

**Edimax Technology Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Edimax Technology Co., Ltd.

### Opinion

We have audited the accompanying financial statements of Edimax Technology Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the other matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

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

Key audit matter of the Company's financial statements for the year ended December 31, 2022 is stated as follows:

#### Sales Revenue from the Company's Specific Customers

The Company's revenue from the top five fast growth customers was \$1,103,394, which representing 28% of total revenue for the year ended December 31, 2022. As the amount of the revenue from the top five fast growth customers was significant, it was deemed to be a key audit matter.

The main audit procedures we performed to address the above key audit matter were as follows:

1. We obtained an understanding and tested those specific customers' credit check processes, sales prices and payment collection terms to evaluate the appropriateness of the approval of customer's credit and traced to the relevant supporting information, which included searching for the information from public.
2. We selected samples from those specific customers' sales transactions and inspected the relevant documents such as the original purchase orders and sales invoices to verify the validity of occurrence of sales revenue.
3. We sent confirmation to those customers to verify the accuracy of the trade receivables at the end of the reporting period.

#### **Other Matter**

As disclosed in Note 11 to the financial statements, we did not audit the financial statements of several investees accounted for using the equity method included in the financial statements of the Company, but such statements were audited by other auditors. Our opinion, insofar as it relates to the investments and the share of profit (loss) of the investees accounted for using the equity method audited by other auditors, was based solely on the reports of the other auditors. The total investments in investees accounted for using the equity method were NT\$341,090 thousand and NT\$331,241 thousand, which constituted 6% and 6% of total assets as of December 31, 2022 and 2021, respectively, and the share of profit of the subsidiaries and associates accounted for using the equity method was NT\$49,168 thousand and NT\$33,839 thousand, which constituted 19% and (61%) of the profit before income tax for the years ended December 31, 2022 and 2021, respectively; and the share of the other comprehensive income of the subsidiaries and associates accounted for using the equity method was NT\$54,363 thousand and NT\$22,462 thousand, which constituted 20% and (33%) of the total comprehensive income for the years ended December 31, 2022 and 2021, respectively.

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

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

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

Those charged with governance, including members of the audit committee, are responsible for overseeing the Company's financial reporting process.

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Tza-Li Gung and Chih-Yuan Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 3, 2023

Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

# EDIMAX TECHNOLOGY CO., LTD.

## BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 946,451	16	\$ 408,145	8
Notes receivable from unrelated parties (Note 9)	1,353	-	10,444	-
Trade receivables from unrelated parties (Notes 9 and 22)	767,809	13	674,071	12
Trade receivables from related parties (Notes 22 and 30)	80,615	1	174,040	3
Other receivables from unrelated parties (Notes 9 and 30)	25,162	1	21,929	1
Current tax assets (Note 24)	-	-	13	-
Inventories (Note 10)	886,791	15	945,965	17
Prepayments	34,633	1	112,910	2
Other current assets	9,128	-	11,329	-
Total current assets	<u>2,751,942</u>	<u>47</u>	<u>2,358,846</u>	<u>43</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 18)	244	-	520	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	53,503	1	76,117	1
Investments accounted for using the equity method (Note 11)	922,577	16	920,946	17
Property, plant and equipment (Notes 12 and 31)	2,025,752	34	2,050,920	37
Right-of-use assets (Note 13)	17,600	-	7,896	-
Investment properties (Note 14)	48,550	1	49,527	1
Intangible assets (Note 15)	6,789	-	6,107	-
Refundable deposits	3,829	-	4,082	-
Other financial assets - non-current (Note 16)	69,400	1	65,801	1
Total non-current assets	<u>3,148,244</u>	<u>53</u>	<u>3,181,916</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 5,900,186</u>	<u>100</u>	<u>\$ 5,540,762</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 720,000	12	\$ 556,000	10
Short-term bills payable (Note 17)	29,969	1	29,915	1
Contract liabilities - current (Note 22)	77,319	1	107,567	2
Notes payable to unrelated parties	6,250	-	10,296	-
Accounts payable to unrelated parties	408,254	7	553,481	10
Accounts payable to related parties (Note 30)	199,749	4	113,741	2
Other payables (Notes 19 and 30)	163,354	3	148,851	3
Current tax liabilities	417	-	657	-
Lease liabilities - current (Note 13)	8,256	-	3,131	-
Current portion of long-term borrowings (Notes 17 and 31)	16,800	-	16,800	-
Other current liabilities (Note 19)	78,196	1	92,738	2
Total current liabilities	<u>1,708,564</u>	<u>29</u>	<u>1,633,177</u>	<u>30</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 18)	185,143	3	390,835	7
Long-term borrowings (Notes 17 and 31)	1,350,314	23	1,367,114	25
Deferred tax liabilities (Note 24)	6,466	-	722	-
Lease liabilities - non-current (Note 13)	9,566	-	4,764	-
Net defined benefit liabilities - non-current (Note 20)	75,009	2	75,820	1
Total non-current liabilities	<u>1,626,498</u>	<u>28</u>	<u>1,839,255</u>	<u>33</u>
Total liabilities	<u>3,335,062</u>	<u>57</u>	<u>3,472,432</u>	<u>63</u>
<b>EQUITY</b>				
Share capital				
Common stock	2,070,101	35	1,893,702	34
Capital collected in advance	8,504	-	8,800	-
Total share capital	<u>2,078,605</u>	<u>35</u>	<u>1,902,502</u>	<u>34</u>
Capital surplus	284,928	5	236,689	4
Retained earnings				
Legal reserve	10,460	-	10,460	-
Special reserve	38,904	1	38,904	1
Unappropriated earnings	188,181	3	(67,331)	(1)
Total retained earnings	<u>237,545</u>	<u>4</u>	<u>(17,967)</u>	<u>-</u>
Other equity				
Exchange differences on translation to the presentation currency	(10,792)	-	(49,822)	(1)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(12,189)	(1)	10,425	-
Total other equity	<u>(22,981)</u>	<u>(1)</u>	<u>(39,397)</u>	<u>(1)</u>
Treasury shares	(12,973)	-	(13,497)	-
Total equity	<u>2,565,124</u>	<u>43</u>	<u>2,068,330</u>	<u>37</u>
<b>TOTAL</b>	<u>\$ 5,900,186</u>	<u>100</u>	<u>\$ 5,540,762</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 3, 2023)

