

FSP Technology Inc. and Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022

Address: No. 22, Jianguo E. Rd., Taoyuan Dist., Taoyuan City
Tel: (03)3759888

Table of Contents

	Item	Page
I.	Cover Page	1
II.	Table of Contents	2
III.	Independent Auditors' Report	3
IV.	Consolidated Balance Sheets	5
V.	Consolidated Statements of Comprehensive Income	6
VI.	Consolidated Statements of Changes in Equity	7
VII.	Consolidated Statements of Cash Flows	8
VIII.	Notes to Consolidated Financial Statements	
	(I) Company History	9
	(II) Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization	9
	(III) Application of New and Amended Standards and Interpretations	9~11
	(IV) Summary of Significant Accounting Policies	12~14
	(V) Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions	15
	(VI) Details of Significant Accounts	15~47
	(VII) Related Party Transactions	47~50
	(VIII) Pledged Assets	50
	(IX) Significant Contingent Liabilities and Unrecognized Contract Commitments	50~51
	(X) Significant Disaster Loss	52
	(XI) Significant Events after the Balance Sheet Date	52
	(XII) Others	52
	(XIII) Supplementary Disclosures	
	1. Information on Significant Transactions	52~55
	2. Information on Invested Companies	56
	3. Information on Investments in Mainland China	56~57
	4. Information on Major Shareholders	57~58
	(XIV) Segment Information	58

Independent Auditors' Report

To the Board of Directors of FSP Technology Inc.:

Preface

We have reviewed the Consolidated Financial Statements of FSP Technology Inc. and its subsidiaries, which comprise the Consolidated Balance Sheets as of March 31, 2023, and March 31, 2022 (restated), and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Equity, the Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) from January 1 to March 31, 2023, and January 1 to March 31, 2022 (restated). The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (IAS) 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews following the Standards on Auditing 2410 "Review of Financial Statements". The procedures performed to review the consolidated financial statements include inquiry (mainly the inquiry to the persons responsible for financial and accounting affairs), analysis procedure 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.

Basis for Qualified Conclusion

As stated in Note IV(II) to the consolidated financial statements, it has included part of its insignificant subsidiaries in the aforesaid consolidated financial statements based on the financial statements of these invested companies not reviewed by the independent auditors for the same period. As of March 31, 2023, and March 31, 2022 (restated), these subsidiaries had the total assets of NT\$2,502,604 thousand and NT\$2,130,411 thousand, respectively, representing 11.88% and 10.50% of the consolidated total assets, had the total liabilities of NT\$1,032,092 thousand and NT\$801,546 thousand, respectively, representing

14.37% and 11.72% of the consolidated total liabilities, and realized the comprehensive profit (loss) of NT\$47,368 thousand and NT\$51,061 thousand from January 1 to March 31, 2023, and January 1 to March 31, 2022 (restated), respectively, representing 5.45% and (47.66)% of the consolidated comprehensive profit (loss), respectively.

Besides the above-mentioned in the previous paragraph, as stated in Note VI(VIII) of the consolidated financial statements, investments accounted for under the equity method of FSP Technology Inc. and subsidiaries amounted to NT\$36,258 thousand and NT\$30,495 thousand as of March 31, 2023, and 2022, respectively. The share of corporate profit recognized under the equity method was NT\$1,056 thousand and NT\$1,844 thousand from January 1 to March 31, 2023, and 2022, respectively. Those amounts were recognized based on financial statements of the investees for the same period and have not been reviewed by the independent auditors.

Qualified Conclusion

Except for possible effects from financial statements of these investees mentioned in the paragraph titled "Basis for Qualified Conclusion" if they were reviewed by independent auditors, we did not discover matters which would lead us to believe that the aforementioned consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of FSP Technology Inc. and its subsidiaries as of March 31, 2023, and March 31, 2022 (restated), and their consolidated financial performance and cash flows from January 1 to March 31, 2023, and January 1 to March 31, 2022 (restated) following the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission.

The engagement partners on the audit resulting in this independent auditors' report are Chang, Chun-I and Chao, Min-Ju.

KPMG

Taipei, Taiwan (Republic of China)

May 2, 2023

Notice to Readers

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

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

For the Three Months Ended March 31, 2023 and 2022 Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2023, December 31, 2022, March 31, 2022 and January 1, 2022

Unit: NT\$ thousands

	2023.3.31		2022.12.31 (Restated)		2022.3.31 (Restated)		2022.1.1 (Restated)			2023.3.31		2022.12.31 (Restated)		2022.3.31 (Restated)		2022.1.1 (Restated)		
	Amount	%	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	Amount	%	
Assets																		
11xx Current Assets:																		
1100 Cash and cash equivalents (Note VI(I))	\$ 4,033,503	19	3,695,970	18	2,896,916	14	2,794,253	13	21xx									
1110 Financial assets at fair value through profit or loss - current (Note VI(II))	577,693	3	560,449	3	492,453	3	516,074	3	2100	Short-term borrowings (Notes VI(IX), (XII) and VIII)	\$ 7,610	-	7,692	-	16,901	-	16,315	-
1136 Financial assets at amortized cost - current (Note VI(IV))	-	-	-	-	10,800	-	10,800	-	2150	Notes payable	10,712	-	13,057	-	12,337	-	14,445	-
1150 Notes receivable, net (Notes VI(V) and (XX))	76,859	-	81,568	-	67,042	-	62,112	-	2170	Accounts payable	3,768,979	18	3,854,819	18	4,194,254	21	4,986,689	23
1170 Accounts receivable, net (Notes VI(V) and (XX))	3,021,616	14	3,140,610	16	3,345,227	17	3,864,730	18	2180	Accounts payable - related parties (Note VII)	207,663	1	151,773	1	60,840	-	90,024	-
1180 Accounts receivable - related parties, net (Notes VI(V), (XX) and VII)	779,269	4	721,838	4	869,251	4	801,748	4	2200	Other payables (Notes VI(XVI), (XXI) and VII)	1,106,230	5	1,247,717	6	1,033,323	5	1,151,339	6
1200 Other receivables (Notes VI(III), (VI) and VII)	93,358	1	91,330	-	106,483	1	73,406	-	2216	Dividends payable	711,595	3	-	-	-	-	-	-
1220 Current income tax assets	6,584	-	5,865	-	5,648	-	5,779	-	2230	Current income tax liabilities	184,842	1	156,741	1	207,828	1	167,169	1
130x Inventories (Note VI(VII))	2,873,712	14	3,058,639	15	3,250,824	16	3,590,546	17	2250	Provisions - current (Note VI(XV))	128,943	1	131,155	1	137,879	1	146,223	1
1410 Prepayments	60,839	-	44,578	-	63,160	-	77,899	-	2280	Lease liabilities - current (Notes VI(XIV) and VII)	186,427	1	175,602	1	174,479	1	166,758	1
1470 Other current assets	20,978	-	30,858	-	24,402	-	34,848	-	2300	Other current liabilities (Notes VI(XIII) and (XX))	197,556	1	168,256	1	101,609	1	92,137	-
Total current assets	11,544,411	55	11,431,705	56	11,132,206	55	11,832,195	55	2320	Long-term liabilities - current portion (Notes VI(IX), (XIII) and VIII)	75,096	-	74,930	-	74,419	-	73,014	-
15xx Non-current Assets:																		
1517 Financial assets at fair value through other comprehensive income - non-current (Notes VI(III) and (XVIII))	7,014,026	33	6,376,814	32	6,427,196	32	6,763,138	32	25xx	Total current liabilities	6,585,653	31	5,981,742	29	6,013,869	30	6,904,113	32
1550 Investment under equity method (Note VI(VIII))	36,258	-	34,200	-	30,495	-	26,947	-	2540	Non-current Liabilities:								
1600 Property, plant and equipment (Notes VI(IX), (XII), and (XIII), VIII and IX)	1,462,267	7	1,487,995	7	1,550,223	8	1,544,427	8	2570	Long-term borrowings (Notes VI(IX) and (XIII), and VIII)	105,564	1	124,404	1	180,660	1	199,334	1
1755 Right-of-use assets (Notes VI(X), (XIV) and VII)	531,532	3	527,497	3	611,712	3	635,433	3	2580	Deferred income tax liabilities (Note III)	122,414	1	121,940	-	151,967	1	146,792	1
1780 Intangible assets (Note VI(XI))	223,181	1	224,905	1	224,325	1	223,496	1	2640	Lease liabilities - non-current (Notes VI(XIV) and VII)	357,645	1	364,713	2	445,610	2	474,996	2
1840 Deferred income tax assets (Note III)	193,190	1	192,732	1	236,405	1	230,824	1	2645	Net defined benefit liabilities non-current	6,419	-	8,511	-	42,620	-	44,234	-
1900 Other non-current assets (Notes VI(IX), VIII and IX)	57,160	-	52,573	-	71,431	-	69,666	-	2670	Guarantee deposits received	535	-	532	-	518	-	500	-
Total non-current assets	9,517,614	45	8,896,716	44	9,151,787	45	9,493,931	45	2xxx	Other non-current liabilities (Note VI(XIII))	2,815	-	2,994	-	3,691	-	3,970	-
									31xx	Total non-current liabilities	595,392	3	623,094	3	825,066	4	869,826	4
										Total liabilities	7,181,045	34	6,604,836	32	6,838,935	34	7,773,939	36
									3100	Equity Attributable to Owners of the Parent (Notes III, VI(III), (VIII) and (XVIII)):								
									3200	Capital Stock	1,872,620	9	1,872,620	9	1,872,620	9	1,872,620	9
									3300	Capital Surplus	861,207	4	1,011,016	5	1,011,016	5	1,011,016	5
									3310	Retained earnings:								
									3350	Legal reserve	1,175,322	5	1,175,322	6	1,033,544	5	1,033,544	5
										Unappropriated earnings	3,362,475	16	3,719,335	18	3,441,187	17	3,213,826	15
										Total retained earnings	4,537,797	21	4,894,657	24	4,474,731	22	4,247,370	20
									34xx	Other Equity:								
									3410	Exchange differences on translation of financial statements of foreign operations	(69,326)	-	(77,349)	-	(42,681)	-	(117,703)	(1)
									3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	6,265,865	30	5,628,307	28	5,772,680	28	6,200,289	29
										Total other equity	6,196,539	30	5,550,958	28	5,729,999	28	6,082,586	28
										Total equity attributable to shareholders of the parent	13,468,163	64	13,329,251	66	13,088,366	64	13,213,592	62
									36xx	Non-controlling Interests	412,817	2	394,334	2	356,692	2	338,595	2
									3xxx	Total equity	13,880,980	66	13,723,585	68	13,445,058	66	13,552,187	64
1xxx Total assets	\$ 21,062,025	100	20,328,421	100	20,283,993	100	21,326,126	100	2-3xxx	Total liabilities and equity	\$ 21,062,025	100	20,328,421	100	20,283,993	100	21,326,126	100

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

January 1 to March 31, 2023 and 2022

Unit: NT\$ thousands

	January to March, 2023		January to March, 2022 (Restated)	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000 Operating revenue (Notes VI(XX) and VII)	\$ 3,656,130	100	3,717,016	100
5000 Operating costs (Notes VI(VII, (IX), (X), (XI), (XIV), (XV), and (XVI), VII and XII)	3,105,824	85	3,157,969	85
5920 Add: Realized Profit on Sales	<u>1,312</u>	-	<u>642</u>	-
5900 Gross profit	<u>551,618</u>	<u>15</u>	<u>559,689</u>	<u>15</u>
6000 Operating expenses (Notes VI(V), (VI), (IX), (X), (XI), (XIV), (XVI), (XXI), VII and XII):				
6100 Selling and marketing expenses	144,628	4	160,424	4
6200 General and administrative expenses	156,957	4	145,963	4
6300 Research and development expenses	139,360	4	118,358	3
6450 Gain on expected credit loss	<u>(10,000)</u>	-	<u>-</u>	-
Total operating expenses	<u>430,945</u>	<u>12</u>	<u>424,745</u>	<u>11</u>
6900 Net operating income	<u>120,673</u>	<u>3</u>	<u>134,944</u>	<u>4</u>
7000 Non-operating income and expenses (Notes VI(III), (VIII), (XIII), (XIV), (XXII), and VII):				
7100 Interest income	16,351	-	4,049	-
7010 Other income	12,008	-	14,701	-
7020 Other gains and losses	(16,541)	-	38,342	1
7050 Finance costs	(3,358)	-	(5,105)	-
7060 Share of profits (losses) of associates and joint ventures under equity method	<u>1,056</u>	-	<u>1,844</u>	-
Total non-operating income and expenses	<u>9,516</u>	-	<u>53,831</u>	<u>1</u>
7900 Income before income tax from continuing operations	130,189	3	188,775	5
7950 Less: Income tax expense (Note VI(XVII))	<u>27,596</u>	<u>1</u>	<u>39,221</u>	<u>1</u>
8200 Net Income	<u>102,593</u>	<u>2</u>	<u>149,554</u>	<u>4</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified to profit or loss (Note (XVIII))				
8316 Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	758,989	21	(333,216)	(9)
8349 Less: Income tax related to components that will not be reclassified to profit or loss	-	-	-	-
Total items that will not be reclassified to profit or loss	<u>758,989</u>	<u>21</u>	<u>(333,216)</u>	<u>(9)</u>
8360 Items that may be reclassified subsequently to profit or loss (Note III, VI(VIII) and (XVIII))				
8361 Exchange differences on translation of financial statements of foreign operations	7,718	-	75,471	2
8370 Share of other comprehensive income (losses) of associates and joint ventures under equity method	(310)	-	1,062	-
8399 Less: Income tax related to items that may be reclassified subsequently	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	<u>7,408</u>	-	<u>76,533</u>	<u>2</u>
8300 Other Comprehensive Income	<u>766,397</u>	<u>21</u>	<u>(256,683)</u>	<u>(7)</u>
8500 Total Comprehensive Income	<u>\$ 868,990</u>	<u>23</u>	<u>(107,129)</u>	<u>(3)</u>
Net income (losses) attributable to:				
8610 Shareholders of the parent	\$ 83,495	2	132,968	4
8620 Non-controlling Interests	19,098	-	16,586	-
	<u>\$ 102,593</u>	<u>2</u>	<u>149,554</u>	<u>4</u>
Total comprehensive income (losses) attributable to:				
8710 Shareholders of the parent	\$ 850,507	23	(125,226)	(3)
8720 Non-controlling Interests	18,483	-	18,097	-
	<u>\$ 868,990</u>	<u>23</u>	<u>(107,129)</u>	<u>(3)</u>
Earnings per share (unit: NT\$) (Note VI(XIX))				
9750 Basic earnings per share	<u>\$ 0.45</u>		<u>0.71</u>	
9850 Diluted earnings per share	<u>\$ 0.44</u>		<u>0.70</u>	

