	10.0	30%	6.25	0.00%	1.05%~1.17%	0.2119
2014.03.01	7.97	10.0	38.44%	6.25	0.00%	1.26%~1.43%	2.5864
2014.07.01	8.24	12.5	28.42%	4.27	0.00%	0.81%~1.12%	0.6633
2014.12.01	8.53	12.5	27.56%	4.69	0.00%	0.78%~1.03%	0.7047
2016.05.19	15.03	12.5	30.26%	6.16	0.00%	0.44%~0.56%	4.4803
2016.12.30	16.44	16.0	32.47%	6.25	0.00%	1.08%~1.14%	5.7319
2019.12.01	10.62	16.0	31.11%	6.25	0.00%	0.60%~0.64%	1.9609
2021.07.01	14.20	16.0	31.04%	6.25	0.00%	0.31%~0.35%	3.8075
2022.03.01	15.63	16.0	31.00%	6.25	0.00%	0.65%~0.68%	4.8113
2022.06.06	15.63	16.0	31.40%	6.25	0.00%	1.10%~1.15%	5.0229

Note 1: The Company was not a publicly traded company at the time of issuing the warrants, so the income from the cash flow method was used to calculate the weighted average stock price by taking into account liquidity discounts.

Note 2: The expected volatility is estimated based on the standard deviation during a sample interval of the latest stock prices of TWSE/TPEX-listed companies in the same industry that is approximately equivalent to the expected duration of the stock option.

5. The remuneration costs recognized by the Company for the above employee stock warrants from January 1 to June 30, 2023 and 2022, were NT\$1,779 and NT\$1,403, respectively.
6. The Company's shareholders meeting has on May 29, 2023, resolved to approve the issuance of 600,000 restricted employee shares gratis. The vested conditions are as follows:
- (1) All employees are still serving on the maturity date.

- (2) No breach of contract or the Company's work rules during each vested period.
- (3) Meeting the employee performance evaluation indicators set by the Company.
- (4) The percentage of shares that can satisfy the vested conditions in each year is as follows:
 - 1 year service after allotment: 20% of allotted shares;
 - 2-year service after allotment: 20% of allotted shares;
 - 3-year service after allotment: 30% of allotted shares;
 - 4-year service after allotment: 30% of allotted shares.

Approved by the Financial Supervisory Commission, but not yet issued by the Company as of June 30, 2023.

(XII) Share capital/stock dividends to be distributed

1. As of June 30, 2023, the Company's rated capital and paid-in capital were \$1,200,000 and \$563,673, respectively, for 56,367 thousand shares with a par value of NTD 10 per share. The payment for the issued shares of the Company has been received.

The Company's outstanding common stock shares at the beginning and the end are adjusted as follows:

	Unit: Thousand shares	
	2023	2022
January 1	\$ 55,875	\$ 49,966
Exercise of stock options	492	2,184
June 30	\$ 56,367	\$ 52,150

2. On May 29, 2023, the Company's shareholders meeting resolved to approve the undistributed earnings of \$36,327 to be used for the issuance of new shares to increase capital for 3,633 thousand shares. The ex-right date is July 22, 2023. The relevant change procedures are in progress.

(XIII) Additional paid-in capital

1. Pursuant to the Company Act, the premium from the issuance of shares above par value and the capital surplus from the receipt of gifts may be used to offset losses. If the Company has no accumulated losses, new shares shall be issued or cash is to be paid in proportion to the original shares. The Company may not use the additional paid-in capital to cover the capital deficit when the surplus reserve is insufficient to cover it.
2. In April 2022, the Company's shareholders' meeting resolved to offset the deficit with additional paid-in capital of NT\$447,630.
3. Changes in additional paid-in capital are as follows:

2023	Issuance premium	Employee stock options	Others	Total
January 1	\$ 40,394	\$ 8,321	\$ 427	\$ 49,142
Compensation cost for employee stock options	-	1,779	-	1,779
Execution of employee stock options	9,402	(6,450)	-	2,952
Reclassification of expired employee stock options	-	(940)	940	-