## EDIMAX TECHNOLOGY CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 30)	\$ 3,998,386	100	\$ 3,634,547	100
OPERATING COSTS (Notes 10, 23 and 30)	<u>(3,302,721)</u>	<u>(83)</u>	<u>(3,111,231)</u>	<u>(86)</u>
GROSS PROFIT	695,665	17	523,316	14
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(27,108)	(1)	(17,589)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>17,589</u>	<u>1</u>	<u>16,175</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>686,146</u>	<u>17</u>	<u>521,902</u>	<u>14</u>
OPERATING EXPENSES (Notes 20 and 23)				
Selling and marketing expenses	(156,608)	(4)	(150,070)	(4)
General and administrative expenses	(139,994)	(4)	(119,194)	(3)
Research and development expenses	(289,619)	(7)	(268,039)	(8)
Expected credit loss (Note 9)	<u>(7,524)</u>	<u>-</u>	<u>(10,980)</u>	<u>-</u>
Total operating expenses	<u>(593,745)</u>	<u>(15)</u>	<u>(548,283)</u>	<u>(15)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>92,401</u>	<u>2</u>	<u>(26,381)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 30)	6,350	-	9,604	-
Other gains and losses (Note 23)	148,853	4	(37,457)	(1)
Finance costs (Note 23)	(33,457)	(1)	(24,790)	(1)
Share of profit of associates (Note 11)	39,960	1	23,630	1
Interest income (Note 23)	<u>3,650</u>	<u>-</u>	<u>366</u>	<u>-</u>
Total non-operating income and expenses	<u>165,356</u>	<u>4</u>	<u>(28,647)</u>	<u>(1)</u>
PROFIT (LOSS) BEFORE INCOME TAX	257,757	6	(55,028)	(2)
INCOME TAX EXPENSE (Note 24)	<u>(5,099)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>252,658</u>	<u>6</u>	<u>(55,028)</u>	<u>(2)</u>

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# EDIMAX TECHNOLOGY CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2022		2021	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	\$ 3,227	-	\$ (6,043)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(22,614)	-	10,761	-
Share of the other comprehensive loss of associates accounted for using the equity method	272	-	(1,505)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	(645)	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>39,030</u>	<u>1</u>	<u>(16,354)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>19,270</u>	<u>1</u>	<u>(13,141)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 271,928</u>	<u>7</u>	<u>\$ (68,169)</u>	<u>(2)</u>
<b>EARNINGS (LOSS) PER SHARE (Note 25)</b>				
Basic	<u>\$ 1.30</u>		<u>\$ (0.29)</u>	
Diluted	<u>\$ 1.14</u>			

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

(With Deloitte & Touche auditors' report dated March 3, 2023)

(Concluded)



**EDIMAX TECHNOLOGY CO., LTD.**

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

	Share Capital (Note 21)				Retained Earnings (Accumulated Deficits) (Note 21)				Other Equity		Treasury Shares (Note 21)	Total Equity	
	Common Stock	Capital Collected in Advance	Total	Capital Surplus (Note 21)	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Exchange Differences on Translation of Foreign Operations	Unrealized			Total
										Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 21)			
BALANCE AT JANUARY 1, 2021	\$ 1,864,916	\$ 27,492	\$ 1,892,408	\$ 228,100	\$ 1,802	\$ 16,214	\$ 86,582	\$ 104,598	\$ (33,468)	\$ (5,436)	\$ (38,904)	\$ (13,714)	\$ 2,172,488
Appropriation of 2020 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	8,658	-	(8,658)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	22,690	(22,690)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(54,889)	(54,889)	-	-	-	-	(54,889)
Other capital surplus change	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments (Note 26)	-	-	-	979	-	-	-	-	-	-	-	-	979
Equity component of convertible bonds issued by the Company (Note 18)	-	-	-	10,684	-	-	-	-	-	-	-	-	10,684
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	217	217
Disposal of investment in equity instruments designated as at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	-	(5,100)	(5,100)	-	5,100	5,100	-	-
Dividends distributed to subsidiaries to adjust capital surplus	-	-	-	418	-	-	-	-	-	-	-	-	418
Changes in percentage of ownership interests in subsidiaries	-	-	-	(4,391)	-	-	-	-	-	-	-	-	(4,391)
Recognition of employee share options by the subsidiaries (Note 26)	-	-	-	179	-	-	-	-	-	-	-	-	179
Issuance of ordinary shares under employee share options (Note 26)	28,786	(18,692)	10,094	720	-	-	-	-	-	-	-	-	10,814
Net loss for the year ended December 31, 2021	-	-	-	-	-	-	(55,028)	(55,028)	-	-	-	-	(55,028)
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(7,548)	(7,548)	(16,354)	10,761	(5,593)	-	(13,141)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	(62,576)	(62,576)	(16,354)	10,761	(5,593)	-	(68,169)
BALANCE AT DECEMBER 31, 2021	1,893,702	8,800	1,902,502	236,689	10,460	38,904	(67,331)	(17,967)	(49,822)	10,425	(39,397)	(13,497)	2,068,330
Other capital surplus change	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments (Note 26)	-	-	-	386	-	-	-	-	-	-	-	-	386
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	272	272
Actual acquisition of interests in subsidiaries	-	-	-	237	-	-	-	-	-	-	-	252	489
Changes in percentage of ownership interests in subsidiaries	-	-	-	(4,826)	-	-	-	-	-	-	-	-	(4,826)
Recognition of employee share options by the subsidiaries (Note 26)	-	-	-	423	-	-	-	-	-	-	-	-	423
Convertible corporate bond conversion	149,036	8,074	157,110	52,019	-	-	-	-	-	-	-	-	209,129
Issuance of ordinary shares under employee share options (Note 26)	27,363	(8,370)	18,993	-	-	-	-	-	-	-	-	-	18,993
Net profit for the year ended December 31, 2022	-	-	-	-	-	-	252,658	252,658	-	-	-	-	252,658
Other comprehensive loss for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	2,854	2,854	39,030	(22,614)	16,416	-	19,270
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	255,512	255,512	39,030	(22,614)	16,416	-	271,928
BALANCE AT DECEMBER 31, 2022	\$ 2,070,101	\$ 8,504	\$ 2,078,605	\$ 284,928	\$ 10,460	\$ 38,904	\$ 188,181	\$ 237,545	\$ (10,792)	\$ (12,189)	\$ (22,981)	\$ (12,973)	\$ 2,565,124

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

(With Deloitte & Touche auditors' report dated March 3, 2023)

# EDIMAX TECHNOLOGY CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 257,757	\$ (55,028)
Adjustments for:		
Depreciation expense	46,870	45,195
Amortization expense	9,324	6,185
Expected credit loss recognized	7,524	10,980
Net loss (gain) on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	276	(682)
Finance costs	33,457	24,790
Interest income	(3,650)	(366)
Dividend income	(733)	(1,874)
Share-based payment	386	979
Share of profit of subsidiaries and associates	(39,960)	(23,630)
Loss (gain) on disposal of property, plant and equipment	4	(112)
Losses on inventory valuation loss and obsolescence	46,149	-
Unrealized gain on transactions with subsidiaries	27,108	17,589
Realized gain on transactions with subsidiaries	(17,589)	(16,175)
Gain on lease modification	(105)	-
Changes in operating assets and liabilities		
Notes receivable	9,091	(533)
Trade receivables (including related parties)	(7,837)	81,887
Other receivables	(1,205)	(14,939)
Inventories	13,025	(347,309)
Prepayment	78,277	(74,797)
Other current assets	2,201	6,827
Contract liabilities	(30,248)	12,464
Notes payables	(4,046)	4,991
Trade payables (including related parties)	(59,219)	(2,754)
Other payables	14,503	10,143
Current liabilities	(14,542)	4,521
Net defined benefit liabilities	1,771	(3,321)
Cash generated from (used in) operations	368,589	(314,969)
Interest received	3,650	366
Interest paid	(29,863)	(21,747)
Income tax paid	418	17
Net cash generated from (used in) operating activities	<u>342,794</u>	<u>(336,333)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of financial assets at fair value through other comprehensive income	-	(1,826)
Net cash inflow of disposal of subsidiaries	609	-
Payments for property, plant and equipment	(15,535)	(21,166)
Proceeds from disposal of property, plant and equipment	101	231
Increase in refundable deposits	-	(530)