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman:
Cheng, Ya-Jen

Managerial Officer:
Cheng, Ya-Jen

Chief Accounting Officer:
Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
FSP Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to March 31, 2023 and 2022

Unit: NT\$ thousands

	Equity Attributable to Owners of the Parent					Other equity items		Total equity attributable to shareholders of the parent	Non-controlling Interests	Total Equity	
	Capital stock - common shares	Capital Surplus	Retained earnings			Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income				
			Legal reserve	Unappropriated earnings	Total						
Balance as of January 1, 2022	\$ 1,872,620	1,011,016	1,033,544	3,209,195	4,242,739	(117,703)	6,200,289	6,082,586	13,208,961	338,515	13,547,476
Retroactive adjustments to new standards	-	-	-	4,631	4,631	-	-	-	4,631	80	4,711
Balance after restatement as of January 1, 2022	<u>1,872,620</u>	<u>1,011,016</u>	<u>1,033,544</u>	<u>3,213,826</u>	<u>4,247,370</u>	<u>(117,703)</u>	<u>6,200,289</u>	<u>6,082,586</u>	<u>13,213,592</u>	<u>338,595</u>	<u>13,552,187</u>
Net Income	-	-	-	132,968	132,968	-	-	-	132,968	16,586	149,554
Other Comprehensive Income	-	-	-	-	-	75,022	(333,216)	(258,194)	(258,194)	1,511	(256,683)
Total Comprehensive Income	-	-	-	132,968	132,968	75,022	(333,216)	(258,194)	(125,226)	18,097	(107,129)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	94,393	94,393	-	(94,393)	(94,393)	-	-	-
Balance as of March 31, 2022	<u>\$ 1,872,620</u>	<u>1,011,016</u>	<u>1,033,544</u>	<u>3,441,187</u>	<u>4,474,731</u>	<u>(42,681)</u>	<u>5,772,680</u>	<u>5,729,999</u>	<u>13,088,366</u>	<u>356,692</u>	<u>13,445,058</u>
Balance as of January 1, 2023	\$ 1,872,620	1,011,016	1,175,322	3,713,296	4,888,618	(77,427)	5,628,307	5,550,880	13,323,134	394,238	13,717,372
Retroactive adjustments to new standards	-	-	-	6,039	6,039	78	-	78	6,117	96	6,213
Balance after restatement as of January 1, 2023	<u>1,872,620</u>	<u>1,011,016</u>	<u>1,175,322</u>	<u>3,719,335</u>	<u>4,894,657</u>	<u>(77,349)</u>	<u>5,628,307</u>	<u>5,550,958</u>	<u>13,329,251</u>	<u>394,334</u>	<u>13,723,585</u>
Appropriation and distribution of earnings:											
Cash dividends of common stock	-	-	-	(561,786)	(561,786)	-	-	-	(561,786)	-	(561,786)
Changes in other capital surplus:											
Cash dividends appropriated from capital surplus	-	(149,809)	-	-	-	-	-	-	(149,809)	-	(149,809)
Net Income	-	-	-	83,495	83,495	-	-	-	83,495	19,098	102,593
Other Comprehensive Income	-	-	-	-	-	8,023	758,989	767,012	767,012	(615)	766,397
Total Comprehensive Income	-	-	-	83,495	83,495	8,023	758,989	767,012	850,507	18,483	868,990
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	121,431	121,431	-	(121,431)	(121,431)	-	-	-
Balance as of March 31, 2023	<u>\$ 1,872,620</u>	<u>861,207</u>	<u>1,175,322</u>	<u>3,362,475</u>	<u>4,537,797</u>	<u>(69,326)</u>	<u>6,265,865</u>	<u>6,196,539</u>	<u>13,468,163</u>	<u>412,817</u>	<u>13,880,980</u>

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
FSP Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to March 31, 2023 and 2022

Unit: NT\$ thousands

	January to March, 2023	January to March, 2022
Cash flows from operating activities:		
Income before income tax	\$ 130,189	188,775
Adjustments for:		
Adjustments to reconcile profit or loss		
Depreciation expenses	93,265	90,454
Amortization expenses	1,749	2,233
Gain on expected credit loss	(10,000)	-
Interest expenses	3,358	5,105
Interest income	(16,351)	(4,049)
Dividend income	(55)	(28)
Share of profits (losses) of associates and joint ventures under equity method	(1,056)	(1,844)
Loss (gain) on disposal and scrap of property, plant and equipment	8	(70)
Realized Profit on Sales	(1,312)	(642)
Total adjustments for profit or loss	69,606	91,159
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(17,244)	23,621
Notes receivable	4,709	(4,930)
Accounts receivable	128,994	519,503
Accounts receivable - related parties	(57,431)	(67,503)
Other receivables	7,999	(24,333)
Inventories	184,927	339,722
Prepayments	(16,261)	14,739
Other current assets	9,880	10,446
Other Non-Current Assets	(437)	(416)
Total changes in operating assets	245,136	810,849
Changes in operating liabilities:		
Notes payable	(2,345)	(2,108)
Accounts payable	(85,840)	(792,435)
Accounts payable - related parties	55,890	(29,184)
Other payables	(137,117)	(118,052)
Provisions for liabilities	(2,212)	(8,344)
Other current liabilities	29,121	9,193
Net defined benefit liabilities	(2,092)	(1,614)
Total changes in operating liabilities	(144,595)	(942,544)
Total changes in operating assets and liabilities	100,541	(131,695)
Total adjustments	170,147	(40,536)
Cash flows generated by operating activities	300,336	148,239
Interest received	15,222	3,852
Interest paid	(3,339)	(5,104)
Income tax paid	(214)	(624)
Net cash flows generated from operating activities	312,005	146,363
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(91,979)
Disposal of financial assets at fair value through other comprehensive income	112,906	86,158
Acquisition of property, plant, and equipment	(24,688)	(35,675)
Disposal of property, plant and equipment	-	117
Acquisition of intangible assets	(22)	(3,062)
Increase in refundable deposits	(2,432)	(1,345)
Increase in prepayments for equipment	(2,040)	(458)
Dividends received	28	28
Net cash flows generated from (used in) investing activities	83,752	(46,216)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(82)	586
Repayments of long-term loans	(18,674)	(17,269)
Repayment of the principal of lease liabilities	(45,244)	(41,905)
Net cash flows used in financing activities	(64,000)	(58,588)
Effects of exchange rate changes on the balance of cash held in foreign currencies	5,776	61,104
Increase in cash and cash equivalents for the period	337,533	102,663
Cash and cash equivalents at the beginning of the year	3,695,970	2,794,253
Cash and cash equivalents at the end of the year	\$ 4,033,503	2,896,916

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

FSP Technology Inc. (the “Company”) was incorporated on April 15, 1993, and registered under the Ministry of Economic Affairs, R.O.C. The Company is listed on the Taiwan Stock Exchange since October 16, 2002. The Company and its subsidiaries (the “Group”) are primarily engaged in the manufacturing, processing and trading of power supplies and various electronic components.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

These consolidated financial statements were authorized for issue by the Board of Directors on May 2, 2023.

III. Application of New and Amended Standards and Interpretations

(I) Impact of adoption of new or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

The Group has initially adopted the following new amendments to IFRS since January 1, 2023, the impact of which is described as follows:

1. Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

The amendment restricts the scope of the recognition exemption. When the original recognition of a transaction results in an equal amount of taxable and deductible temporary differences, the recognition exemption is no longer applicable, and an equal amount of deferred income tax assets and deferred income tax liabilities should be recognized. Such accounting change increased deferred income tax assets, deferred income tax liabilities, retained earnings and non-controlling interests by NT\$148,584 thousand, NT\$143,873 thousand, NT\$4,631 thousand and NT\$80 thousand, respectively, as of January 1, 2022; deferred income tax assets, deferred income tax liabilities, retained earnings, exchange differences on translation of financial statements of foreign operations attributable to owners' equity of the parent and non-controlling interests by NT\$123,651 thousand, NT\$117,438 thousand, NT\$6,039 thousand, NT\$78 thousand and NT\$96 thousand, respectively, as of December 31, 2022; deferred income tax assets, deferred income tax liabilities, retained earnings, exchange differences on translation of financial statements of foreign operations attributable to owners' equity of the parent and

non-controlling interests by NT\$153,930 thousand, NT\$149,048 thousand, NT\$4,631 thousand, NT\$168 thousand and NT\$83 thousand, respectively, as of March 31, 2022; and exchange differences on translation of financial statements of foreign operating companies by NT\$171 thousand from January 1, 2022 to March 31, 2022, which had no effect on basic earnings per share, diluted earnings per share and cash flow statement.

If the Group had followed the previous accounting policy in the first quarter of 2023, the deferred income tax assets, deferred income tax liabilities, retained earnings, exchange differences on translation of financial statements of foreign operations attributable to owners' equity of the parent and non-controlling interests as of March 31, 2023 would have been decreased by NT\$124,154 thousand, NT\$117,913 thousand, NT\$6,039 thousand, NT\$107 thousand and NT\$95 thousand, respectively. The exchange differences on translation of the financial statements of foreign operations for the period from January 1 to March 31, 2023 would have been decreased by NT\$28 thousand, which had no effect on basic earnings per share, diluted earnings per share and cash flow statement.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

2. Others

The following new amendments are also effective as of January 1, 2023, but have no material impact on the Consolidated Financial Statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(II) IFRSs issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the IASB, but not yet endorsed by the FSC:

New or Amended Standards	Content of Amendment	Effective Date per International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	When the investor sells or contributes its subsidiary to an associate or a joint venture and the asset sold or contributed constitutes a business, full gain or loss should be recognized on the loss of control of a business. If the asset sold or contributed does not constitute a business, unrealized gains and losses should be calculated according to the shareholding percentage and partial gain or loss should be recognized.	To be determined by International Accounting Standards Board
Amendments to IAS 1 “Classification of liabilities as current or non-current”	Current IAS 1 requires a liability to be classified as current if the enterprise does not have an unconditional right to defer settlement for at least 12 months after the reporting period. The amendment removes the requirement that the right be unconditional and instead requires the right to exist at the end of the reporting period and to be substantive. The amendment clarifies how an enterprise should classify liabilities that are settled by the issuance of its own equity instruments (e.g., convertible corporate bonds).	January 1, 2024

The Group is evaluating the impact of the initial adoption of the above-mentioned standards or interpretations on its financial position and operating performance. The results will be disclosed when the Group completes the evaluation.

The Group expects that the following new and amended standards, which have not been endorsed by the FSC, will not have a significant impact on the Consolidated Financial Statements.

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendment to IAS 1, “Non-current Liabilities with Contractual Provisions”
- Amendment to IFRS 17, “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendment to IFRS 16 “Requirements on Sales and Leaseback Transactions”

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

IV. Summary of Significant Accounting Policies

Except for the following descriptions, the consolidated financial statements adopt the same significant accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2022. Please refer to Note IV of the consolidated financial statements for the year ended December 31, 2022, for details.

(I) Compliance declaration

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereafter referred to as the “Preparation Regulations”) and IFRS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the necessary information that shall be disclosed in annual consolidated financial statements prepared in accordance with IFRS, IAS, IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC (hereafter referred to as the IFRSs endorsed by the FSC”).

(II) Basis of consolidation

The consolidated financial statements adopt the preparation principles as the ones used in the consolidated financial statements for the year ended December 31, 2022. Please refer to Note IV(III) of the consolidated financial statements for the year ended December 31, 2022, for details.