June 30	\$ 49,796	\$ 2,710	\$ 1,367	\$ 53,873
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2022

	Issuance premium	Employee stock options	Others	Total
January 1	\$ 445,004	\$ 23,728	\$ 2,626	\$ 471,358
Compensation cost for employee stock options	-	1,403	-	1,403
Execution of employee stock options	18,809	(7,348)	-	11,461
Expiration of employee stock options		(189)	189	-
Capital surplus to make up for deficits	(445,004)	-	(2,626)	(447,630)
June 30	\$ 18,809	\$ 17,594	\$ 189	\$ 36,592

(XIV) Retained earnings

1. According to the Company's Articles of Incorporation, dividends and bonuses are distributed based on the percentage of shares held by each shareholder. If the Company has no earnings, it shall not distribute dividends and bonuses. The Company's annual earnings, if any, shall be distributed in the following order:
 - (1) Payment of taxes.
 - (2) Make up for accumulated losses.
 - (3) Appropriate 10% for the legal reserve, except when the legal reserve has reached the amount of the Company's total paid-in capital.
 - (4) Appropriate or reverse special reserve according to laws or regulations.
 - (5) The undistributed earnings accumulated in the previous year shall be set aside in whole or in part as the earnings available for distribution. The Board of Directors shall draft the earnings appropriation depending on the actual operating conditions. When the distribution method is via the issuance of new shares, the distribution can only be processed after submitting the plan to the shareholders meeting for resolution.
2. The Company is currently in a growth period and has adopted a residual dividend policy. The dividend amount will be determined based on various factors, including the current and future investment environment, capital requirements, domestic and international competition, capital budget and shareholders' interests. After setting aside an appropriate amount for operation needs, the remaining earnings will be distributed to shareholders in the form of dividends. The proportion of cash dividends distributed will not be less than 10% of the total dividends.
3. The Company had accumulated deficits in 2021, so no earnings were distributed.
4. The Company's shareholders' meeting on April 26, 2022 passed a resolution to offset the deficit with the additional paid-in capital of NT\$447,630.

5. The Company's shareholders' meeting has on May 29, 2023 passed the proposal for the distribution of earnings in 2022. Relevant details are as follows:

	2022	
	Amount	Dividends per share (NTD)
Legal reserve	\$ 8,028	
Shareholders' stock dividend	36,327	\$ 0.64
Shareholders' cash dividends	<u>4,036</u>	0.07
	<u>\$ 48,391</u>	

(XV) Operating revenue

	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue from gas detection equipment	\$ 66,025	\$ 80,256
Maintenance and other service income	<u>67,757</u>	<u>49,786</u>
Total	<u>\$ 133,782</u>	<u>\$ 130,042</u>

1. Breakdown of revenue from contracts with customers

The Company's revenue is derived from the provision of goods and services that are transferred over time or at a point in time. Revenue can be further classified as follows:

For the six months ended June 30, 2023	Revenue from gas detection equipment	Maintenance and other service income	Total
Taiwan	\$ 27,609	\$ 47,294	\$ 74,903
China	1,622	12,953	14,575
Japan	-	2,836	2,836
Singapore	29,227	2,516	31,743
North America	3,922	2,158	6,080
Malaysia	<u>3,645</u>	<u>-</u>	<u>3,645</u>
	<u>\$ 66,025</u>	<u>\$ 67,757</u>	<u>\$ 133,782</u>

For the six months ended June 30, 2022	Revenue from gas detection equipment	Maintenance and other service income	Total
Taiwan	\$ 36,232	\$ 40,871	\$ 77,103
China	21,924	6,585	28,509
Japan	7,538	773	8,311
Singapore	1,004	78	1,082
North America	<u>13,558</u>	<u>1,479</u>	<u>15,037</u>
	<u>\$ 80,256</u>	<u>\$ 49,786</u>	<u>\$ 130,042</u>