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# EDIMAX TECHNOLOGY CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Decrease in refundable deposits	\$ 253	\$ -
Payments for intangible assets	(10,006)	(7,890)
Increase in other financial assets	(3,599)	(3,013)
Dividends received	<u>62,564</u>	<u>71,362</u>
Net cash generated from investing activities	<u>34,387</u>	<u>37,168</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	164,000	-
Repayments of short-term borrowings	-	(261,600)
Proceeds from bonds payable	-	398,653
Repayments of long-term borrowings	(16,800)	(16,800)
Decrease in refundable deposits	-	(6,679)
Repayment of the principal portion of lease liabilities	(5,068)	(1,737)
Dividends paid to owners of the Company	-	(54,889)
Exercise of employee share options	<u>18,993</u>	<u>10,814</u>
Net cash generated from financing activities	<u>161,125</u>	<u>67,762</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	538,306	(231,403)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>408,145</u>	<u>639,548</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 946,451</u>	<u>\$ 408,145</u>

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

(With Deloitte & Touche auditors' report dated March 3, 2023)

(Concluded)

# EDIMAX TECHNOLOGY CO., LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Edimax Technology Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (ROC) in June 1986 and has been listed on the Taiwan Stock Exchange since March 20, 2001. The Company is dedicated to the design, development, manufacture and marketing of a broad range of networking solutions.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 3, 2023.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

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

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries, and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

For the purposes of presenting the financial statements, the assets and liabilities of the Company and its foreign operations (including of the subsidiaries in other countries or those that use currencies that are different from the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, finished goods, work-in-process, semi-finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost and stated at lower of cost or net realizable value on the balance sheet date.

f. Investments in subsidiaries

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

Subsidiaries are the entities controlled by the Company.

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

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

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

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

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis.

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

i. Investment properties

Investment properties are properties held to earn rental or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.



j. Intangible assets

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

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

k. Impairment of property, plant and equipment, right-of-use asset, investment properties and intangible assets

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

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

l. Financial instruments

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

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

## 1) Financial assets

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

### a) Measurement categories

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

#### i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29: Financial Instruments.

#### ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

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

## 3) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

## m. Revenue recognition

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

### 1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electronic equipment and networking telecommunication equipment.

Electronic equipment and networking telecommunication equipment are recognized as revenues and trade receivables when the goods are shipped.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control of materials ownership.

### 2) Revenue from the rendering of services

Revenue from the rendering of services is recognized when services are provided.

### 3) Service revenue

Services income is recognized when cloud services and multimedia applications are provided.

### n. Leases

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

#### 1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

#### 2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. Lease liabilities are presented on a separate line in the balance sheets.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized as a reduction of the related costs on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and past service cost) is recognized as employee benefits expense in the period they occurs. Rereasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Share-based payment arrangements - employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

r. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 211	\$ 209
Checking accounts and demand deposits	823,400	407,936
Cash equivalents		
Time deposits with an original maturity date of less than 3 months	<u>122,840</u>	<u>-</u>
	<u>\$ 946,451</u>	<u>\$ 408,145</u>

The market rate intervals of cash in the bank at the end of the reporting periods were as follows:

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Demand deposits	0.001%-0.15%	0.001%-0.05%
Time deposits	4.1%	-

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Convertible options (Note 18)	<u>\$ 244</u>	<u>\$ 520</u>



## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Overseas unlisted ordinary shares		
Bluechip Infotech Pty. Ltd.	\$ 18,798	\$ 24,149
Domestic unlisted ordinary shares		
Status Internet Co., Ltd.	4,516	6,078
Ecobear Technology Corp.	6,621	7,942
Onward Security Corp.	17,070	17,008
Newgreen Technology Co., Ltd.	<u>6,498</u>	<u>20,940</u>
	<u>\$ 53,503</u>	<u>\$ 76,117</u>

The Company acquired ordinary shares of Bluechip Infotech Pty. Ltd., Status Internet Co., Ltd., Ecobear Technology Corp., Onward Security Corp. and Newgreen Technology Co., Ltd. for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

Due to the second-tier subsidiaries, Interchan Corporation performed the liquidation procedures in 2021, other equity which unrealized loss on financial assets at fair value through other comprehensive income was recognized as retained earnings for \$5,100 thousand.

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	<u>\$ 1,353</u>	<u>\$ 10,444</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 820,563	\$ 737,948
Less: Allowance for impairment loss	<u>(52,754)</u>	<u>(63,877)</u>
	<u>\$ 767,809</u>	<u>\$ 674,071</u>
<u>Other receivables</u>		
Others	<u>\$ 25,162</u>	<u>\$ 21,929</u>

## Trade Receivables

### At amortized cost

The average credit period of the Company's sales of goods varies among customers due to their different credit ratings, and no interest was charged on trade receivables.

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

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

### December 31, 2022

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.36%	3.57%	29.74%	-	100%	
Gross carrying amount	\$ 745,550	\$ 24,739	\$ 1,523	\$ -	\$ 48,751	\$ 820,563
Loss allowance (Lifetime ECLs)	<u>(2,668)</u>	<u>(882)</u>	<u>(453)</u>	<u>-</u>	<u>(48,751)</u>	<u>(52,754)</u>
Amortized cost	<u>\$ 742,882</u>	<u>\$ 23,857</u>	<u>\$ 1,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 767,809</u>

### December 31, 2021

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.06%	0.93%	24.97%	57.75%	100%	
Gross carrying amount	\$ 621,064	\$ 51,249	\$ 2,892	\$ 1,077	\$ 61,666	\$ 737,948
Loss allowance (Lifetime ECLs)	<u>(392)</u>	<u>(475)</u>	<u>(722)</u>	<u>(622)</u>	<u>(61,666)</u>	<u>(63,877)</u>
Amortized cost	<u>\$ 620,672</u>	<u>\$ 50,774</u>	<u>\$ 2,170</u>	<u>\$ 455</u>	<u>\$ -</u>	<u>\$ 674,071</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 63,877	\$ 52,897
Add: Net remeasurement of loss allowance	7,524	10,980
Less: Actual write-offs for the year (Note)	<u>(18,647)</u>	<u>-</u>
Balance at December 31	<u>\$ 52,754</u>	<u>\$ 63,877</u>

Note: During the year 2022 and 2021, the Group wrote off trade receivables of \$18,647 thousand and \$0, respectively, and the related loss allowance of \$18,647 thousand and \$0, respectively, due to partial trade receivables could not be recovered.