1. Subsidiaries included in the Consolidated Financial Statements

Subsidiaries included in the Consolidated Financial Statements are as follows:

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2023.3.31	2022.12.31	2022.3.31	
The Company	FSP International Inc. (BVI)	Investment holdings	100.00%	100.00%	100.00%	
"	FSP Group Inc.	Engaged in safety certification	100.00%	100.00%	100.00%	Note 3
"	Amacrox Technology Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	100.00%	Note 3
"	3Y Power Technology (Taiwan) Inc. (“3Y Power”)	Trading and manufacturing of power supplies and related electronic products	65.87%	65.87%	65.87%	Note 3
"	Harmony Trading (HK) Ltd.	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
"	FSP Technology USA Inc.	Business development and product technical service	100.00%	100.00%	100.00%	Note 3
The Company	FSP Turkey Dis Tic.Ltd.Sti. (“FSP Turkey”)	Business development and product technical service	91.41%	91.41%	91.41%	Note 3

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2023.3.31	2022.12.31	2022.3.31	
FSP International Inc. (BVI)	Shenzhen HuiLi Electronics Co., Ltd. (“Huilì”)	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
”	FSP Technology Inc. (BVI)	Investment holdings	100.00%	100.00%	100.00%	Note 3
”	Proteck Electronics (Samoa) Corp.	Investment holdings	100.00%	100.00%	100.00%	Note 3
”	Power Electronics Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	100.00%	
”	Famous Holding Ltd.	Investment holdings	100.00%	100.00%	100.00%	
”	FSP International (HK) Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 3
FSP Technology Inc. (BVI)	FSP-C R&D Center (“FSP Jiangsu”)	Research & development and design of various energy saving technology	100.00%	100.00%	100.00%	Note 3
Protek Electronics (Samoa) Corp.	Protek Electronics (China) Corp. (“Protek Dongguan”)	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
Power Electronics Co., Ltd. (BVI)	Zhonghan Electronics (Shenzhen) Co., Ltd. (“Zhonghan”)	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
Famous Holding Ltd.	WUXI SPI Technology Co., Ltd. (“WUXI SPI”)	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
”	WUXI Zhonghan Technology Co., Ltd. (“WUXI Zhonghan”)	Trading and manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
FSP International (HK) Ltd.	Hao Han Electronic Technology (Jian) Co., Ltd. (“Hao Han”)	Trading and manufacturing of electronic components	100.00%	100.00%	100.00%	Note 3
WUXI Zhonghan	Shenzhen Zhonghan Technology Co., Ltd. (“Zhonghan Tech.”)	Trading and manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2023.3.31	2022.12.31	2022.3.31	
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
"	Proteck Power North America, Inc.	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 1 and Note 3
3Y Power	3Y Power Technology Inc. ("3Y Power USA")	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
"	Luckyield Co., Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 3
Luckyield Co., Ltd.	WUXI 3Y Technology Co., Ltd. ("WUXI 3Y")	Design, manufacturing and trading of power supplies	100.00%	100.00%	100.00%	Note 2 and Note 3

Note 1. The liquidation of Proteck Power North America, Inc. was approved by the Board of Directors on January 5, 2022. The related liquidation procedures are still in progress.

Note 2. The Company invested in WUXI 3Y through Luckyield Co., Ltd., and the comprehensive shareholding percentage as of March 31, 2023, December 31, 2022 and March 31, 2022 were all 65.87%.

Note 3. It was a non-significant subsidiary, and its financial statements were not reviewed by the independent auditors.

2. Subsidiaries which are not included in the Consolidated Financial Statements: None.

(III) Employee benefits

The pension cost under defined benefit plan for the interim period is calculated based on actuarial pension cost rate of the preceding ending date of the fiscal year from the start to the end of the year, and adjusted for material market fluctuations, material project modifications, settlements or other material one-time matters for the period.

(IV) Income Tax

The Group measured and disclosed the income tax expenses of the interim period pursuant to Paragraph B12, IAS 34 "Interim Financial Reporting."

Income tax expenses were accrued by applying management's best estimate of tax rate applicable based on expected total annual earnings to the pre-tax income of the interim period and fully recognized as income tax expense of the current period.

Income tax expenses recognized directly in equity or other comprehensive income were measured using the applicable tax rates at the time of expected realization or settlement of the temporary differences between the carrying amount of related assets and liabilities for financial reporting purposes and their tax bases.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When preparing the consolidated financial statements according to Preparation Regulations and IAS 34 "Interim Financial Reporting" endorsed by the FSC, the management has to make judgments, estimates, and assumptions, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes, and expenses. Actual results may differ from the estimates.

When preparing the consolidated financial statements, significant accounting judgments, estimates and key sources of uncertainty made by the management for the adoption of the Group's accounting policies are consistent with Note V of the consolidated financial statements for the year ended December 31, 2022.

VI. Details of Significant Accounts

Except for the following descriptions, the details of significant accounts in the consolidated financial statements are not materially different from the consolidated financial statements for the year ended December 31, 2022. Please refer to Note VI of the consolidated financial statements for the year ended December 31, 2022, for relevant information.

(I) Cash and cash equivalents

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Cash on hand	\$ 10,348	9,302	8,469
Cash equivalents			
Money market funds	-	24,567	-
Deposits in saving accounts and checking accounts	1,920,206	2,104,779	2,092,503
Time deposits	<u>2,102,949</u>	<u>1,557,322</u>	<u>795,944</u>
	<u>\$ 4,033,503</u>	<u>3,695,970</u>	<u>2,896,916</u>

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

	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Financial assets mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
Beneficiary certificates	\$ 209,118	206,617	202,305
Private equity funds	18,000	18,000	12,000
Foreign unlisted stocks	71,632	71,632	71,632
Structured deposits	<u>278,943</u>	<u>264,200</u>	<u>206,516</u>
Total	<u>\$ 577,693</u>	<u>560,449</u>	<u>492,453</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

As of March 31, 2023, December 31, 2022, and March 31, 2022, the Group held structured deposits and expected yields ranged from 1.30% to 3.00%, 1.75% to 3.30%, and 1.40% to 3.35% with maturity from May 2023, January 2023 to February 2023, and April 2022 to June 2022, respectively.

Please refer to Note VI (XXII) for the amount recognized in profit or loss remeasured at fair value.

Please refer to Note VI(XXIII) for the information on market risk.

(III) Financial assets at fair value through other comprehensive income	<u>2023.3.31</u>	<u>2022.12.31</u>	<u>2022.3.31</u>
Equity instruments at fair value through other comprehensive income			
Domestic listed stock - Voltronic Power Technology Corp.	\$ 6,217,312	5,665,240	5,775,500
Domestic listed stock - JESS-LINK Products Co., Ltd.	473,500	400,000	419,737
Domestic listed stock - WT Microelectronics Co., Ltd.	49,200	47,750	49,650
Domestic listed stock - Taiwan Cement Corp.	2,002	1,851	2,495
Domestic listed stock - Taiwan Semiconductor Manufacturing Co., Ltd.	5,330	4,485	5,970
Domestic over-the-counter (OTC) stock - Coretronic Corporation	67,800	56,900	-
Foreign listed stocks	9,596	11,302	13,683
Foreign unlisted stocks	26,494	26,494	26,494
Domestic unlisted stocks	162,792	162,792	133,667
Total	<u>\$ 7,014,026</u>	<u>6,376,814</u>	<u>6,427,196</u>

1. Investments in equity instruments at fair value through other comprehensive income

The Group holds these investments in equity instruments as long-term strategic investments and are not held for trading purposes, so these investments have been designated to be measured at fair value through other comprehensive income.

The Group recognized dividend income of NT\$55 thousand and NT\$28 thousand for the aforementioned investments in equity instruments designated at fair value through other comprehensive income from January 1 to March 31, 2023 and 2022, respectively.

In order to meet the needs of the funding plan, the Group divested the shares of Voltronic

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

Power Technology Corp. designated at fair value through other comprehensive income from January 1 to March 31, 2023, and 2022, and the fair value at the time of disposal was NT\$121,777 thousand and NT\$94,705 thousand with disposal gains of NT\$121,431 thousand and NT\$94,393 thousand, respectively. As of March 31, 2023 and 2022, the outstanding proceeds from disposal amounted to NT\$8,871 thousand and NT\$8,547 thousand, respectively, which were recognized under other receivables.

2. Please refer to Note VI(XXIII) for the information on market risk.

(IV) Financial assets at amortized cost

	2023.3.31	2022.12.31	2022.3.31
Corporate bond - Novaland Group (NVL)	\$ -	-	10,800
Less: Loss allowances	-	-	-
Total	\$ -	-	10,800

The Group assesses that the asset is held to maturity to receive contractual cash flows. The asset is classified as financial assets at amortized cost because the cash flows from the financial asset are solely the payment of principal and interest on the outstanding principal amount.

1. In June 2021, the Group purchased the corporate bond of Novaland Group (NVL) due in 18 months at a face value of NT\$10,959 thousand with a coupon rate of 10.00%. The bonds matured in December 2022.

2. Please refer to Note VI(XXIII) for the information on credit risk.

(V) Notes receivable and accounts receivable

	2023.3.31	2022.12.31	2022.3.31
Notes receivable	\$ 76,859	81,568	67,042
Accounts receivable	3,036,259	3,165,251	3,385,136
Accounts receivable - related parties	779,269	721,838	869,251
Less: Loss allowances	(14,643)	(24,641)	(39,909)
	\$ 3,877,744	3,944,016	4,281,520

Group's notes receivable and accounts receivable were not discounted or provided as collaterals.

The Group applies the simplified approach to estimate expected credit loss for all notes receivable and accounts receivable, i.e. the use of lifetime expected credit loss for all receivables. For the measurement purpose, notes receivable and accounts receivable are grouped according to common credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract. Forward-looking information,

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

including macroeconomy and related industry information, is taken into consideration as well.

Analysis of expected credit loss on notes receivable and accounts receivable of the Group's operating entity in Taiwan was as follows:

	2023.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 2,995,636	0~0.26	6,717
Past due within 30 days	12,504	7.21	902
Past due 31-60 days	7,155	22.77	1,629
	\$ 3,015,295		9,248

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer amounted to NT\$25,049 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$5,010 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

	2022.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 2,926,231	0~0.46	11,182
Past due within 30 days	72,291	7.58	5,478
Past due 31-60 days	3,285	23.93	786
Past due 61-90 days	2,846	46.14	1,313
	\$ 3,004,653		18,759

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$27,493 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$5,499 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	2022.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 3,266,209	0~0.33	9,357
Past due within 30 days	98,047	0~16.97	16,200
Past due 31-60 days	7,834	45.78	3,587
Past due 121-over 180 days	2,258	100.00	2,258
	\$ 3,374,348		31,402

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$7,021 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$1,404 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

The analysis of the expected credit loss on notes receivable and accounts receivable for the Group's operating entities in Mainland China is provided below:

	2023.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 597,786	0.06	371
Past due within 30 days	10,640	0.06	7
Past due 31-60 days	9,570	0.06	6
Past due 61-90 days	2,342	0.06	1
	\$ 620,338		385
	2022.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 742,100	0.05	378
Past due within 30 days	3,424	0.05	2
Past due 31-60 days	6,489	0.05	3
Past due 61-90 days	101	0.05	-
	\$ 752,114		383
	2022.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 709,428	0.05	371
Past due within 30 days	30,358	0.05	16
Past due 31-60 days	9,498	0.05	5
	\$ 749,284		392

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

The analysis of the expected credit loss on notes receivable and accounts receivable for other operating entities of the Group is provided below:

	2023.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 168,062	-	-
Past due within 30 days	21,878	-	-
Past due 31-60 days	19,247	-	-
Past due 61-90 days	9,442	-	-
Past due 91-120 days	12,184	-	-
Past due over 121 days	892	-	-
	\$ 231,705		-

	2022.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 133,205	-	-
Past due within 30 days	32,839	-	-
Past due 31-60 days	14,256	-	-
Past due 61-90 days	4,097	-	-
	\$ 184,397		-

	2022.3.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 153,973	-	-
Past due within 30 days	16,001	-	-
Past due 31-60 days	12,497	-	-
Past due 61-90 days	1,588	-	-
Past due 91-120 days	6	-	-
	\$ 184,065		-

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

The carrying amount of the above notes and accounts receivable did not include all accounts receivable due from certain customers, amounting to NT\$6,711 thousand. As the accounts receivable due from these customers were unlikely to recover, the Group has recognized allowance for full losses, and therefore they were excluded from the above calculation of allowance for expected credit loss.

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

	January to March, 2023	January to March, 2022
Beginning balance	\$ 24,641	39,771
Reversal of impairment loss	(10,000)	-
Effect of exchange rate changes	2	138
Ending balance	<u>\$ 14,643</u>	<u>39,909</u>

(VI) Other receivables

	2023.3.31	2022.12.31	2022.3.31
Other receivables	\$ 93,864	91,840	106,959
Less: Loss allowances	(506)	(510)	(476)
	<u>\$ 93,358</u>	<u>91,330</u>	<u>106,483</u>

Changes in loss allowance for other receivables:

	January to March, 2023	January to March, 2022
Beginning balance	\$ 510	460
Effect of exchange rate changes	(4)	16
Ending balance	<u>\$ 506</u>	<u>476</u>

(VII) Inventories

	2023.3.31	2022.12.31	2022.3.31
Finished goods	\$ 1,565,363	1,750,634	1,610,543
Work in process	597,387	634,291	686,445
Raw materials	710,962	673,714	953,836
	<u>\$ 2,873,712</u>	<u>3,058,639</u>	<u>3,250,824</u>

Breakdown of cost of goods sold:

	January to March, 2023	January to March, 2022
Inventories sold	\$ 3,098,193	3,127,772
Loss (reversal) on inventory write-down	(4,788)	15,727
Unallocated manufacturing expense	12,247	14,470
Loss on inventory obsolescence	172	-
	<u>\$ 3,105,824</u>	<u>3,157,969</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group did not pledge any inventories as collateral.