2. Contract assets and liabilities

The contract assets and contract liabilities related to the revenue from contracts with customers recognized by the Company are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Contract assets:		
Contract assets - sale and installation of gas detection equipment	\$ 70,827	\$ 58,589
Contract assets - maintenance and other service	<u>26,072</u>	<u>47,293</u>
	<u>\$ 96,899</u>	<u>\$ 105,882</u>
	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Contract liabilities:		
Contract liabilities - sale and installation of gas detection equipment	\$ 24,916	\$ 11,222
Contract liabilities - maintenance and other service	<u>4,385</u>	<u>9,685</u>
Total	<u>\$ 29,301</u>	<u>\$ 20,907</u>
	<u>June 30, 2022</u>	<u>January 1, 2022</u>
Contract assets:		
Contract assets - sale and installation of gas detection equipment	\$ 54,002	\$ 70,986
Contract assets - maintenance and other service	<u>8,022</u>	<u>3,506</u>
	<u>\$ 62,024</u>	<u>\$ 74,492</u>
	<u>June 30, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:		
Contract liabilities - sale and installation of gas detection equipment	\$ 16,780	\$ 3,145
Contract liabilities - maintenance and other service	<u>3,147</u>	<u>4,107</u>
Total	<u>\$ 19,927</u>	<u>\$ 7,252</u>

Recognized income of contract liabilities at the beginning of the period

	Six months ended June 30, 2023	Six months ended June 30, 2022
Opening balance of contract liabilities		
Recognized as income in the current period	\$ 6,782	\$ 2,247
 (XVI) <u>Other gains and losses</u>		
	Six months ended June 30, 2023	Six months ended June 30, 2022
Net foreign exchange gain	\$ 4,358	\$ 15,234
Loss from disposal of property, plant and equipment	-	(502)
Total	\$ 4,358	\$ 14,732
 (XVII) <u>Financial cost</u>		
	Six months ended June 30, 2023	Six months ended June 30, 2022
Interest expense:		
Interest on lease liabilities	\$ 153	\$ 67
Borrowing interest	97	136
Total	\$ 250	\$ 203
 (XVIII) <u>Additional information of expenses by nature</u>		
	Six months ended June 30, 2023	Six months ended June 30, 2022
Employee welfare expenses	\$ 75,671	\$ 70,311
Depreciation of property, plant and equipment (including right-of-use assets)	\$ 12,140	\$ 8,883
Amortization of intangible assets	\$ 5,678	\$ 5,533

(XIX) Employee welfare expenses

	Six months ended June 30, 2023	Six months ended June 30, 2022
Salary expenses	\$ 61,500	\$ 54,933
Share-based payment	1,779	1,403
Labor and health insurance premiums	5,612	4,663
Pension expense	2,625	2,250
Directors' Remuneration	1,215	170
Other employee expenses	2,940	6,892
	<u>\$ 75,671</u>	<u>\$ 70,311</u>

1. If the Company generates a profit (i.e. profit before tax less the distribution of employees' remuneration and remuneration of directors/supervisors), it shall allocate amounts as remunerations to employees and directors/supervisors. However, if the Company still has accumulated deficits, it shall reserve the amount for compensation.
 - (1) Employees' remuneration shall be allocated at no less than 5% of the aforementioned basis;
 - (2) The remuneration to directors and supervisors shall be allocated at no more than 3% of the calculation basis referred to in the preceding paragraph.
 - (3) Employees' remuneration may be paid in the form of shares or cash, and the recipients of the remuneration may include employees of controlled subsidiaries that meet certain criteria.
 - (4) The remuneration to employees and remuneration to directors and supervisors referred to in the preceding paragraph shall be implemented by resolution of the board of directors with the attendance of more than two-thirds of the directors and with the consent of a majority of the directors present, and shall be reported to the shareholders' meeting.
2. The Company had a deficit from January 1 to June 30, 2023. Thus, there is no estimation of remunerations for employees, and directors and supervisors.
3. The 2022 remuneration to directors and employees was approved by the board of directors on March 27, 2023 which was consistent with the recognized amount in the 2022 financial statements.
4. There was accumulated deficit in the period from January 1 to June 30, 2022, so the remuneration of employees and the remuneration of directors and supervisors was not estimated.
5. Information on the remuneration to employees and directors/supervisors approved by the Company's Board of Directors is available on the Market Observation Post System.