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Raw materials	\$ 425,192	\$ 797,971
Finished goods	271,125	51,580
Work-in-process	159,754	57,910
Merchandise	<u>30,720</u>	<u>38,504</u>
	<u>\$ 886,791</u>	<u>\$ 945,965</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$46,149 thousand and \$0, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Investments in subsidiaries	\$ 851,046	\$ 863,548
Investments in associates	<u>71,531</u>	<u>57,398</u>
	<u>\$ 922,577</u>	<u>\$ 920,946</u>

### a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Edimax Computer Co. ("Edimax USA")	\$ 70,105	\$ 63,298
Edimax Technology Europe B.V. ("Edimax Europe")	25,070	30,988
Edimax Technology (BVI) Co., Ltd. ("Edimax BVI")	156,131	154,027
ABS Telecom Inc. ("ABS Telecom")	151,854	154,264
Edimax Technology Australia Pty, Ltd. ("Edimax AU")	-	473
SMAX Technology Co., Ltd. ("SMAX Technology")	22,530	25,293
Comtrend Corporation ("Comtrend")	<u>425,356</u>	<u>435,205</u>
	<u>\$ 851,046</u>	<u>\$ 863,548</u>

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Edimax USA	100.00%	100.00%
Edimax Europe	100.00%	100.00%
Edimax BVI	100.00%	100.00%
ABS Telecom	100.00%	100.00%
Edimax AU	-	100.00%
SMAX Technology	100.00%	100.00%
Comtrend	33.60%	34.29%

Refer to Note 34 for the details of the subsidiaries indirectly held by the Company.

As of December 31, 2022 and 2021, the Company held 33.60% and 34.29% of Comtrend's voting shares, respectively, but the Company has the practical ability to direct the relevant activities of Comtrend; thus, Comtrend was listed as a subsidiary of the Company.

Edimax AU cancelled the registration in September 2022.

Refer to Table 5 "Information on Investees" for the nature of activities, Edimax Europe converted liabilities into equities which amounted to 28,439 thousand for the year ended December 31, 2021.

b. Investments in associates

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Associates that are not individually material	<u>\$ 71,531</u>	<u>\$ 57,398</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
The Company's share of		
Net profit for the year	\$ 25,502	\$ 13,759
Other comprehensive income (loss)	<u>7,268</u>	<u>(1,908)</u>
Total comprehensive income for the year	<u>\$ 32,770</u>	<u>\$ 11,851</u>

Refer to Table "Information on Investees" for the nature of activities, principal place of business and countries of incorporation of the associates.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 1,247,716	\$ 833,078	\$ -	\$ 197,181	\$ 2,277,975
Additions	-	-	-	15,535	15,535
Disposals	-	-	-	(15,013)	(15,013)
Balance at December 31, 2022	<u>\$ 1,247,716</u>	<u>\$ 833,078</u>	<u>\$ -</u>	<u>\$ 197,703</u>	<u>\$ 2,278,497</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ -	\$ 109,075	\$ -	\$ 117,980	\$ 227,055
Disposals	-	-	-	(14,908)	(14,908)
Depreciation expense	-	18,105	-	22,493	40,598
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 127,180</u>	<u>\$ -</u>	<u>\$ 125,565</u>	<u>\$ 252,745</u>
Carrying amount at December 31, 2022	<u>\$ 1,247,716</u>	<u>\$ 705,898</u>	<u>\$ -</u>	<u>\$ 72,138</u>	<u>\$ 2,025,752</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 1,247,716	\$ 833,078	\$ 1,979	\$ 265,773	\$ 2,348,546
Additions	-	-	-	21,166	21,166
Disposals	-	-	(1,979)	(89,758)	(91,737)
Balance at December 31, 2021	<u>\$ 1,247,716</u>	<u>\$ 833,078</u>	<u>\$ -</u>	<u>\$ 197,181</u>	<u>\$ 2,277,975</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ -	\$ 90,970	\$ 1,979	\$ 183,208	\$ 276,157
Disposals	-	-	(1,979)	(89,639)	(91,618)
Depreciation expense	-	18,105	-	24,411	42,516
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 109,075</u>	<u>\$ -</u>	<u>\$ 117,980</u>	<u>\$ 227,055</u>
Carrying amount at December 31, 2021	<u>\$ 1,247,716</u>	<u>\$ 724,003</u>	<u>\$ -</u>	<u>\$ 79,201</u>	<u>\$ 2,050,920</u>

No impairment loss was recognized or reversed for the years ended December 31, 2022 and 2021.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	35-50 years
Machinery and equipment	5 years
Other equipment	1-10 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 31.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Book value of right-of-use assets		
Building	\$ 12,852	\$ -
Transportation equipment	<u>4,748</u>	<u>7,896</u>
	<u>\$ 17,600</u>	<u>\$ 7,896</u>
Additions to right-of-use assets	<u>\$ 14,894</u>	<u>\$ 9,536</u>
Depreciation charge for right-of-use assets		
Building	\$ 2,043	\$ -
Transportation equipment	<u>3,252</u>	<u>1,702</u>
	<u>\$ 5,295</u>	<u>\$ 1,702</u>

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

#### b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Current	<u>\$ 8,256</u>	<u>\$ 3,131</u>
Non-current	<u>\$ 9,566</u>	<u>\$ 4,764</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Building	1.38%-1.50%	1.36%
Transportation equipment	1.36%	1.36%

#### c. Material leasing activities and terms - as lessee

The Company leases certain transportation equipment for the use in transporting goods with lease terms of 1 to 3 years.

d. Other lease information

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to low-value asset leases	\$ <u>64</u>	\$ <u>121</u>
Total cash outflow for leases	\$ <u>(5,233)</u>	\$ <u>(1,892)</u>

The Company's leases of certain office equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

**14. INVESTMENT PROPERTIES**

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2022	\$ <u>22,012</u>	\$ <u>35,168</u>	\$ <u>57,180</u>
Balance at December 31, 2022	\$ <u>22,012</u>	\$ <u>35,168</u>	\$ <u>57,180</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2022	\$ -	\$ 7,653	\$ 7,653
Depreciation expense	<u>-</u>	<u>977</u>	<u>977</u>
Balance at December 31, 2022	\$ <u>-</u>	\$ <u>8,630</u>	\$ <u>8,630</u>
Carrying amount at December 31, 2022	\$ <u>22,012</u>	\$ <u>26,538</u>	\$ <u>48,550</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ <u>22,012</u>	\$ <u>35,168</u>	\$ <u>57,180</u>
Balance at December 31, 2021	\$ <u>22,012</u>	\$ <u>35,168</u>	\$ <u>57,180</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2021	\$ -	\$ 6,676	\$ 6,676
Depreciation expense	<u>-</u>	<u>977</u>	<u>977</u>
Balance at December 31, 2021	\$ <u>-</u>	\$ <u>7,653</u>	\$ <u>7,653</u>
Carrying amount at December 31, 2021	\$ <u>22,012</u>	\$ <u>27,515</u>	\$ <u>49,527</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings 3-45 years

The management of the Company used the valuation model that market participants would use in determining the fair value.