(VIII) Investments Accounted for Using the Equity Method

A summary of the Group's investments accounted for using the equity method at the reporting date is provided below:

	2023.3.31	2022.12.31	2022.3.31
Associate	\$ 36,258	34,200	30,495

1. Associate

Aggregated financial information on associates that were accounted for using the equity method and were not individually material to the Group is summarized below. This financial information was included in the amount of the Consolidated Financial Statements.

	2023.3.31	2022.12.31	2022.3.31
The carrying amount of investments in associates that were not individually material to the Group at the end of the period	\$ 36,258	34,200	30,495

	January to March, 2023	January to March, 2022
Attributable to the Group:		
Income from Continuing Operations	\$ 1,056	1,844
Other comprehensive income	(310)	1,062
Total comprehensive income	\$ 746	2,906

2. Collateral

As of March 31, 2023, December 31, 2022, and March 31, 2022, the Group did not pledge any investments accounted for under the equity method as collateral.

3. Unreviewed Investments Recognized Through the Equity Method

The shares of profit or loss and other comprehensive income entitled by the Group and investments recognized through the equity method are calculated on the basis of the financial statements which has not been reviewed by the independent auditors.

(IX) Property, Plant, and Equipment

The changes in costs, depreciation and impairment loss of property, plant and equipment from January 1 to March 31, 2023, and 2022 were as follows:

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

	Land	Housing and Construction	Buildings and Building Improvements	Machinery	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in progress and equipment under installation	Total
Cost or deemed cost:									
Balance as of January 1, 2023	\$ 310,476	1,217,961	28,387	1,235,925	18,803	499,757	76,042	73	3,387,424
Addition	-	1,572	-	10,162	1,964	6,302	99	200	20,299
Disposal and obsolescence	-	-	-	(343)	-	(1,629)	(213)	-	(2,185)
Reclassification (Note 1)	-	-	-	322	-	73	-	(73)	322
Effect of exchange rate changes	-	1,412	121	4,551	52	543	370	-	7,049
Balance as of March 31, 2023	<u>\$ 310,476</u>	<u>1,220,945</u>	<u>28,508</u>	<u>1,250,617</u>	<u>20,819</u>	<u>505,046</u>	<u>76,298</u>	<u>200</u>	<u>3,412,909</u>
Balance as of January 1, 2022	\$ 310,476	1,155,739	27,589	1,177,087	19,031	474,302	74,207	27,875	3,266,306
Addition	-	12,892	-	9,070	-	7,295	358	6,095	35,710
Disposal and obsolescence	-	-	-	(666)	-	(7,125)	-	-	(7,791)
Reclassification (Note 1)	-	1,895	-	1,151	-	-	-	(1,895)	1,151
Effect of exchange rate changes	-	9,958	877	32,069	570	3,699	2,587	-	49,760
Balance as of March 31, 2022	<u>\$ 310,476</u>	<u>1,180,484</u>	<u>28,466</u>	<u>1,218,711</u>	<u>19,601</u>	<u>478,171</u>	<u>77,152</u>	<u>32,075</u>	<u>3,345,136</u>
Depreciation and impairment loss:									
Balance as of January 1, 2023	\$ -	519,214	9,607	912,700	13,376	405,636	38,896	-	1,899,429
Recognition in current period	-	12,676	543	23,446	355	9,043	2,275	-	48,338
Disposal and obsolescence	-	-	-	(337)	-	(1,627)	(213)	-	(2,177)
Effect of exchange rate changes	-	1,176	38	3,243	40	365	190	-	5,052
Balance as of March 31, 2023	<u>\$ -</u>	<u>533,066</u>	<u>10,188</u>	<u>939,052</u>	<u>13,771</u>	<u>413,417</u>	<u>41,148</u>	<u>-</u>	<u>1,950,642</u>
Balance as of January 1, 2022	\$ -	469,062	7,387	824,346	13,085	378,664	29,335	-	1,721,879
Recognition in current period	-	11,691	526	22,599	276	9,266	2,303	-	46,661
Disposal and obsolescence	-	-	-	(658)	-	(7,086)	-	-	(7,744)
Effect of exchange rate changes	-	7,957	226	22,021	406	2,402	1,105	-	34,117
Balance as of March 31, 2022	<u>\$ -</u>	<u>488,710</u>	<u>8,139</u>	<u>868,308</u>	<u>13,767</u>	<u>383,246</u>	<u>32,743</u>	<u>-</u>	<u>1,794,913</u>
Carrying amounts:									
Balance as of January 1, 2023	<u>\$ 310,476</u>	<u>698,747</u>	<u>18,780</u>	<u>323,225</u>	<u>5,427</u>	<u>94,121</u>	<u>37,146</u>	<u>73</u>	<u>1,487,995</u>
Balance as of March 31, 2023	<u>\$ 310,476</u>	<u>687,879</u>	<u>18,320</u>	<u>311,565</u>	<u>7,048</u>	<u>91,629</u>	<u>35,150</u>	<u>200</u>	<u>1,462,267</u>
Balance as of March 31, 2022	<u>\$ 310,476</u>	<u>691,774</u>	<u>20,327</u>	<u>350,403</u>	<u>5,834</u>	<u>94,925</u>	<u>44,409</u>	<u>32,075</u>	<u>1,550,223</u>

Note 1: From January 1 to March 31, 2023 and 2022, the amount transferred from equipment prepayment was NTS\$22 thousand and NTS\$1,151 thousand, respectively.

Please refer to Note VIII for the details of property, plant and equipment that have been pledged as collaterals for long-term and short-term borrowings and credit facilities as of March 31, 2023, December 31, 2022, and March 31, 2022.

(X) Right-of-use assets

The changes in the costs and depreciation of land, buildings and construction and transportation equipment leased by the Group were as follows:

	Land	Housing and Construction	Transportation Equipment	Total
Costs of right-of-use assets:				
Balance as of January 1, 2023	\$ 27,784	1,119,990	3,497	1,151,271
Addition	-	44,848	2,100	46,948
Reduction (contract expired)	-	(1,414)	-	(1,414)
Effect of exchange rate changes	85	4,669	(4)	4,750
Balance as of March 31, 2023	<u>\$ 27,869</u>	<u>1,168,093</u>	<u>5,593</u>	<u>1,201,555</u>
Balance as of January 1, 2022	\$ 27,546	1,046,660	3,451	1,077,657
Reduction (contract modification)	-	(87)	-	(87)
Effect of exchange rate changes	603	35,807	39	36,449
Balance as of March 31, 2022	<u>\$ 28,149</u>	<u>1,082,380</u>	<u>3,490</u>	<u>1,114,019</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	<u>Land</u>	<u>Housing and Construction</u>	<u>Transportation Equipment</u>	<u>Total</u>
Depreciation of right-of-use assets:				
Balance as of January 1, 2023	\$ 4,106	618,627	1,041	623,774
Depreciation in current period	257	44,321	349	44,927
Reduction (contract expired)	-	(1,414)	-	(1,414)
Effect of exchange rate changes	10	2,727	(1)	2,736
Balance as of March 31, 2023	<u>\$ 4,373</u>	<u>664,261</u>	<u>1,389</u>	<u>670,023</u>
Balance as of January 1, 2022	\$ 3,062	437,245	1,917	442,224
Depreciation in current period	255	43,312	226	43,793
Effect of exchange rate changes	56	16,216	18	16,290
Balance as of March 31, 2022	<u>\$ 3,373</u>	<u>496,773</u>	<u>2,161</u>	<u>502,307</u>
Carrying amounts:				
Balance as of January 1, 2023	<u>\$ 23,678</u>	<u>501,363</u>	<u>2,456</u>	<u>527,497</u>
Balance as of March 31, 2023	<u>\$ 23,496</u>	<u>503,832</u>	<u>4,204</u>	<u>531,532</u>
Balance as of March 31, 2022	<u>\$ 24,776</u>	<u>585,607</u>	<u>1,329</u>	<u>611,712</u>

(XI) Intangible assets

The changes in costs, amortization and impairment loss of intangible assets from January 1 to March 31, 2023 and 2022 were as follows:

	<u>Goodwill</u>	<u>Software cost</u>	<u>Patent</u>	<u>Total</u>
Costs:				
Balance as of January 1, 2023	\$ 218,672	18,846	16,507	254,025
Addition in current period	-	-	22	22
Effect of exchange rate changes	-	-	3	3
Balance as of March 31, 2023	<u>\$ 218,672</u>	<u>18,846</u>	<u>16,532</u>	<u>254,050</u>
Balance as of January 1, 2022	\$ 218,672	15,603	15,863	250,138
Addition in current period	-	3,062	-	3,062
Effect of exchange rate changes	-	3	-	3
Balance as of March 31, 2022	<u>\$ 218,672</u>	<u>18,668</u>	<u>15,863</u>	<u>253,203</u>
Amortization and impairment loss:				
Balance as of January 1, 2023	\$ -	13,099	16,021	29,120
Amortization for the period	-	1,733	16	1,749
Balance as of March 31, 2023	<u>\$ -</u>	<u>14,832</u>	<u>16,037</u>	<u>30,869</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	Goodwill	Software cost	Patent	Total
Balance as of January 1, 2022	\$ -	10,779	15,863	26,642
Amortization for the period	-	2,233	-	2,233
Effect of exchange rate changes	-	3	-	3
Balance as of March 31, 2022	<u>\$ -</u>	<u>13,015</u>	<u>15,863</u>	<u>28,878</u>
Carrying amounts:				
Balance as of January 1, 2023	<u>\$ 218,672</u>	<u>5,747</u>	<u>486</u>	<u>224,905</u>
Balance as of March 31, 2023	<u>\$ 218,672</u>	<u>4,014</u>	<u>495</u>	<u>223,181</u>
Balance as of March 31, 2022	<u>\$ 218,672</u>	<u>5,653</u>	<u>-</u>	<u>224,325</u>

Note: It was transferred from prepayments.

(XII) Short-term loans

The details of the Group's short-term borrowings are provided below:

	2023.3.31	2022.12.31	2022.3.31
Credit loans	<u>\$ 7,610</u>	<u>7,692</u>	<u>16,901</u>
Unused facility	<u>\$ 803,000</u>	<u>907,500</u>	<u>638,696</u>
Interest rate range	<u>6.80</u>	<u>4.95</u>	<u>2.26</u>

Please refer to Note VIII for the details of the Group's assets pledged as collateral for bank borrowings.

(XIII) Long-term loans

The details of the Group's long-term borrowings are provided below:

	2023.3.31	2022.12.31	2022.3.31
Secured bank borrowings	\$ 180,660	199,334	255,079
Less: Current portion of long-term debt	<u>75,096</u>	<u>74,930</u>	<u>74,419</u>
Total	<u>\$ 105,564</u>	<u>124,404</u>	<u>180,660</u>
Unused facility	<u>\$ -</u>	<u>-</u>	<u>20,000</u>
Interest rate range	<u>1.58</u>	<u>1.58</u>	<u>1.58</u>

1. Collateral for bank borrowings

Please refer to Note VIII for the details of the Group's assets pledged as collateral for bank borrowings.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

2. Government-subsidized loan with preferential interest rate

In August 2020, the Group obtained a NT\$371,000 thousand low-interest loan from Mega International Commercial Bank under the "Guidelines of Project Loans for Returning Overseas Taiwanese Businesses". The drawdown period was until December 31, 2021, and multiple drawdowns were allowed. As of the expiry date, the amount of actual utilization of the Group was NT\$296,650 thousand as of December 31, 2021. Based on the market interest rate of 1.58% to recognize and measure the loan, the difference between the actual repayment preferential interest rate of 0.65% and the market interest rate was NT\$6,585 thousand which were treated as government subsidies and recognized as deferred income under other current liabilities and other non-current liabilities. Such deferred revenue was transferred to other income amounted to NT\$279 thousand and NT\$358 thousand, respectively, from January 1 to March 31, 2023, and 2022.

(XIV) Lease liabilities

The carrying amount of lease liabilities were as follows:

	2023.3.31	2022.12.31	2022.3.31
Current	\$ 186,427	175,602	174,479
Non-current	357,645	364,713	445,610
Total	\$ 544,072	540,315	620,089

For maturity analysis, please refer to Note VI(XXIII) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	January to March, 2023	January to March, 2022
Interest expense on lease liabilities	\$ 2,459	2,728
Variable lease payments not included in the measurement of lease liabilities	\$ 361	476
Expenses of short-term leases	\$ 3,420	3,534
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	\$ 123	25

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

Amount recognized in the Statements of Cash Flows was as follows:

	January to March, 2023	January to March, 2022
Total cash outflow in operating activities	\$ 6,363	6,763
Total cash outflow in financing activities	45,244	41,905
Total cash flows on lease	\$ 51,607	48,668

1. Lease of land, buildings and construction

The Group leases land, buildings, and construction as factories, office premises, staff quarters, and warehouses with lease terms ranging from 1 to 10 years. Some of these leases include the option to extend the lease term for the same period as the original contract at the end of the lease term.