(XX) Income tax

1. Income tax expenses

Components of income tax expense:

	Six months ended June 30, 2023	Six months ended June 30, 2022
Current income tax:		
Income tax on current income	\$ -	\$ -
Imposing surtax on undistributed earnings	845	-
Overestimated income tax in previous years	(2)	-
Total income tax for the period	<u>843</u>	<u>-</u>
Deferred income tax:		
Original reversal of temporary difference	-	-
Income tax expenses	<u>\$ 843</u>	<u>\$ -</u>

2. The income tax on the Company's profit-seeking business has been recognized by the tax authorities up to 2021.

(XXI) Earnings (loss) per share

	Six months ended June 30, 2023		
	After-tax amount	Weighted average outstanding shares (thousand shares)	Loss per share (NTD)
<u>Basic loss per share</u>			
Net loss attributable to common stock shareholders for the period	(\$ 3,952)	59,867	(\$ 0.07)
	Six months ended June 30, 2022		
	After-tax amount	Weighted average outstanding shares (thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 15,475	54,013	\$ 0.29
<u>Diluted earnings per share</u>			
Net income attributable to common shareholders	15,475	54,013	
Employee stock options	-	659	
	<u>\$ 15,475</u>	<u>54,672</u>	<u>\$ 0.28</u>

The above retrospective adjustment of the number of shares outstanding from January 1 to June 30, 2023 and 2022 has been made according to the proportion of capitalization increase in the 2022 earnings. The potential common shares from the period between January 1 to June 30, 2023 will produce anti-dilutive effect, so the calculation of diluted earnings per share is not proposed.

(XXII) Supplementary information on cash flow

Financing activities that do not affect cash flow:

	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash dividends that have been declared but not distributed by the Company	\$ 4,036	\$ -

(XXIII) Changes in liabilities from financing activities

	Long-term borrowings	Lease liabilities
January 1, 2023	\$ 11,667	\$ 5,208
Changes in cash flow from financing	(5,001)	(4,308)
Other non-cash changes		
Increase in right-of-use assets	-	22,292
June 30, 2023	\$ 6,666	\$ 23,192

	Long-term borrowings	Lease liabilities
January 1, 2022	\$ 21,667	\$ 9,917
Changes in cash flow from financing	(5,000)	(4,159)
June 30, 2022	\$ 16,667	\$ 5,758

VII. Related party transactions

(I) Related parties name and categories

Related party name	Related party categories
Leo WANG	Chairman of the Company
INFOCHAMP SYSTEMS CORPORATION (Note)	Substantive related party

Note: The substantial related party of the company resigned the director position on September 23, 2022, and hence was no longer a related party of the company from that date forward.

(II) Significant transactions with related parties

1. Service revenue

	Six months ended June 30, 2023	Six months ended June 30, 2022
INFOCHAMP SYSTEMS CORPORATION	\$ -	\$ 3,395

It is a product maintenance service, and the payment terms are processed according to the terms negotiated by both parties.

2. Purchasing

	Six months ended June 30, 2023	Six months ended June 30, 2022
INFOCHAMP SYSTEMS CORPORATION	\$ -	\$ 6,020

The Company's purchase price and payment period to related parties are processed according to the terms negotiated by both parties. The payment term is 30 days after receiving the goods.