## 15. INTANGIBLE ASSETS

	<u>Computer Software</u>	
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance at January 1	\$ 23,543	\$ 15,653
Additions	<u>10,006</u>	<u>7,890</u>
Balance at December 31	<u>\$ 33,549</u>	<u>\$ 23,543</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1	\$ 17,436	\$ 11,251
Amortization expense	<u>9,324</u>	<u>6,185</u>
Balance at December 31	<u>\$ 26,760</u>	<u>\$ 17,436</u>
Carrying amount at December 31	<u>\$ 6,789</u>	<u>\$ 6,107</u>

Intangible assets are amortized on a straight-line basis over the estimated useful life as follows:

Computer software 1-5 years

## 16. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Pension reserve fund	<u>\$ 69,400</u>	<u>\$ 65,801</u>

The pension reserve fund comprises pension contributions to the pension fund of managerial personnel of the Company.

## 17. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ 720,000</u>	<u>\$ 556,000</u>

The ranges of weighted average effective interest rates on bank loans were 1.49%-2.19% and 1.00%-1.10% per annum as of December 31, 2022 and 2021, respectively.



b. Short-term bills payable

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Commercial paper	\$ 30,000	\$ 30,000
Less: Unamortized discounts on bills payable	<u>(31)</u>	<u>(85)</u>
	<u>\$ 29,969</u>	<u>\$ 29,915</u>

The weighted average effective interest rate on commercial paper were 2.04% and 1.00% per annum as of December 31, 2022 and 2021, respectively.

c. Long-term borrowings

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Secured borrowings</u>		
Bank loans	\$ 1,367,114	\$ 1,383,914
Less: Current portion	<u>(16,800)</u>	<u>(16,800)</u>
Long-term borrowings	<u>\$ 1,350,314</u>	<u>\$ 1,367,114</u>

The bank borrowings are secured by the Company's land and buildings; please refer to Note 31 for additional information. The maturity date is February 1, 2036 and the effective annual interest rates were both 1.63% as of December 31, 2022 and 2021. The purpose of the borrowings is to purchase land and buildings for operations.

## 18. CONVERTIBLE BONDS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Secured domestic convertible bonds	<u>\$ 185,143</u>	<u>\$ 390,835</u>

On March 30, 2021, the Company issued 4 thousand of five-year zero coupon unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$404,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$13.88. In case of ex-right or ex-dividend, the price shall be adjusted according to the conversion price adjustment formula. The conversion price was adjusted from \$13.88 to \$13.50 as of September 1, 2021. Conversion may occur at any time during the period from July 1, 2021 to March 30, 2026.

From the day following the expiration of 3 months after the issuance of the convertible bonds to 40 days before the expiry date, if the closing price of the Company's ordinary shares exceeds 30% of the conversion price at that time for 30 consecutive business days, the Company is entitled to recover all the outstanding convertible bonds in cash based on the face value within the next 30 business days. In addition, if the outstanding balance of the convertible bonds is less than 10% of the original total amount issued, the Company is entitled to recover all the outstanding convertible bonds in cash based on the face value at any time thereafter.

The convertible bonds contain both liability and equity components. The equity components are presented in equity under the heading of capital surplus - options. The asset components are classified as embedded derivatives assets and non-embedded assets. The embedded derivatives, which are measured at fair value amounted to \$244 thousand and \$520 thousand on December 31, 2022 and 2021. The non-derivative, which are measured at amortized cost amounted to \$185,143 thousand and \$390,835 thousand on December 31, 2022 and 2021. The effective interest rate of the liability components was 1.04% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,347 thousand)	\$ 398,653
Equity component (less transaction costs allocated to the equity component of \$143 thousand)	<u>(10,684)</u>
Liability component at the date of issue (less transaction costs allocated to the liability component of \$5,204 thousand)	387,969
Interest charged at an effective interest rate of 1.04%	3,028
Valuation profit on financial investments	<u>(682)</u>
Liability component at December 31, 2021	<u>\$ 390,315</u>
Liability component at January 1, 2022	\$ 390,315
Interest charged at an effective interest rate of 1.04%	3,437
Conversion of convertible bonds into common stock	(209,129)
Valuation loss on financial investments	<u>276</u>
Liability component at December 31, 2022	<u>\$ 184,899</u>

As of December 31, 2022, the convertible bonds with face value of \$212,100 thousand were converted into 15,711 thousand ordinary shares.

## 19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Other payables		
Payable for salaries	\$ 53,900	\$ 73,469
Payable for employees' bonuses and directors' remuneration	18,686	-
Payable for labor fee	10,615	8,852
Payable for freight and customs fee	1,685	2,141
Payable for equipment	-	1,060
Others	<u>78,468</u>	<u>63,329</u>
	<u>\$ 163,354</u>	<u>\$ 148,851</u>
Other liabilities		
Receipts under custody	\$ 38,233	\$ 59,690
Temporary credit	29,190	15,603
Refund liabilities	10,773	14,151
Others	<u>-</u>	<u>3,294</u>
	<u>\$ 78,196</u>	<u>\$ 92,738</u>

## 20. RETIREMENT BENEFIT PLANS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Defined contribution plans	\$ 25,460	\$ 23,440
Defined benefit plans	<u>49,549</u>	<u>52,380</u>
	<u>\$ 75,009</u>	<u>\$ 75,820</u>

### a. Defined contribution plans

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

The Company contributes a certain percentage of total monthly salaries and wages of managerial personnel to a pension reserve fund account (classified as other financial assets - non-current) from July 2005. Refer to Note 16 for information relating to the pension reserve fund. The actual pension amounts paid in 2022 and 2021 were both \$0; and the Company's contributions to the fund amounted to \$25,460 thousand and \$23,440 thousand for the years ended December 31, 2022 and 2021, respectively.