The lease payments for some of the warehouses are based on the actual floor area used each month.

For these lease contracts, the variable lease payments paid by the Group from January 1 to March 31, 2023, were as follows:

	Variable payment	Estimated impact on lease payment for each 1% increase in the actual floor area used
Lease contracts with variable payment calculated based on the actual floor area used per month	\$ 361	4

2. Other leases

The Group leases machinery, and transportation equipment with the lease terms ranging from one year to eight years.

The lease terms of some of the Group's leases of buildings, construction, machinery and transportation equipment are within 1 year. These leases are considered as short-term leases or leases of low-value assets and the Group elected to apply for exemption and did not recognize related right-of-use assets and lease liabilities.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

(XV) Provisions for liabilities

	January to March, 2023	January to March, 2022
Balance as of January 1	\$ 131,155	146,223
Addition of provision during the year	12,898	14,520
Amount utilized during the year	(15,110)	(22,864)
Balance as of March 31	<u>\$ 128,943</u>	<u>137,879</u>

The provision of the Group is mainly for sales-related maintenance obligation. The provision is estimated based on historical maintenance rates and maintenance cost per unit of specific products.

(XVI) Employee benefits

1. Defined benefit plans

Since no major market fluctuations, major reductions, liquidations or other major one-off events occurred after the previous annual reporting date, the Group has measured and disclosed the pension costs for the interim period by the pension costs determined by actuary on December 31, 2022, and 2021.

The details of costs and expenses presented by the Group are as follows:

	January to March, 2023	January to March, 2022
Operating costs	\$ 34	72
Selling and marketing expenses	58	103
General and administrative expenses	131	268
Research and development expenses	185	334
	<u>\$ 408</u>	<u>777</u>

2. Defined contribution plans

The pension expenses of the Company and its domestic consolidated subsidiaries in accordance with the Measures for Determining Pension Appropriation are as follows:

	January to March, 2023	January to March, 2022
Operating costs	\$ 569	548
Selling and marketing expenses	1,681	1,543
General and administrative expenses	2,398	2,189
Research and development expenses	4,129	3,834
	<u>\$ 8,777</u>	<u>8,114</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

Per the above-mentioned defined contribution plan, it contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's pension fund account at the Bureau of Labor Insurance following the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

Following local regulations, other consolidated subsidiaries recognized pension expenses of NT\$22,114 thousand and NT\$25,043 thousand, respectively, from January 1 to March 31, 2023, and 2022.

Other short-term employee benefits

From January 1 to March 31, 2023, and 2022, the Group contributed NT\$3,339 thousand and NT\$3,185, respectively, to a specific trust account for employee incentives, which were recognized as operating costs and operating expenses.

As of March 31, 2023, December 31, 2022, and March 31, 2022, the Group had accrued unused leave bonuses of NT\$41,046 thousand, NT\$47,078 thousand and NT\$39,960 thousand, respectively, which were recorded under other payables.

(XVII) Income Tax

The income tax expense of the Group from January 1 to March 31, 2023, and 2022 was as below:

	January to March, 2023	January to March, 2022
Income tax expense for the period	<u>\$ 27,596</u>	<u>39,221</u>

The Company's profit-seeking enterprise income tax has been approved by the tax authority to the year of 2020.

(XVIII) Capital and other equity

Except for the following descriptions, there was no significant change in the capital and other equity of the Group from January 1 to March 31, 2023, and 2022. Please refer to Note VI(XX) of the consolidated financial statements for the year ended December 31, 2022, for details.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

1. Other equity items (net after tax)

	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2023	\$ (77,427)	5,628,307	5,550,880
Retroactive adjustments to new standards	<u>78</u>	<u>-</u>	<u>78</u>
Balance after restatement as of January 1, 2023	(77,349)	5,628,307	5,550,958
Exchange differences on translation of financial statements of foreign operations	8,333	-	8,333
Share of other comprehensive income of associates and joint-ventures under the equity method	(310)	-	(310)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	758,989	758,989
Disposal of equity instruments at fair value through other comprehensive income	-	(121,431)	(121,431)
Balance as of March 31, 2023	<u>\$ (69,326)</u>	<u>6,265,865</u>	<u>6,196,539</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2022 (restated)	\$ (117,703)	6,200,289	6,082,586
Exchange differences on translation of financial statements of foreign operations (restated)	73,960	-	73,960
Share of other comprehensive income of associates and joint-ventures under the equity method	1,062	-	1,062
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	(333,216)	(333,216)
Disposal of equity instruments at fair value through other comprehensive income	-	(94,393)	(94,393)
Balance after restatement as of March 31, 2022	<u>\$ (42,681)</u>	<u>5,772,680</u>	<u>5,729,999</u>

2. Non-controlling interests (net after tax)

	January to March, 2023	January to March, 2022 (Restated)
Beginning balance	\$ 394,238	338,515
Retroactive adjustments to new standards	96	80
Opening balance after restatement	394,334	338,595
Net income for the year attributable to non-controlling interests	19,098	16,586
Exchange differences on translation of financial statements of foreign operations	(615)	1,511
	<u>\$ 412,817</u>	<u>356,692</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

(XIX) Earnings per Share

	January to March, 2023	January to March, 2022
Basic earnings per share:		
Net income attributable to the ordinary shareholders of the Company	<u>\$ 83,495</u>	<u>132,968</u>
Weight-average number of ordinary shares outstanding (Unit : Thousands of shares)	<u>187,262</u>	<u>187,262</u>
Basic earnings per share (Unit: In New Taiwan Dollars)	<u>\$ 0.45</u>	<u>0.71</u>
Diluted earnings per share:		
Net income attributable to the ordinary shareholders of the Company	<u>\$ 83,495</u>	<u>132,968</u>
Weight-average number of ordinary shares outstanding (Unit : Thousands of shares)	187,262	187,262
Employee compensation (Unit : Thousands of shares)	<u>1,263</u>	<u>1,493</u>
Weight-average number of ordinary shares outstanding (Unit : Thousands of shares)	<u>188,525</u>	<u>188,755</u>
Diluted earnings per share (Unit: In New Taiwan Dollars)	<u>\$ 0.44</u>	<u>0.70</u>

(XX) Revenue from contracts with customers

1. Breakdown of revenue

	January to March, 2023					
	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:						
Taiwan	\$ 470,960	161,966	-	-	-	632,926
China	560,394	137,327	329,899	122,717	3,133	1,153,470
U.S.A.	298,317	4,405	-	-	199,972	502,694
Germany	671,300	21,679	-	-	-	692,979
Other countries	<u>637,757</u>	<u>1,049</u>	<u>-</u>	<u>-</u>	<u>35,255</u>	<u>674,061</u>
	<u>\$ 2,638,728</u>	<u>326,426</u>	<u>329,899</u>	<u>122,717</u>	<u>238,360</u>	<u>3,656,130</u>
Major product/service line:						
Sales of power supply	<u>\$ 2,638,728</u>	<u>326,426</u>	<u>329,899</u>	<u>122,717</u>	<u>238,360</u>	<u>3,656,130</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

January to March, 2022						
	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:						
Taiwan	\$ 601,524	138,697	-	-	-	740,221
China	681,591	135,022	449,260	118,897	4,890	1,389,660
U.S.A.	286,319	3,372	-	-	181,841	471,532
Germany	407,303	36,083	-	-	-	443,386
Other countries	648,220	4,769	-	-	19,228	672,217
	\$ 2,624,957	317,943	449,260	118,897	205,959	3,717,016
Major product/service line:						
Sales of power supply	\$ 2,624,957	317,943	449,260	118,897	205,959	3,717,016

2. Contract balance

	2023.3.31	2022.12.31	2022.3.31
Notes and accounts receivable (including related parties)	\$ 3,892,387	3,968,657	4,321,429
Less: Loss allowances	(14,643)	(24,641)	(39,909)
Total	\$ 3,877,744	3,944,016	4,281,520
Contract liabilities (recognized in other current liabilities)	\$ 54,206	93,296	72,118

Please refer to Note VI(V) for notes receivable, accounts receivable and related impairment.

(XXI) Remuneration of Employees and Directors

The Company's Articles of Incorporation stipulate that a minimum of 6% of annual profit, if any, shall be allocated to employee remuneration and a maximum of 3% of annual profit shall be allocated to Directors' remuneration. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses. Employees who are entitled to receive the employee remuneration in shares or cash include the employees of subsidiaries of the Company who meet certain specific requirements.

The Company accrued NT\$6,421 thousand and NT\$10,447 thousand as employee compensation and NT\$776 thousand and NT\$1,566 thousand as remuneration for Directors from January 1 to March 31, 2023 and 2022, respectively. These amounts were calculated using the Company's pre-tax income before deducting for employee compensation and remuneration for Directors multiplied by the percentages which are stated under the Company's Article of Incorporation. The amounts were recognized as operating expenses for the periods. The difference between accrual and actual payment is treated as the change

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

in accounting estimate and recognized in profit or loss in the following year. If employee compensation is resolved to be distributed in stock, the number of shares is determined by dividing the amount of compensation by the closing price on the day preceding the Board of Directors' meeting.

For the years ended December 31, 2022 and 2021, the Company provided its remuneration to employees amounted to NT\$66,000 thousand and NT\$65,000 thousand, respectively, and the remuneration for Directors of both NT\$7,000 thousand, respectively, which was consistent with the actual status of the distribution. The information can be obtained from the MOPS.

(XXII) Non-operating income and expenses

1. Interest income

	January to March, 2023	January to March, 2022
Bank deposits	\$ 16,351	4,049

2. Other income

	January to March, 2023	January to March, 2022
Dividend income	\$ 55	28
Other income		
Government grant	3,739	4,614
Tax refund	3,754	3,225
Gain on write-off of overdue payable	113	3,847
Others	4,347	2,987
	\$ 12,008	14,701

3. Other gains and losses

	January to March, 2023	January to March, 2022
Foreign currency exchange gain (loss), net	\$ (18,590)	36,282
Gain on financial assets measured at fair value through profit or loss	2,501	2,021
Gain (loss) on disposal of property, plant and equipment, net	(8)	70
Others	(444)	(31)
	\$ (16,541)	38,342

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

4. Finance costs

	January to March, 2023	January to March, 2022
Interest expense:		
Bank borrowings	\$ 899	2,377
Lease liabilities	2,459	2,728
	\$ 3,358	5,105

(XXIII) Financial instruments

Except for the following descriptions, there have been no significant changes in the classification and fair value of the Group's financial instruments, and the exposure to credit risk, liquidity risk and market risk arising from the financial instruments. Please refer to Note VI(XXV) of the consolidated financial statements for the year ended December 31, 2022, for relevant information.

1. Credit risk

(1) Exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of the financial assets.

(2) Concentration of credit risk

As of March 31, 2023, December 31, 2022, and March 31, 2022, the top three customers accounted for 25%, 19%, and 23%, respectively, of the Group's accounts receivable balance.

(3) Credit risk from receivables and debt securities

Please refer to Note VI(V) for credit risk exposure of notes receivable and accounts receivable. For the details of other receivables, please refer to Note VI(VI). Other financial assets measured at amortized cost include other receivables and corporate bonds. The above-mentioned financial assets are considered low credit risk financial assets, and the loss allowance is measured using a 12-month expected credit loss.

2. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The management of the Group supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

The table below shows the contractual maturity dates for financial liabilities, including the effect of estimated interest.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years	Over 5 years
March 31, 2023							
Non-derivative financial liabilities							
Short-term loans	\$ 7,610	7,787	7,787	-	-	-	-
Long-term loans	180,660	184,222	38,769	38,639	76,910	29,904	-
Notes payable	10,712	10,712	10,712	-	-	-	-
Accounts payable	3,768,979	3,768,979	3,768,979	-	-	-	-
Accounts payable - related parties	207,663	207,663	207,663	-	-	-	-
Other payables	1,106,230	1,106,230	1,106,230	-	-	-	-
Dividends payable	711,595	711,595	711,595	-	-	-	-
Lease liabilities	544,072	569,697	97,003	98,455	165,039	138,699	70,501
Guarantee deposits received	535	535	-	-	-	-	535
	<u>\$ 6,538,056</u>	<u>6,567,420</u>	<u>5,948,738</u>	<u>137,094</u>	<u>241,949</u>	<u>168,603</u>	<u>71,036</u>
December 31, 2022							
Non-derivative financial liabilities							
Short-term loans	\$ 7,692	7,916	7,881	35	-	-	-
Long-term loans	199,334	203,647	38,825	38,704	77,034	49,084	-
Notes payable	13,057	13,057	13,057	-	-	-	-
Accounts payable	3,854,819	3,854,819	3,854,819	-	-	-	-
Accounts payable - related parties	151,773	151,773	151,773	-	-	-	-
Other payables	1,247,717	1,247,717	1,247,717	-	-	-	-
Lease liabilities	540,315	563,371	92,113	91,526	195,393	107,578	76,761
Guarantee deposits received	532	532	-	-	-	-	532
	<u>\$ 6,015,239</u>	<u>6,042,832</u>	<u>5,406,185</u>	<u>130,265</u>	<u>272,427</u>	<u>156,662</u>	<u>77,293</u>
March 31, 2022							
Non-derivative financial liabilities							
Short-term loans	\$ 16,901	16,979	16,979	-	-	-	-
Long-term loans	255,079	262,126	39,019	38,884	77,409	106,814	-
Notes payable	12,337	12,337	12,337	-	-	-	-
Accounts payable	4,194,254	4,194,254	4,194,254	-	-	-	-
Accounts payable - related parties	60,840	60,840	60,840	-	-	-	-
Other payables	1,033,323	1,033,323	1,033,323	-	-	-	-
Lease liabilities	620,089	646,371	91,190	92,688	182,977	215,519	63,997
Guarantee deposits received	518	518	-	-	-	-	518
	<u>\$ 6,193,341</u>	<u>6,226,748</u>	<u>5,447,942</u>	<u>131,572</u>	<u>260,386</u>	<u>322,333</u>	<u>64,515</u>

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

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

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

	2023.3.31			2022.12.31			2022.3.31		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
RMB	\$ 159,231	4.431	705,553	184,349	4.408	812,610	203,494	4.506	916,944
USD	149,528	30.450	4,553,128	152,920	30.710	4,690,173	160,262	28.625	4,587,500
HKD	3,979	3.879	15,435	5,247	3.938	20,663	11,112	3.656	40,625
EUR	76	33.150	2,519	26	32.720	851	313	31.920	9,991
<u>Non-monetary items</u>									
USD	2,534	28.268	71,632	2,534	28.268	71,632	2,534	28.268	71,632
RMB	6,322	4.149	26,494	6,322	4.191	26,494	6,322	4.191	26,494
HKD	2,486	3.860	9,590	2,868	3.941	11,302	3,801	3.600	13,683
<u>Financial liabilities</u>									
<u>Monetary items</u>									
RMB	88,726	4.431	393,145	94,167	4.408	415,088	95,515	4.506	430,391
USD	100,640	30.450	3,064,488	99,822	30.710	3,065,534	109,364	28.625	3,130,545
HKD	8,335	3.879	32,331	8,915	3.938	35,107	9,720	3.656	35,536

(2) Sensitivity analysis

The Group's exposure to foreign exchange risk arises from cash and cash equivalents, accounts receivable (including related parties), other receivables, financial assets measured at amortized cost, financial assets measured at fair value through profit or loss, short-term borrowings, accounts payable (including related parties) and other payables that are denominated in foreign currencies and subject to foreign exchange loss in currency translation. As of March 31, 2023, and 2022, if the New Taiwan Dollar had depreciated or appreciated by 5% against the US Dollar, Renminbi, Hong Kong Dollar, and Euro with all other factors remaining unchanged, net income would have increased or decreased by NT\$71,467 thousand and NT\$78,344 thousand, respectively, from January 1 to March 31, 2023, and 2022. The analysis of the two periods was conducted on the same basis.

(3) Foreign exchange gain (loss) on monetary items

As the Group has a large variety of functional currencies, the exchange gains and losses of monetary items were disclosed on an aggregated basis. The foreign exchange gains (losses) (including realized and unrealized) from January 1 to March 31, 2023 and 2022 were NT\$(18,590) thousand and NT\$36,282 thousand, respectively.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

4. Market risk

If the prices of securities with active market quotations at the reporting date had changed (using the same basis for both periods and assuming no change in other variables), the impact on the comprehensive income would have been as follows:

<u>Security price at the reporting date</u>	<u>January to March, 2023</u>		<u>January to March, 2022</u>	
	<u>Other comprehensive income (pre-tax)</u>	<u>Pre-tax income</u>	<u>Other comprehensive income (pre-tax)</u>	<u>Pre-tax income</u>
Increase by 5%	\$ 341,237	10,456	313,352	10,115
Decrease by 5%	\$ (341,237)	(10,456)	(313,352)	(10,115)

Please refer to Note VI(IV) “Measurement of the fair value of Level 3, the sensitivity analysis of the fair value using reasonably possible alternative assumptions” for details of the price changes of the Level 3 equity securities.

5. Interest rate analysis

The Group's demand deposits, time deposits and short-term liabilities are subject to floating interest rates. However, changes in market interest rates are not significant and thus changes in interest rates do not give rise to significant cash flow risk.

6. Fair value information

(1) Category of financial instruments and their fair value

Group's financial instruments measured at fair value on a recurring basis include the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. Carrying amount and fair value of various financial assets and financial liabilities (including fair value level information, except for financial instruments whose carrying amount is a reasonable approximation of fair value, and lease liabilities which are not required to disclose their fair value information) were as follows:

	2023.3.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 209,118	209,118	-	-	209,118
Private equity funds	18,000	-	-	18,000	18,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	278,943	-	-	278,943	278,943
Subtotal	577,693	209,118	-	368,575	577,693

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

		2023.3.31				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income						
Domestic listed (OTC) stock	\$	6,815,144	6,815,144	-	-	6,815,144
Foreign listed stock		9,596	9,596	-	-	9,596
Non-publicly quoted equity instruments measured at fair value		189,286	-	-	189,286	189,286
Subtotal		<u>7,014,026</u>	<u>6,824,740</u>	<u>-</u>	<u>189,286</u>	<u>7,014,026</u>
Financial assets at amortized cost						
Cash and cash equivalents		4,033,503	-	-	-	-
Notes receivable and accounts receivable		3,877,744	-	-	-	-
Other receivables		93,358	-	-	-	-
Restricted bank deposits (classified in other non-current assets)		100	-	-	-	-
Refundable deposits (classified in other non-current assets)		43,552	-	-	-	-
Subtotal		<u>8,048,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 15,639,976</u>	<u>7,033,858</u>	<u>-</u>	<u>557,861</u>	<u>7,591,719</u>
Financial liabilities measured at amortized cost						
Bank borrowings	\$	188,270	-	-	-	-
Notes payable and accounts payable		3,987,354	-	-	-	-
Other payables		1,106,230	-	-	-	-
Dividends payable		711,595	-	-	-	-
Lease liabilities		544,072	-	-	-	-
Guarantee deposits received		535	-	-	-	-
Total		<u>\$ 6,538,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		2022.12.31				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Beneficiary certificates	\$	206,617	206,617	-	-	206,617
Private equity funds		18,000	-	-	18,000	18,000
Non-publicly quoted equity instruments measured at fair value		71,632	-	-	71,632	71,632
Structured deposits		264,200	-	-	264,200	264,200
Subtotal		<u>560,449</u>	<u>206,617</u>	<u>-</u>	<u>353,832</u>	<u>560,449</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	2022.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic listed (OTC) stock	\$ 6,176,226	6,176,226	-	-	6,176,226
Foreign listed stock	11,302	11,302	-	-	11,302
Non-publicly quoted equity instruments measured at fair value	189,286	-	-	189,286	189,286
Subtotal	<u>6,376,814</u>	<u>6,187,528</u>	<u>-</u>	<u>189,286</u>	<u>6,376,814</u>
Financial assets at amortized cost					
Cash and cash equivalents	3,695,970	-	-	-	-
Notes receivable and accounts receivable	3,944,016	-	-	-	-
Other receivables	91,330	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	100	-	-	-	-
Refundable deposits (classified in other non-current assets)	41,120	-	-	-	-
Subtotal	<u>7,772,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,709,799</u>	<u>6,394,145</u>	<u>-</u>	<u>543,118</u>	<u>6,937,263</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 207,026	-	-	-	-
Notes payable and accounts payable	4,019,649	-	-	-	-
Other payables	1,247,717	-	-	-	-
Lease liabilities	540,315	-	-	-	-
Guarantee deposits received	532	-	-	-	-
Total	<u>\$ 6,015,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	2022.3.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 202,305	202,305	-	-	202,305
Private equity funds	12,000	-	-	12,000	12,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	<u>206,516</u>	<u>-</u>	<u>-</u>	<u>206,516</u>	<u>206,516</u>
Subtotal	<u>492,453</u>	<u>202,305</u>	<u>-</u>	<u>290,148</u>	<u>492,453</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	2022.3.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Domestic listed stock	\$ 6,253,352	6,253,352	-	-	6,253,352
Foreign listed stock	13,683	13,683	-	-	13,683
Non-publicly quoted equity instruments measured at fair value	160,161	-	-	160,161	160,161
Subtotal	<u>6,427,196</u>	<u>6,267,035</u>	<u>-</u>	<u>160,161</u>	<u>6,427,196</u>
Financial assets at amortized cost					
Corporate bond	10,800	-	-	-	-
Cash and cash equivalents	2,896,916	-	-	-	-
Notes receivable and accounts receivable	4,281,520	-	-	-	-
Other receivables	106,483	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	19,476	-	-	-	-
Refundable deposits (classified in other non-current assets)	40,635	-	-	-	-
Subtotal	<u>7,355,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,275,479</u>	<u>6,469,340</u>	<u>-</u>	<u>450,309</u>	<u>6,919,649</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 271,980	-	-	-	-
Notes payable and accounts payable	4,267,431	-	-	-	-
Other payables	1,033,323	-	-	-	-
Lease liabilities	620,089	-	-	-	-
Guarantee deposits received	518	-	-	-	-
Total	<u>\$ 6,193,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(2) Valuation techniques for financial instruments measured at fair value - non-derivative financial instruments

If there is an active market for a financial instrument, the fair value is based on the quoted price in the active market. The market prices announced by major exchanges are the basis for the fair value of listed (over-the-counter) equity instruments and debt instruments that are publicly quoted in the active market.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

A financial instrument has an active market for public quotations if public quotations can be obtained from an exchange, broker, underwriter, industry association, pricing service agencies or competent authority in a timely manner and on a regular basis, and if the price fairly represents actual and frequent market transactions. If the above conditions are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in the bid-ask spread, or a low volume of transactions are all indicators of an inactive market.

Among the financial instruments held by the Group, the listed stocks and beneficiary certificates are financial assets with standard terms and conditions that are traded in the active market, and their fair values are determined with reference to quoted market prices.

Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by referencing to quoted prices from counterparties. The fair value of financial instruments measured by using valuation techniques can refer to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the Consolidated Balance Sheets date.

The fair value of financial instruments held by the Group that are not publicly quoted equity instruments with no active market is estimated using the market method and net asset value method. The market method is measured by reference to the recent fundraising activities of the investee or based on the earnings or equity net worth multiplier derived from the quoted market prices of comparable listed companies, adjusted for the effect of discount on the lack of marketability of the equity securities. Net assets value method is based on the assumption that the net worth of the investee is measured on a per share basis.

(3) Quantitative information of significant unobservable inputs (Level 3) relating to fair value measurement

The Level 3 of fair value measurements mainly includes financial assets measured at fair value through profit or loss - investments in equity securities, investments in private equity funds and financial assets measured at fair value through other comprehensive income.

The Group's equity instrument investment with no active market has multiple significant unobservable inputs. Significant unobservable inputs for investments in equity instruments with no active market are not correlated with each other because they are independent of each other.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

Because the correlation between significant unobservable input value and fair value cannot be fully identified in practice, Group's structured deposits are not included in the disclosure of quantitative information of significant unobservable input values and the sensitivity analysis of fair value for reasonably possible alternative assumptions.

Table of quantitative information of significant unobservable inputs is provided below:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Relationship between significant unobservable inputs and fair value</u>
Financial assets measured at fair value through profit or loss - Investment in equity instrument without an active market	Net assets value method	<ul style="list-style-type: none"> • Net asset value 	<ul style="list-style-type: none"> • The higher the net assets value, the higher the fair value
	Comparable company valuation method	<ul style="list-style-type: none"> • Net worth multiple (2.47 as of March 31, 2022) • Discount for lack of market liquidity (29.39% as of March 31, 2022) 	<ul style="list-style-type: none"> • The higher the multiple, the higher the fair value • The higher the discount for lack of market liquidity, the lower the fair value
Financial assets measured at fair value through profit or loss - private equity fund investment	Net assets value method	<ul style="list-style-type: none"> • Net asset value 	<ul style="list-style-type: none"> • The higher the net assets value, the higher the fair value

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Relationship between significant unobservable inputs and fair value</u>
Financial assets measured at fair value through other comprehensive income - Investment in equity instrument without an active market	Comparable company valuation method	<ul style="list-style-type: none"> • P/E ratio multiple (10.65, 14.56 and 9.69~29.67 as of 2023.3.31, 2022.12.31 and 2022.3.31, respectively) • Net worth multiple (2.57~4.54, 2.27~4.54 and 2.51~6.15 as of 2023.6.30, 2022.12.31 and 2022.3.31, respectively) • Discount for lack of market liquidity (29.39% as of 2023.3.31, 2022.12.31 and 2022.3.31) 	<ul style="list-style-type: none"> • The higher the multiple, the higher the fair value • The higher the discount for lack of market liquidity, the lower the fair value

(4) Fair value measurement in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is considered reasonable. However, the fair value may change if different valuation models or inputs are used. For financial instruments classified in Level 3, changing the valuation assumptions would have the following effects on other comprehensive income:

	<u>Input</u>	<u>Upward or downward change</u>	<u>Fair value change reflected in current profit or loss</u>		<u>Fair value change reflected in other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
March 31, 2023						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net assets value method	5%	3,273	(3,273)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	1,177	(1,177)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	3,013	(3,013)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	170	(170)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	4,791	(4,791)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	886	(886)

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	Input	Upward or downward change	Fair value change reflected in current profit or loss		Fair value change reflected in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2022						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net assets value method	5%	3,313	(3,313)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	1,608	(1,608)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	2,895	(2,895)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	276	(276)
March 31, 2022						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	4,300	(4,300)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	1,815	(1,815)
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	127	(127)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	3,648	(3,648)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	347	(347)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using the valuation technique. If the fair value of a financial instrument is subject to more than one input, the analysis above reflects only the effect of the change in a single input and does not consider the interrelationship between inputs.