3. Accounts receivable

	June 30, 2023	December 31, 2022	June 30, 2022
INFOCHAMP SYSTEMS CORPORATION	\$ -	\$ -	\$ 1,431

4. Accounts payable

	June 30, 2023	December 31, 2022	June 30, 2022
INFOCHAMP SYSTEMS CORPORATION	\$ -	\$ -	\$ 1,911

5. Guarantee provided by related parties

The Chairman of the Company provided the Company with a joint guarantee for the loan from Taishin Bank. Please refer to Note VI (IX) for the details of the loan period and repayment method.

(III) Remuneration of key management personnel

	Six months ended June 30, 2023	Six months ended June 30, 2022
Salary and short-term employee benefits	\$ 10,280	\$ 8,846
Share-based payment	551	763
Total	<u>\$ 10,831</u>	<u>\$ 9,609</u>

VIII. Pledged assets

None.

IX. Significant contingent liabilities and unrecognized commitments

None.

X. Significant disaster loss

None.

XI. Events after the reporting period

None.

XII. Others

(I) Capital management

The capital management objective of the Company at the current stage is to ensure its continued operation, maintain an optimal capital structure to reduce the cost of capital, and provide shareholders with sustained and steady returns after the operation turns losses into profits in the future. To achieve these goals, the Company maintains or adjusts its capital through various means, including but not limited to cash capital increase, short-term financing from specific individuals or institutions, bank borrowings, issuance of corporate bonds, asset disposal to repay debts or enrich working capital, distribution of dividends, and capital reduction. The Company uses the debt/equity ratio to monitor and manage capital. This ratio is calculated by dividing "Net Debt" by "Total Equity". The interim net debt is calculated as "Total liabilities" less cash and cash equivalents. The calculation of "Total Equity" is taken from the "Total Equity" as reported in the Statement of Financial Position.

The Company's strategy in 2023 remains consistent with that of 2022, which is to maintain a debt-to-equity ratio at or below 60%. As of June 30, 2023, December 31, 2022 and June 30, 2022, the Company's total liabilities were less than the cash and cash equivalents. Therefore, the debt-to-equity ratio was 0.

(II) Financial instruments

1. Categories of financial instruments

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets</u>			
Financial assets measured at amortized cost			
Cash and cash equivalents	\$ 412,716	\$ 394,006	\$ 304,641
Financial assets measured at amortized cost	2,500	2,500	2,500
Notes receivable	1,868	60	6,156
Accounts receivable (including related parties)	58,102	99,273	103,292
Other receivables	465	465	-
Long-term receivables	-	8,036	-
Refundable deposits	<u>5,084</u>	<u>3,182</u>	<u>2,673</u>
	<u>\$ 480,735</u>	<u>\$ 507,522</u>	<u>\$ 419,262</u>
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost			
Accounts payable (including related parties)	\$ 15,341	\$ 16,219	\$ 12,415
Other payables	59,406	83,271	35,700
Long-term borrowings (including those due within one year or one business cycle)	<u>6,666</u>	<u>11,667</u>	<u>16,667</u>
	<u>\$ 81,413</u>	<u>\$ 111,157</u>	<u>\$ 64,782</u>
Lease liabilities	<u>\$ 23,191</u>	<u>\$ 5,208</u>	<u>\$ 5,758</u>

2. Risk management policies

The Company's daily operations are affected by multiple financial risks, including market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Company's overall risk management policy focuses on mitigating potential adverse effects on its financial position and financial performance due to the unpredictability of the financial market..

3. Significant financial risk

(1) Market risk

Foreign currency risk

- A. The Company's business involves several non-functional currencies (the Company's functional currency is NTD), therefore it is affected by exchange

rate fluctuations. The information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	<u>June 30, 2023</u>		
	<u>Foreign currency (In thousand)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 9,603	31.14	\$ 299,036
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	310	31.14	9,653
	<u>December 31, 2022</u>		
	<u>Foreign currency (In thousand)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 10,652	30.71	\$ 327,170
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	541	30.71	16,222
	<u>June 30, 2022</u>		
	<u>Foreign currency (In thousand)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 6,850	29.72	\$ 203,541
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	245	29.72	7,309