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute a certain percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 75,009	\$ 75,820
Fair value of plan assets	<u>(25,460)</u>	<u>(23,440)</u>
Net defined benefit liability	<u>\$ 49,549</u>	<u>\$ 52,380</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	\$ 73,096	\$ (25,375)	\$ 47,721
Service cost			
Past service cost	904	-	904
Net interest expense (income)	<u>274</u>	<u>(311)</u>	<u>(37)</u>
Recognized in profit or loss	<u>1,178</u>	<u>(311)</u>	<u>867</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	22	22
Actuarial loss - changes in demographic assumptions	5,102	-	5,102
Actuarial gain - changes in financial assumptions	(1,173)	-	(1,173)
Actuarial loss - experience adjustments	<u>2,092</u>	<u>-</u>	<u>2,092</u>
Recognized in other comprehensive income	<u>6,021</u>	<u>22</u>	<u>6,043</u>
Contributions from the employer	<u>-</u>	<u>(2,251)</u>	<u>(2,251)</u>
Benefits paid	<u>(4,475)</u>	<u>4,475</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 75,820</u>	<u>\$ (23,440)</u>	<u>\$ 52,380</u>
Balance at January 1, 2022	\$ 75,820	\$ (23,440)	\$ 52,380
Service cost			
Past service cost	2,163	-	2,163
Net interest expense (income)	<u>474</u>	<u>(530)</u>	<u>(56)</u>
Recognized in profit or loss	<u>2,637</u>	<u>(530)</u>	<u>2,107</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(976)	(976)
Actuarial loss - changes in demographic assumptions	1,444	-	1,444
Actuarial gain - changes in financial assumptions	(3,323)	-	(3,323)
Actuarial loss - experience adjustments	<u>(372)</u>	<u>-</u>	<u>(372)</u>
Recognized in other comprehensive income	<u>(2,251)</u>	<u>(976)</u>	<u>(3,227)</u>
Contributions from the employer	<u>-</u>	<u>(1,711)</u>	<u>(1,711)</u>
Benefits paid	<u>(1,197)</u>	<u>1,197</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 75,009</u>	<u>\$ (25,460)</u>	<u>\$ 49,549</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Selling and marketing expenses	\$ 579	\$ 253
General and administrative expenses	311	115
Research and development expenses	<u>1,217</u>	<u>499</u>
	<u>\$ 2,107</u>	<u>\$ 867</u>

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

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

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates	1.25%	0.63%
Expected rates of salary increase	2.50%	2.50%
Turnover rates	6.33%	8.50%

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.5% increase	<u>\$ (2,534)</u>	<u>\$ (2,727)</u>
0.5% decrease	<u>\$ 2,711</u>	<u>\$ 2,915</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 2,617</u>	<u>\$ 2,787</u>
0.5% decrease	<u>\$ (2,472)</u>	<u>\$ (2,636)</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	<u>\$ 6,273</u>	<u>\$ 6,273</u>
The average duration of the defined benefit obligation	7 years	7 years

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>207,010</u>	<u>189,370</u>
Shares issued	<u>\$ 2,070,101</u>	<u>\$ 1,893,702</u>
Capital collected in advance	<u>\$ 8,504</u>	<u>\$ 8,800</u>

The Company converted employee share options of 28,786 thousand, equivalent to 2,879 thousand shares, with a subscription price of \$10. The paid-in capital after issuance of ordinary shares for cash of 1,893,702 thousand has completed the change registration as of May 31, 2021.

The Company converted employee share options of 8,800 thousand, equivalent to 880 thousand shares, with a subscription price of \$10.00. As the change registration has not been completed as of December 31, 2021, the share options were recognized as capital collected in advance. The change registration has been completed as of January 22, 2022 and April 12, 2022.

The capital collected in advance of the Company on December 31, 2022 was resulted from exercising the options of \$430 thousand, the issuance of the ordinary shares was 43 thousand units, the exercise price was \$10. As of December 31, 2022, the applying for change of registration was not done, therefore, the share options were recognized as capital collected in advance.

In addition, as of December 31, 2022, the holders of the Company's unsecured convertible bond claimed the conversion into ordinary shares of \$8,074 thousand, the issuance of the ordinary shares was 807 thousand units. As of December 31, 2022, the applying for change of registration was not done, therefore, the share options were recognized as capital collected in advance.

### b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Premium from issuance of common shares	\$ 41,417	\$ 34,447
Premium from conversion of bonds	71,016	24,662
Treasury share transactions	6,836	6,600
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	49,362	49,362
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	65,624	70,027
Others	33,437	33,437

(Continued)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>May not be used for any purpose</u>		
Employee share options	\$ 6,552	\$ 7,470
Share options from convertible bonds (Note 18)	10,684	10,684
	<b>\$ 284,928</b>	<b>\$ 236,689</b>
		(Concluded)

- 1) Such capital surplus may be used to offset a deficit; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 23 (g).

Under the dividends policy of the Company, no less than 20% of the undistributed retained earnings should be distributed as dividends to shareholders unless undistributed retained earnings is less than 20% of outstanding ordinary shares. The dividends can be distributed in form of shares or cash, but the amount of cash dividends distributed should not be less than 10% of total dividends. The Company determines the dividend distribution in consideration of the investment environment, capital demand, financial structure, earnings, domestic and international competition and shareholders' interest and future development plan.

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

The appropriation of earnings for 2020 that was approved in the shareholders' meeting on July 30, 2021 is as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	\$ 8,658
Special reserve	<u>\$ 22,690</u>
Cash dividends	<u>\$ 54,889</u>
Dividends per share (NT\$)	\$ 0.29

The deficit compensation for 2021 which had been proposed by the Company's board of directors on 2022 was approved in the shareholders' meeting on June 1, 2022.

The appropriation of earnings for 2022 which had been proposed by the Company's board of directors on March 3, 2023 is as follows:

	<b>For the Year Ended December 31, 2022</b>
Legal reserve	\$ 18,818
Special reserve	<u>\$ (15,923)</u>
Cash dividends	<u>\$ 166,370</u>
Capital reserve cash dividends	<u>\$ 41,592</u>
Dividends per share (NT\$)	\$ 0.8
Cash dividends per capital reserve (NT\$)	\$ 0.2

The appropriation of earnings for 2022 is subject to the resolution of the shareholders' meeting scheduled to be held on June 14, 2023.

d. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>	<b>Shares Cancelled (In Thousands of Shares)</b>	<b>Shares Held by Its Subsidiaries (In Thousands of Shares)</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2022	-	-	1,440	1,440
Decrease during the year	<u>-</u>	<u>-</u>	<u>(56)</u>	<u>(56)</u>
Number of shares at December 31, 2022	<u>-</u>	<u>-</u>	<u>1,384</u>	<u>1,384</u>
Number of shares at January 1, 2021	-	-	1,463	1,463
Decrease during the year	<u>-</u>	<u>-</u>	<u>(23)</u>	<u>(23)</u>
Number of shares at December 31, 2021	<u>-</u>	<u>-</u>	<u>1,440</u>	<u>1,440</u>



The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>December 31, 2022</u>			
Comtrend	1,384	\$ 12,974	\$ 20,903
<u>December 31, 2021</u>			
Comtrend	1,440	13,497	20,523

For the years ended December 31, 2022 and 2021, Comtrend held 4,120 thousand and 4,200 thousand, respectively ordinary shares of the Company, and the Company recognized 1,384 thousand and 1,440 thousand treasury shares based on the ownership percentage of 33.60% and 34.29% as at December 31, 2022 and 2021, respectively.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, bestowed shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

## 22. REVENUE

### a. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2022	2021
Revenue from the sale of goods	\$ 3,848,097	\$ 3,607,985
Revenue from the rendering of services	<u>150,289</u>	<u>26,562</u>
	<u>\$ 3,998,386</u>	<u>\$ 3,634,547</u>