(XXIV) Financial risk management

There were no significant changes in the objectives and policies of the Group's financial risk management comparing to those disclosed in Note VI(XXVI) of the consolidated financial statements for the year ended December 31, 2022.

(XXV) Capital management

The Group's capital management objectives, policies and procedures were consistent with those disclosed in the consolidated financial statements for the year ended December 31,

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

2022. In addition, there were no significant changes in the aggregate quantitative information of capital management items comparing to the information disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to Note VI(XXVII) of the consolidated financial statements of 2022 for relevant information.

(XXVI) Investing and financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities from January 1 to March 31, 2023 and 2022 was as follows:

	2023.1.1	Cash flows from:	Non-cash changes				2023.3.31
			Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	
Long-term loans	\$ 199,334	(18,674)	-	-	-	-	180,660
Short-term loans	7,692	(82)	-	-	-	-	7,610
Lease liabilities	540,315	(45,244)	46,948	-	2,053	-	544,072
Total liabilities from financing activities	<u>\$ 747,341</u>	<u>(64,000)</u>	<u>46,948</u>	<u>-</u>	<u>2,053</u>	<u>-</u>	<u>732,342</u>

	2022.1.1	Cash flows from:	Non-cash changes				2022.3.31
			Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	
Long-term loans	\$ 272,348	(17,269)	-	-	-	-	255,079
Short-term loans	16,315	586	-	-	-	-	16,901
Lease liabilities	641,754	(41,905)	-	-	20,327	(87)	620,089
Total liabilities from financing activities	<u>\$ 930,417</u>	<u>(58,588)</u>	<u>-</u>	<u>-</u>	<u>20,327</u>	<u>(87)</u>	<u>892,069</u>

VII. Related Party Transactions

(I) Related party name and relationship

Related parties that had transactions with the Group during the reporting periods were listed below:

Related Party	Relationship with the Group
FSP Group USA Corp.	Group's associate
Sparkle Power Inc.	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Amacrox Technology Inc. ("Amacrox")	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Voltronic Power Technology Corp. ("Voltronic")	Substantive related party
Fortron/Source (Europa) GmbH	Substantive related party
FSP(GB) Ltd.	Substantive related party
FSP North America Inc.	Substantive related party
FSP Power Solution GmbH	Substantive related party
3Y Power Exchange Inc.	Substantive related party
Cheng, Ya-Jen	Chairman of the Company

(II) Significant related party transactions

1. Operating revenue

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

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

	January to March, 2023	January to March, 2022
Associate	\$ 20,972	13,859
Other related party	623,297	560,282
	\$ 644,269	574,141

The prices and credit terms of the Group's sales to the above related parties were not significantly different from those of its regular customers.

2. Purchases

The amounts of purchases from related parties were as follows:

	January to March, 2023	January to March, 2022
Other related party	\$ 184,277	39,479

The Group purchased goods from the above-mentioned related parties, and did not purchase similar products from other manufacturers, so there was no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers.

3. Receivables from related parties

The details of the receivables of the Group arising from sales transactions, business needs and disbursement fee were as follows:

Accounting Subject	Related party category/name	2023.3.31	2022.12.31	2022.3.31
Accounts receivable	Associate	\$ 19,278	2,254	14,104
	Other related party	759,991	719,584	855,147
		779,269	721,838	869,251
Other receivables	Associate	7	36	422
	Other related party			
	Sparkle Power Inc.	3,330	4,902	17,082
	FSP Power Solution GmbH	12,767	11,508	11,139
	Others	2,372	4,795	5,790
		18,476	21,241	34,433
		\$ 797,745	743,079	903,684

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

For the details of the loss allowance for accounts receivable - related party as of March 31, 2023, December 31, 2022 and March 31, 2022, please refer to Note VI(V). Please refer to Note VI(VI) for the details of the loss allowance for other receivables - other related party, 3Y Power Exchange Inc..

4. Payables to related parties

The details of the payables arising from the purchase of goods and the purchase via related parties were as follows:

Accounting Subject	Related party category/name	2023.3.31	2022.12.31	2022.3.31
Accounts payable	Other related party	<u>\$ 207,663</u>	<u>151,773</u>	<u>60,840</u>

5. Purchase of services from related parties

The details of the technical service fee, labor fee and commission paid by the Group to the related parties were as follows:

	January to March, 2023	January to March, 2022
Associate		
FSP Group USA Corp.	\$ 2,704	2,336
Other related party		
Amacrox	3,039	1,999
Others	<u>547</u>	<u>543</u>
	<u>\$ 6,290</u>	<u>4,878</u>

The details of the Group's recognized payable amounts due to related parties as a result of the above transactions and payments/collections on behalf of related parties were as follows:

Accounting Subject	Related party category/name	2023.3.31	2022.12.31	2022.3.31
Other payables	Associate	\$ 665	934	579
	Other related party	<u>7,210</u>	<u>10,944</u>	<u>7,163</u>
		<u>\$ 7,875</u>	<u>11,878</u>	<u>7,742</u>

6. Leases

The Group leased an office to the Chairman of the Company. The balance of lease liabilities as of March 31, 2023, December 31, 2022, and March 31, 2022, were NT\$6,576 thousand, NT\$6,805 thousand, and NT\$7,485 thousand, respectively. The recognized interest expense from January 1 to March 31, 2023 and 2022 was NT\$30 thousand and NT\$34 thousand, respectively.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

(III) Compensation for key management personnel

	January to March, 2023	January to March, 2022
Short-term employee benefits	\$ 8,785	8,736
Post-employment benefits	161	177
	\$ 8,946	8,913

VIII. Pledged Assets

The carrying amount of pledged assets for custom duty performance guarantee, litigation guarantee and borrowings was as follows:

Assets	Pledged to secure	2023.3.31	2022.12.31	2022.3.31
Restricted time deposits (recognized in other non-current assets)	Custom duty performance guarantee	\$ 100	100	100
Restricted demand deposits (recognized in other non-current assets)	Litigation guarantee	-	-	19,376
Land	Long-term loan and short-term loan facilities	161,077	161,077	161,077
Housing and Construction	Long-term loan and short-term loan facilities	176,451	178,451	184,447
Total		\$ 337,628	339,628	365,000

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) As of March 31, 2023, December 31, 2022 and March 31, 2022, the guarantee facilities extended by banks for customs and excise duties were NT\$215,000 thousand, and utilized facilities were all NT\$33,000 thousand.

(II) The Group purchased products of Beyond Innovation Technology Co., Ltd. (hereinafter referred to as Beyond Innovation) through a distributor in Taiwan. O2 Micro International Limited (hereinafter referred to as O2), a competitor of Beyond Innovation, states that such products infringe upon its patent rights in the United States, and therefore filed a civil lawsuit against three companies including the Group in the Marshall Division, United States District Court for the Eastern District of Texas (hereinafter referred to as the United States District Court).

O2 withdrew all claims for monetary compensation against all defendants in the preceding civil lawsuit on April 24, 2006. The United States District Court subsequently rendered a first-

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

instance judgment and injunction prohibiting the sale of the products to the United States on March 21, 2007. It also ruled that the attorneys' fees and litigation costs incurred in this lawsuit, totaling US\$2,268,402.22, should be borne jointly by the Group, Beyond Innovation, and Lien Chang Electronic Enterprise Co., Ltd. After the defendants filed an appeal to the United States Court of Appeals for the Federal Circuit, the Federal Circuit issued a decision on April 3, 2008. It found the lower court's ruling, in which the defendants were found to be in violation of patent rights, did not meet the requirements for legal proceedings and therefore reversed and remanded to the original court for retrial. As for the ruling regarding the litigation expenses, although it was not reviewed by the court of appeals, the reversal of the first-instance judgment means that the ruling has lost its basis and is therefore nullified.

After the case was remanded to the United States District Court, the Court only reviewed the lawsuit between O2 and Beyond Innovation, and rendered a judgment on September 27, 2010, which found that although Beyond Innovation had infringed upon O2's patent rights, the infringement was not based on malicious intent. Beyond Innovation later filed an appeal and the United States Court of Appeals for the Federal Circuit (CAFC) rejected Beyond Innovation's appeal and affirmed the decision of the lower court.

The litigation between the Group and O2 was separated from the aforementioned litigation between O2 and Beyond Innovation on July 21, 2009. However, the Group has not yet received a notice of hearing from the US Court.

The Group was implicated by the use of Beyond Innovation's products, and after learning that Beyond Innovation's products were involved in such disputes, we have switched to alternative materials that do not involve infringement disputes. According to the intellectual property right guarantee signed by the Group and Beyond Innovation, Beyond Innovation shall bear all liabilities, losses, damages, costs, or other expenses incurred by the Group as a result of the use of its products. As a result, Beyond Innovation shall bear the adjudication costs borne by the Group. Therefore, the attorneys' fees and litigation costs incurred in the above patent litigation do not have a significant impact on the Group's financial statements. The Group recognized the aforementioned expenses as expenses for the year in which they occurred based on fiscal conservatism.

- (III) As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group had entered into purchase agreements for property, plant and equipment amounting to NT\$4,209 thousand, NT\$0 thousand and NT\$54,729 thousand, respectively, and had paid NT\$1,812 thousand, NT\$0 thousand and NT\$33,402 thousand, respectively, which were recorded as construction in progress of property, plant and equipment as well as other non-current assets.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date: None.

XII. Others

(I) A summary of employee benefits, depreciation, and amortization by function is provided below:

By nature	January to March, 2023			January to March, 2022		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	328,583	240,104	568,687	359,123	226,749	585,872
Insurance expense	1,990	20,180	22,170	1,807	17,554	19,361
Pension expense	20,408	10,891	31,299	23,222	10,712	33,934
Other employee benefit expense	10,430	10,216	20,646	12,784	9,269	22,053
Depreciation expenses	70,230	23,035	93,265	68,081	22,373	90,454
Amortization expenses	98	1,651	1,749	156	2,077	2,233

(II) Seasonality in Operation

The operation of the Group is not subject to impacts from seasonal or cyclical factors.

XIII. Supplementary Disclosures

(I) Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, information on significant transactions from January 1 to March 31, 2023 and 2022 is disclosed as follows:

1. Financing provided to other parties: None.
2. Guarantees and endorsements provided to other parties: None.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

Shares units: Shares

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Shares/Units	Carrying amount	Percentage of shareholding	Fair value	
The Company	Stock: Mekong Resort Development Construction Co., Ltd.	—	Financial assets at fair value through profit or loss	1,905,750	71,632	8.25	71,632	
	Beneficiary certificates: Fuh Hwa Money Market Fund			7,038,414	103,216	-	103,216	
	Fuh Hwa Guardian Fund	—	"	3,504,199	68,055	-	68,055	
	Fuh Hwa Ruei Hua Fund	—	"	1,961,169	22,285	-	22,285	
	Yuanta FTSE4Good TIP Taiwan ESG ETF Securities Investment Trust Fund	—	"	400,000	12,584	-	12,584	
	Private equity fund: Mesh Cooperative Ventures Fund	—	"	18,000,000	18,000	2.46	18,000	
					295,772		295,772	
3Y Power	Beneficiary certificates: Yuanta 2-10 Year Investment Grade Corporate Bond Fund	—	"	300,000	2,978	-	2,978	
					298,750		298,750	
The Company	Stock: Voltronic Power Technology Corp.	Other related party	Financial assets at fair value through other comprehensive income	3,593,822	6,217,312	4.09	6,217,312	
	JESS-LINK Products Co., Ltd.	—	"	10,000,000	473,500	8.19	473,500	
	WT Microelectronics Co., Ltd.	—	"	1,000,000	49,200	0.74	49,200	
	Taiwan Cement Corp.	—	"	54,996	2,002	-	2,002	
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	"	10,000	5,330	-	5,330	
	Coretronic Corporation		"	1,000,000	67,800	0.26	67,800	
	TOT BIOPHARM International Co., Ltd.	—	"	1,195,200	9,596	0.15	9,596	
	Eastern Union Interactive Corp.	—	"	880,000	58,667	4.43	58,667	
	Guoyu Global Co., Ltd.	—	"	500,000	5,000	16.67	5,000	
	Taiwan Truewin Technology Co., Ltd.		"	1,387,925	89,125	4.58	89,125	
	Liwatt X Inc.		"	1,000,000	10,000	14.29	10,000	
	Beyond Innovation Technology Co., Ltd.	—	"	1,000,000	-	2.96	-	
					6,987,532		6,987,532	
WUXI Zhonghan	Wuxi Lead Solar Energy Co., Ltd.	—	"	-	-	12.04	-	
FSP Jiangsu	Powerland Technology Inc.	—	"	-	26,494	3.54	26,494	
					7,014,026		7,014,026	

4. Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT\$300,000 thousand or 20% of the paid-in capital: None.
5. Acquisition of real estate at costs which exceed NT\$300,000 thousand or 20% of the paid-in capital: None.
6. Disposal of real estate at prices which exceed NT\$300,000 thousand or 20% of the paid-in capital: None.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

7. Total purchases from and sales to related parties which exceed NT\$100,000 thousand or 20% of the paid-in capital:

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	(Sales)	(122,116)	(4.35)	Note 1			171,966	6.08	
The Company	FSP North America	Substantive related party of the Company	(Sales)	(111,540)	(3.98)	Note 1			101,786	3.60	
The Company	FSP Power Solution GmbH	Substantive related party of the Company	(Sales)	(255,510)	(9.11)	Note 1			302,406	10.70	
The Company	Huili	100% owned investment via indirect shareholding	Purchases (Note 2)	138,231	6.66	Note 4		Note 4	(13,122) (Note 3)	(0.43)	Note 6
The Company	Voltronic	The Company is the Director of this company	Purchases	184,277	8.88	Note 5			(207,663)	(6.85)	
The Company	3Y Power	65.87% owned investment via direct shareholding	Purchases	149,477	7.20	Note 1			(196,673)	(6.49)	Note 6
3Y Power	3Y Power Technologh Inc.	100% owned investment via direct shareholding	(Sales)	(122,787)	(19.46)	Note 1			70,964	10.09	Note 6

Note 1. The Company's trading terms for this related party are not significantly different from those of other customers.