- B. The total amount of exchange (loss) gains (including realized and unrealized) recognized for the periods January 1 to June 30, 2023 and 2022 (including realized and unrealized) amounted to NT\$4,358 and NT\$15,234, respectively.
- C. The analysis of the Company's risk in the foreign currency market due to significant exchange rate fluctuations is as follows:

<u>Six months ended June 30, 2023</u>			
<u>Sensitivity analysis</u>			
(Foreign currency: Functional currency)	<u>Range of change</u>	<u>Impact on gain or loss</u>	<u>Impact on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 2,990	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	97	-

<u>Six months ended June 30, 2022</u>			
<u>Sensitivity analysis</u>			
(Foreign currency: Functional currency)	<u>Range of change</u>	<u>Impact on gain or loss</u>	<u>Impact on other comprehensive income</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 2,035	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	73	-

Price risk

Since the investments held by the Company are classified as financial assets measured at fair value through profit and loss on the Statement of Financial Position, it is not exposed the commodity price risk. To manage the price risk of equity instrument investment, the Company diversifies its investment portfolio according to the limits set by the Company.

Cash flow and fair value interest rate risk

The Company's long-term borrowings are issued at fixed interest rates, so there is no cash flow interest rate risk.

(2) Credit risk

- A. The credit risk of the Company refers to the possibility of financial losses to the Company due to the failure of customers or counterparties to fulfill their contractual obligations. It mainly arises from accounts receivable that counterparties are unable to repay according to the payment terms and is classified as contractual cash flow of debt instrument investment measured at amortized cost.
- B. The Company manages credit risk from a corporate perspective. According to the internal credit policy, each operating entity within the Company must manage each new customer and perform credit risk analysis on them before establishing payment and delivery terms and conditions.. The internal risk control evaluates customers' credit quality by considering their financial status, past experience, and other factors. Limits for individual risks are set in accordance with Approval Authority of the Company, and the use of credit limits is monitored regularly.
- C. The Company considers a contract to have been breached when the contract amount is overdue for more than 361 days according to the agreed payment terms.
- D. The Company adopts the following hypotheses under IFRS 9 as the basis for assessing whether the credit risk of financial instruments has increased significantly since initial recognition:

When the contract amount is overdue for more than 30 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since initial recognition.
- E. The indicators used by the Company to determine the credit impairment of debt instrument investment are as follows:
 - (A) The issuer is in major financial difficulty, or the possibility of bankruptcy or other financial reorganizations is greatly increased;
 - (B) The active market for the financial assets disappears due to the issuer's financial difficulty;
 - (C) The issuer delays or fails to repay the interest or principal;
 - (D) Unfavorable changes in national or regional economic conditions that lead to the issuer's default.
- F. The Company classifies the accounts receivable of customers according to the characteristics of customer rating, and estimates the expected credit losses based on the loss rate method.

G. The Company considers future factors and adjusts the loss rate established according to the historical and current information of a specific period to estimate the loss allowance of accounts receivable. The loss ratio method as of June 30, 2023, December 31, 2022 and June 30, 2022 is as follows:

	Group A	Individual assessment	Total
<u>June 30, 2023</u>			
Expected loss rate	0.00-0.92%	0.40-0.92%	
Total book value	\$ 36,735	\$ 21,485	\$ 58,220
Allowance for loss	40	78	118
<u>December 31, 2022</u>			
Expected loss rate	0.00-0.04%	0.00-100%	
Total book value	\$ 82,706	\$ 26,775	\$ 109,481
Allowance for loss	2	2,110	2,112
<u>June 30, 2022</u>			
Expected loss rate	0.00%	0.00%~100%	
Total book value	\$ 99,988	\$ 6,310	\$ 106,298
Allowance for loss	-	4,437	4,437