### b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Trade receivables (Notes 9 and 30)	<u>\$ 901,178</u>	<u>\$ 911,988</u>	<u>\$ 1,022,314</u>
Contract liabilities - current	<u>\$ 77,319</u>	<u>\$ 107,567</u>	<u>\$ 95,103</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

## 23. NET PROFIT (LOSS)

### a. Interest income

<b>For the Year Ended December 31</b>	
<b>2022</b>	<b>2021</b>

Bank deposits	<u>\$ 3,650</u>	<u>\$ 366</u>
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### b. Other income

<b>For the Year Ended December 31</b>	
<b>2022</b>	<b>2021</b>

Rental income		
Investment properties	\$ 2,336	\$ 2,499
Dividends		
Investments in equity instruments at FVTOCI	733	1,874
Others	<u>3,281</u>	<u>5,231</u>
	<u>\$ 6,350</u>	<u>\$ 9,604</u>

### c. Other gains and losses

<b>For the Year Ended December 31</b>	
<b>2022</b>	<b>2021</b>

(Loss) gain on disposal of property, plant and equipment	\$ (4)	\$ 112
Net foreign exchange gain (loss)	153,625	(35,063)
Others	<u>(4,768)</u>	<u>(2,506)</u>
	<u>\$ 148,853</u>	<u>\$ (37,457)</u>

### d. Finance costs

<b>For the Year Ended December 31</b>	
<b>2022</b>	<b>2021</b>

Interest on bank loans	\$ 29,919	\$ 21,728
Interest on convertible bonds	3,437	3,028
Interest on lease liabilities	<u>101</u>	<u>34</u>
	<u>\$ 33,457</u>	<u>\$ 24,790</u>

### e. Depreciation and amortization

<b>For the Year Ended December 31</b>	
<b>2022</b>	<b>2021</b>

Property, plant and equipment	\$ 40,598	\$ 42,516
Investment properties	977	977
Right-of-use assets	5,295	1,702
Intangible assets	<u>9,324</u>	<u>6,185</u>
	<u>\$ 56,194</u>	<u>\$ 51,380</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
An analysis of depreciation by function		
Operating costs	\$ 3,923	\$ 1,530
Operating expenses	<u>42,947</u>	<u>43,665</u>
	<u>\$ 46,870</u>	<u>\$ 45,195</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 9,324</u>	<u>\$ 6,185</u>
		(Concluded)

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefits (see Note 20)		
Defined contribution plans	\$ 16,416	\$ 15,894
Defined benefit plans	<u>2,107</u>	<u>867</u>
	18,523	16,761
Share-based payments		
Equity-settled	386	979
Other employee benefits	<u>378,997</u>	<u>354,497</u>
Total employee benefits expense	<u>\$ 397,906</u>	<u>\$ 372,237</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 397,906</u>	<u>\$ 372,237</u>

g. Compensation of employees remuneration of directors.

According to the Company's Articles, the Company accrues employees' compensation and remuneration of directors at the rates no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and the remuneration of directors for the year ended December 31, 2022 approved by the Company's board of directors on March 3, 2023 are as follows:

Amount

	<b>For the Year Ended December 31, 2022</b>
	<u>Cash</u>
Employees' compensation	\$ 14,534
Remuneration of directors	4,152

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no compensation of employees and remuneration of directors estimated as the Company reported a net loss before tax for the year ended December 31, 2021.

The employees' compensation and the remuneration of directors for the year ended December 31, 2020 approved by the Company's board of directors on March 23, 2021 are as follows:

Amount

	<b>For the Year Ended December 31, 2020</b>
	<u>Cash</u>
Employees' compensation	\$ 7,818
Remuneration of directors	2,233

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or (loss) on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Foreign exchange gains	\$ 282,003	\$ 51,253
Foreign exchange losses	<u>(128,378)</u>	<u>(86,316)</u>
	<u>\$ 153,625</u>	<u>\$ (35,063)</u>

## 24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ -	\$ -
Deferred tax		
In respect of the current year	<u>5,099</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 5,099</u>	<u>\$ -</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit (loss) before tax	\$ <u>257,757</u>	\$ <u>(55,028)</u>
Income tax expense calculated at the statutory rate	\$ 51,551	\$ (11,006)
Nondeductible expenses in determining taxable income	22,112	18,950
Tax-exempt income	(9,105)	(10,846)
Realization of investment losses	(4,412)	(7,063)
Unrecognized loss carryforwards/deductible temporary differences	<u>(55,047)</u>	<u>9,965</u>
Income tax expense recognized in profit or loss	<u>\$ 5,099</u>	<u>\$ -</u>
b. Income tax recognized in other comprehensive income		

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ (645)</u>	<u>\$ -</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax assets		
Tax refund receivable	<u>\$ -</u>	<u>\$ 13</u>

d. Deferred tax liabilities

The movements of deferred tax liabilities are as follows:

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>				
Defined benefit obligations	\$ -	\$ -	\$ 645	\$ 645
Unrealized foreign exchange profit or loss	<u>722</u>	<u>5,099</u>	<u>-</u>	<u>5,821</u>
	<u>\$ 722</u>	<u>\$ 5,099</u>	<u>\$ 645</u>	<u>\$ 6,466</u>

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>				
Unrealized foreign exchange profit or loss	\$ <u>722</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>722</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Expire in 2027	\$ 182,016	\$ 182,016
Expire in 2028	85,418	85,418
Expire in 2031	<u>24,432</u>	<u>10,723</u>
	<u>\$ 291,866</u>	<u>\$ 278,157</u>

- f. Information about unused loss carryforwards

As of December 31, 2020, the tax returns have been assessed by the tax authorities.

## 25. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings (loss) per share	<u>\$ 1.30</u>	<u>\$ (0.29)</u>
Diluted earnings per share	<u>\$ 1.14</u>	

The net profit (loss) of earnings (losses) per share and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit (Loss) for the Year

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit (loss) used in the computation of earnings (loss) per share	\$ 252,658	<u>\$ (55,028)</u>
Effect of potentially dilutive ordinary shares		
Convertible bonds	<u>3,713</u>	
Used to calculate net profit on diluted earnings per share	<u>\$ 256,371</u>	

Weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	194,012	<u>187,664</u>
Effect of potentially dilutive ordinary shares		
Convertible bonds	29,630	
Employee share options	391	
Employees' compensation	<u>963</u>	
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share		<u>224,996</u>

Since the Company offered to settle the taxes income in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

As the Company reported a net loss after tax for the year ended December 31, 2021, the convertible bonds have been anti-dilutive and therefore have been excluded from the computation of diluted earnings per share.

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

### Employee Share Option Plan of the Company

Qualified employees of the Company were granted 8,000 thousand options on September 30, 2017. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 6 years and exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on outstanding issued employee share options is as follows:

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	3,512	\$10.00	4,873	\$10.25
Options forfeited	(279)	10.00	(284)	10.00
Options exercised	<u>(1,899)</u>	10.00	<u>(1,077)</u>	10.00
Balance at December 31	<u>1,334</u>	10.00	<u>3,512</u>	10.00
Options exercisable, end of year	<u>1,334</u>	10.00	<u>1,756</u>	10.00

The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. If the price of the employee stock options is lower than the face value of the ordinary shares, the ordinary shares will be the price of the options exercised.