Note 2. Including purchases of products, purchases of raw materials and processing.

Note 3. Including accounts payable arising from purchases of products and raw materials and processing fee.

Note 4. The transaction price is not available for regular customers for comparison, and the credit term is 5 days after the monthly settlement.

Note 5. The Group does not purchase similar products from other manufacturers, so there is no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers.

Note 6. Eliminated under consolidation.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

8. Receivables from related parties which exceed NT\$100,000 thousand or 20% of the paid-in capital:

Company with accounts receivable	Related Party	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery from overdue receivables from related parties (Note 1)	Loss allowance
					Amount	Action taken		
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	171,966	2.72	-		63,978	-
The Company	FSP Power Solution GmbH	Substantive related party of the Company	302,406	3.63	-		-	-
The Company	FSP North America	Substantive related party of the Company	101,786	3.97	-		-	-
3Y Power	The Company	65.87% owned reinvestment via indirect shareholding	196,673 (Note 2)	3.24	-		32,348	-

Note 1. As of April 21, 2023.

Note 2. Eliminated under consolidation.

9. Derivative instruments transactions: None.

10. Business relationship and significant intercompany transactions:

Number (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of total consolidated operating revenue or total assets (Note 3)
				Ledger Account	Amount	Transaction Term	
0	The Company	3Y Power	1	Cost of goods sold	149,477	No significant difference from other suppliers	4.09%
0	The Company	Huili	1	Cost of goods sold	138,231	No comparison is available	3.78%
0	The Company	Zhonghan	1	Cost of goods sold	76,548	No comparison is available	2.09%
0	The Company	WUXI SPI	1	Cost of goods sold	51,262	No comparison is available	1.40%
0	The Company	WUXI Zhonghan	1	Operating revenue	66,189	No significant difference from other customers	1.81%
1	3Y Power	3Y Power Technology Inc.	3	Operating revenue	122,787	No significant difference from other customers	3.36%
1	3Y Power	Huili	3	Cost of goods sold	80,667	No comparison is available	2.21%

Note 1.Fill in the number as per below:

1. 1.0 represents the parent company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2.The relationships with counterparty are as follows:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3.Information is disclosed only for the amounts that exceed 1% of total consolidated assets (balance sheet items) and 1% of total revenue (income statement items).

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

(II) Information on Invested Companies:

Reinvestment information from January 1 to March 31, 2023 is as follows:

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment gain (loss) recognized for the period	Remark
				Ending Balance for the Current Period	At the end of last year	Shares	Shareholding (%)	Carrying amount			
The Company	FSP International Inc. (BVI)	British Virgin Islands	Investment holdings	1,241,751	1,241,751	32,202,500	100.00	2,070,729	(70,498)	(70,498)	Subsidiary
	FSP Group Inc.	British Cayman Islands	Engaged in safety certification	1,752	1,752	50,000	100.00	297	(3)	(3)	Subsidiary
	Amacrox Technology Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	40,925	40,925	1,109,355	100.00	71,190	38	38	Subsidiary
	3Y Power	Taiwan	Manufacturing and trading of power supply	304,406	304,406	16,309,484	65.87	805,011	53,737	53,404	Subsidiary
	Harmony Trading (HK) Ltd.	Hong Kong	Investment holdings	45	45	10,000	100.00	1,910	(16)	(16)	Subsidiary
	FSP Technology USA Inc.	U.S.A.	Business development and product technical service	3,143	3,143	100,000	100.00	1,259	(662)	(662)	Subsidiary
	FSP Turkey	Turkey	Business development and product technical service	22,640	22,640	6,673,000	91.41	9,733	2,925	2,674	Subsidiary
FSP International Inc. (BVI)	FSP Technology Inc. (BVI)	British Virgin Islands	Investment holdings	62,883	62,883	2,100,000	100.00	111,834	(1,882)	-	Sub-subsiary
	Power Electronics Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	217,707	217,707	7,000,000	100.00	191,640	(14,529)	-	Sub-subsiary
	Famous Holding Ltd.	Samoa	Investment holdings	807,483	807,483	27,000,000	100.00	1,370,391	(11,288)	-	Sub-subsiary
	Proteck Electronics (Samoa) Corp.	Samoa	Investment holdings	32,984	32,984	1,100,000	100.00	31,860	(184)	-	Sub-subsiary
FSP International Inc. (BVI)	FSP International (HK) Ltd.	Hong Kong	Investment holdings	141,042	141,042	4,770,000	100.00	57,301	(3,203)	-	Sub-subsiary
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Germany	Trading of power supply	18,181	18,181	25,000	100.00	2,945	(36)	-	Sub-subsiary
	FSP Group USA Corp.	U.S.A.	Trading of power supply	14,903	14,903	247,500	45.00	36,258	2,347	1,056	Associate
3Y Power	Proteck Power North America Inc.	U.S.A.	Investment holdings	3,279	3,279	1,000	100.00	15,258	(997)	-	Sub-subsiary
	3Y Power Technology Inc.	U.S.A.	Trading of power supply	233,850	233,850	600,000	100.00	281,824	8,227	-	Sub-subsiary
	Luckyield Co., Ltd.	Samoa	Investment holdings	4,500	4,500	45,000	100.00	4,746	1,418	-	Sub-subsiary

Note 1. The investment profit or loss of the company was recognized based on the financial statements of the investee company for the same period audited by the independent auditors of Taiwan's parent company, accounted for and valued by the equity method.

Note 2. The investment profit or loss of the company was recognized based on the financial statements of the investee company for the same period without being reviewed by the independent auditors, accounted for and valued by the equity method.

Note 3. The profit and loss of the sub-subsiary has been consolidated into the profit and loss of the subsidiary. The transactions between the Company and each subsidiary of the Group including sales transaction amount, accounts receivable and payable, carrying amount of long-term equity investment, except for the associates) and investment profit and loss recognized in the current period, have been eliminated in preparing the consolidated financial statements.

(III) Information on investment in Mainland China:

1. Information on the name of investee company in Mainland China and their main businesses and products

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	Percentage of ownership of direct or indirect investment	Share of profits/losses for the period	Carrying amount of investment at the end of the period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Huili	Processing of power supply	147,995	(II), 1	176,873	-	-	176,873	(40,629)	100.00	(40,629)	212,167	197,299
Zhonghan	Processing of power supply	228,595	(II), 1	104,342	-	-	104,342	(14,510)	100.00	(14,510)	189,777	75,044
WUXI SPI	Processing of power supply	736,831	(II), 1	508,326	-	-	508,326	(4,586)	100.00	(4,586)	84,724	-
WUXI Zhonghan	Manufacturing and trading of power supply	424,432	(II), 1	380,595	-	-	380,595	(6,715)	100.00	(6,715)	1,287,929	-
Zhong Han	Manufacturing and trading of power supply	132,930	(II), 1	20,196	-	-	20,196	(9,639)	100.00	(9,639)	770,158	-
FSP Jiangsu	Research & development and design of various energy saving technology	69,009	(II), 1	13,380	-	-	13,380	(1,882)	100.00	(1,882)	113,520	-
Protek Dongguan	Processing of power supply	40,180	(II), 1	38,038	-	-	38,038	(182)	100.00	(182)	31,664	-
Hao Han	Transformer processing	166,951	(II), 1	-	-	-	-	(3,203)	100.00	(3,203)	57,301	-
WUXI 3Y	Design, manufacturing and trading of power supplies	4,205	(II), 2	-	-	-	-	1,418	65.87	934	4,746	-

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

Note 1. Method of investment can be divided into the following 3 categories:

- (I) Direct investment in mainland China.
- (II) Indirect investment in mainland China through a holding company established in other countries
 - 1. Through FSP International Inc. to invest in mainland China.
 - 2. Through 3Y Power to invest in mainland China.
- (III) Others.

Note 2. This includes the amount of capital contributed by a foreign subsidiary from its earnings or dividends from an investee company in China.

Note 3. The investment profit or loss of the company and the carrying amount of the investment at the end of the period were recognized based on the financial statements of the investee company audited by the independent auditors of Taiwan's parent company, accounted for and valued by the equity method.

Note 4. The investment profit or loss of the company and the carrying amount of the investment at the end of the period were recognized based on the financial statements of the investee company for the same period without being reviewed by the independent auditors, accounted for and valued by the equity method.

Note 5. Eliminated under consolidation.

2. The limit of investment in mainland China:

Accumulated investment in mainland China at the end of period	Investment amounts approved by Investment Commission, MOEA	Limit of investment in mainland China approved by Investment Commission, MOEA
1,241,750 (Note 2) (HK\$12,500 thousand and US\$35,640 thousand)	1,635,237 (Note 2) (HK\$ 12,500 thousand and US\$ 52,110 thousand)	8,080,898 (Note 1)

Note 1. 60% of net worth.

Note 2. For the amounts of the above investment in mainland China, except that the accumulated investment amount remitted from Taiwan to mainland China at the end of the current period is based on the historical exchange rate, the investment profit and loss recognized in the current period is based on the weighted average exchange rate (USD/TWD: 1:30.3948, CNY/TWD: 1:4.4410, HKD/TWD: 1:3.8778). Paid-in capital, investment amount approved by the Investment Commission of MOEA, and the carrying amount at the end of the period are based on the exchange rates on March 31, 2023 (USD/TWD: 1:30.4500, CNY/TWD: 1:4.4310, HKD/TWD: 1:3.8790).

3. Significant transactions with the investee company in mainland China:

Please refer to the "Information on Significant Transactions" for direct or indirect material transactions between the Group and investees in China (which have been eliminated during the preparation of consolidated financial statements) from January 1 to March 31, 2023.

(IV) Information on Major Shareholders:

Name of Major Shareholders	Shareholding	Shares	Percentage of Ownership
Chuan Han Investment Co., Ltd.		15,091,766	8.05%
Cheng, Ya-Jen		12,167,477	6.49%
Yang, Fu-An		11,792,834	6.29%

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

1. The information of major shareholders in this table was calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, and the shareholders who held more than 5% of the common shares and preferred shares of the Company that have been delivered (including treasury shares) were disclosed. The number of shares recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to different basis of preparation of the calculations.
2. If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. As for the insider declaration for shareholding more than 10% of total shares in accordance with the Securities and Exchange Act, their shareholding shall include the shares held by themselves plus the shares that they have delivered to the trust and have the right to exercise decision-making power over the trust property. For more information, please refer to Market Observation Post System website.
3. The percentage of shareholding is calculated by rounding to two decimal places.

XIV. Segment Information

The Group's operating segment information and reconciliation were as follows:

	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Total
January to March, 2023							
Revenue:							
Revenue from external customers	\$ 2,638,728	326,426	329,899	122,717	238,360	-	3,656,130
Intersegment revenue	515,181	302,440	3,595	2,563	18,568	(842,347)	-
Total revenues	\$ 3,153,909	628,866	333,494	125,280	256,928	(842,347)	3,656,130
Reportable segment profit or loss	\$ 72,972	54,949	(10,394)	2,924	9,232	506	130,189
January to March, 2022							
Revenue:							
Revenue from external customers	\$ 2,624,957	317,943	449,260	118,897	205,959	-	3,717,016
Intersegment revenue	466,614	184,970	1,133	4,174	14,631	(671,522)	-
Total revenues	\$ 3,091,571	502,913	450,393	123,071	220,590	(671,522)	3,717,016
Reportable segment profit or loss	\$ 123,832	47,142	6,759	(4,415)	14,266	1,191	188,775

The significant adjustment items of the above reportable segment information are described as follows:

The total revenue of the reportable segment and the inter-segment revenue to be eliminated were NT\$842,347 thousand and NT\$671,522 thousand from January 1 to March 31, 2023 and 2022, respectively.