H. The Company's simplified statement of changes in the loss allowance on accounts receivable is as follows:

	2023	2022
	Accounts receivable	Accounts receivable
January 1	\$ 2,112	\$ 4,379
Provision of (reversal) impairment loss	(1,994)	58
Write-offs in the current period	-	-
June 30	\$ 118	\$ 4,437

(3) Liquidity risk

- A. Cash flow forecast is carried out by each operating entity within the Company and summarized by the Company's Finance Department. The Finance Department monitors the Company's working capital needs to ensure that sufficient funds are available to meet its operating requirements.
- B. The following table shows the Company's non-derivative financial liabilities, grouped according to the respective maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the Statement of

Financial Position date to the contractual maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

Non-derivative financial liabilities:

June 30, 2023	Within 1 year	1-2 years	2 to 5 years	More than 5 years
Accounts payable	\$ 15,341	\$ -	\$ -	\$ -
Other payables	59,406	-	-	-
Lease liabilities	9,439	9,330	5,209	-
Long-term borrowings (including those due within one year or one business cycle)	6,718	-	-	-

Non-derivative financial liabilities:

December 31, 2022	Within 1 year	1-2 years	2 to 5 years	More than 5 years
Accounts payable	\$ 16,219	\$ -	\$ -	\$ -
Other payables	83,271	-	-	-
Lease liabilities	2,917	1,014	1,558	-
Long-term borrowings (including those due within one year or one business cycle)	10,146	1,671	-	-

Non-derivative financial liabilities:

June 30, 2022	Within 1 year	1-2 years	2 to 5 years	More than 5 years
Accounts payable	\$ 12,415	\$ -	\$ -	\$ -
Other payables	35,700	-	-	-
Lease liabilities	5,823	110	-	-
Long-term borrowings (including those due within one year or one business cycle)	10,249	6,718	-	-

(III) Fair value information

1. The Company's financial instruments not measured at fair value, including cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits, long-term receivables, accounts payable (including related parties), other payables, and long-term borrowings are a reasonable approximation of the fair value.
2. The Company had no financial and non-financial instruments measured at fair value as of June 30, 2023, December 31, 2022, and June 30, 2022.

XIII. Notes to disclosure

(IV) Information about important transactions

1. Loaning of funds to others: None.
2. Making endorsements/guarantees for others: None.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliated companies, and jointly controlled entities): None.
4. The cumulative amount of the same securities purchased or sold reaching NT\$300 million or 20% of the paid-in capital or more: None.
5. The amount of acquired real estate exceeding NT\$300 million or 20% of the paid-in capital or more: None.
6. Disposal of real estate for an amount exceeding NT\$300 million or 20% of the paid-in capital or more: None.
7. The amount of purchases from and sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more: None.
8. Accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more: None.
9. Engaged in derivative transactions: None.
10. The business relationship and important transactions between the parent company and its subsidiaries: None.

(V) Information on re-invested businesses

The name and location of the investee company and other relevant information (excluding investee companies in Mainland China): None.

(VI) Investment information in Mainland China

1. Basic information: None.

Note: On March 31, 2021, the Company's board of directors resolved to establish a subsidiary, TricornTech (Shanghai) Co., Ltd., which is 100% held by the Company. As of the date of the financial statements, the Company has not yet remitted the investment funds, and the company has not yet commenced business.

2. Major transactions with investee companies in Mainland China directly or indirectly through enterprises in a third region: None.

XIV. Segments Information

(I) General information

The Company operates exclusively in a single industry, and the operating decision-maker of the Company has designated it as a reportable segment based on overall performance assessment and resource allocation.

(II) Measurement of segment information

The accounting policies for the Company's operating segments align with the summary of significant accounting policies outlined in Note IV of the financial statements. The operating segment's profit or loss is determined by the net profit (loss) after tax and serves as the basis for evaluating its performance.

(III) Reconciliation information of segment profit and loss

The department assets, liabilities, and net loss after tax presented to the major operating decision-makers are measured using the same methodology as the Statement of Financial Position and Statement of Comprehensive Income, requiring no adjustments.