The weighted-average exercise price was adjusted from \$10.25 to \$10.00 since September 1, 2021.

Information on outstanding options is as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Range of exercise price (NT\$)	\$10.00	\$10.00
Weighted-average remaining contractual life (years)	0.75	1.75

Compensation costs recognized were \$386 thousand and \$979 thousand for the years ended December 31, 2022 and 2021, respectively.

## **27. PARTIAL ACQUISITION OR DISPOSAL OF INVESTMENT SUBSIDIARIES - NON-AFFECT CONTROLLING**

As the employees of Comtrend exercised the share options in March, June and December 2021, the Company's shareholding decreased from 34.84% to 34.29%.

In March 2022, June 2022 and December 2022, Comtrend exercised employee share options, decreasing the Company's continuing interest from 34.29% to 33.73% and 33.60%.

The above transactions were accounted for as equity transactions since the Company did not cease to have control over the subsidiaries. Please refer to Note 29 to the Company's consolidated financial statements for the year ended December 31, 2022 for instruction on partial acquisition or disposal of its subsidiary.

## **28. CAPITAL MANAGEMENT**

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. Key management personnel of the Company review the capital structure on an annual basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the number of new shares issued, and the amount of new debt issued or existing debt redeemed.



## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

Except for the following, management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 185,143	\$ -	\$ 178,467	\$ -	\$ 178,467

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 390,835	\$ -	\$ 390,240	\$ -	\$ 390,240

The fair value of the financial liabilities included in the Level 2 category above had been determined in accordance with the income approach based on a discounted cash flow analysis.

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

#### 1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss - non-current</u>				
Redeemable and puttable options of convertible bonds	\$ -	\$ 244	\$ -	\$ 244
<u>Financial assets at FVTOCI - non-current</u>				
Investment in equity instruments at FVTOCI				
Foreign unlisted shares	\$ -	\$ -	\$ 18,798	\$ 18,798
Domestic unlisted shares	-	-	34,705	34,705
	\$ -	\$ -	\$ 53,503	\$ 53,503

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI - non-current</u>				
Redeemable and puttable options of convertible bonds	\$ -	\$ 520	\$ -	\$ 520
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments at FVTOCI				
Foreign unlisted shares	\$ -	\$ -	\$ 24,149	\$ 24,149
Domestic unlisted shares	-	-	51,968	51,968
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,117</u>	<u>\$ 76,117</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Financial liabilities - options of convertible bonds	The evaluation is based on the binary tree convertible bonds evaluation model, which is based on the evaluation of share price volatility, risk-free interest rate, risk discount rate and the number of remaining years.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the market approach.

c. Categories of financial instruments

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 244	\$ 520
Financial assets at amortized cost (1)	1,894,619	1,358,512
Financial assets at FVTOCI		
Equity instruments	53,503	76,117
<u>Financial liabilities</u>		
Amortized cost (2)	3,079,833	3,187,033

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties, other financial assets, and refundable deposits.

- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, trade payables, trade payables to related parties, other payables, long-term loans (including current portions), and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables, bonds payable, borrowings, and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A negative number below indicates a decrease in pre-tax profit and other equity when the New Taiwan dollar or other functional currency weakens by 1% against the relevant foreign currency. Conversely, a positive number indicates a decrease in pre-tax profit (losses) when the functional currency weakens by 1% against the relevant foreign currency.

	<b>Currency USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss	\$ (9,932)*	\$ (5,846)*

\* This was mainly attributable to the exposure of outstanding USD receivables and payables which were not hedged at the end of the year.

The Company's sensitivity to USD was increasing during the current year mainly due to the balance of accounts receivable denominated in USD was increasing.

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Fair value interest rate risk		
Financial assets	\$ 122,840	\$ -
Financial liabilities	2,320,048	\$ 2,368,559
Cash flow interest rate risk		
Financial assets	892,800	473,737

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the assets outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax loss and profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$8,928 thousand and \$4,737 thousand, respectively.

The Company's sensitivity to interest rates increased during the current period mainly due to the increase in floating rate demand deposits.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes; the Company does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the year ended December 31, 2022 and 2021 would have increased/decreased by \$535 thousand and \$761 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity to equity prices decreased during the current period mainly due to the decrease in investments in equity securities.

## 2) Credit risk

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

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral and factoring of trade receivables, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The Company transacts with a large number of unrelated customers; thus, no concentration of credit risk was observed.

## 3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company had available unutilized short-term bank loan facilities set out in (b) below.

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

The following tables detail the Company's remaining contractual maturities of the Company's non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2022

	<b>Book Value</b>	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 720,000	\$ 380,000	\$ 340,000	\$ -	\$ -
Lease liabilities	18,218	2,114	6,340	9,764	-
Short-term bills payable	30,000	30,000	-	-	-
Long-term loans payable	1,493,810	-	-	522,567	971,243
Notes and trade payables	614,253	614,253	-	-	-
Other payables	163,354	163,354	-	-	-
Current portion of long-term loans payable	40,386	10,124	30,262	-	-
Bonds payable	<u>187,900</u>	<u>-</u>	<u>-</u>	<u>187,900</u>	<u>-</u>
	<u>\$ 3,267,921</u>	<u>\$ 1,199,845</u>	<u>\$ 376,602</u>	<u>\$ 720,231</u>	<u>\$ 971,243</u>

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Long-term loans payable	<u>\$ 40,386</u>	<u>\$ 522,567</u>	<u>\$ 609,883</u>	<u>\$ 361,360</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	<b>Book Value</b>	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 556,000	\$ 466,000	\$ 90,000	\$ -	\$ -
Lease liabilities	7,895	779	2,352	4,764	-
Short-term bills payable	30,000	30,000	-	-	-
Long-term loans payable	1,457,685	-	-	461,877	995,808
Notes and trade payables	677,518	677,518	-	-	-
Other payables	148,851	148,851	-	-	-
Current portion of long-term loans payable	30,689	7,783	22,906	-	-
Bonds payable	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>-</u>
	<u>\$ 3,308,638</u>	<u>\$ 1,330,931</u>	<u>\$ 115,258</u>	<u>\$ 866,641</u>	<u>\$ 995,808</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Long-term loans payable	\$ <u>30,689</u>	\$ <u>461,877</u>	\$ <u>553,984</u>	\$ <u>441,824</u>	\$ <u>-----</u>	\$ <u>-----</u>

Bank loans with a repayment on demand clause were included the period whin 1-5 years of the maturity analysis table. As of December 31, 2022 and 2021, undiscounted principals of bank loans were \$2,087,114 thousand and \$1,923,114 thousand, respectively. After considering financial situation of the Group, it is unfeasible that the bank will require the Group to settle the loans immediately in management opinion. Management believes the bank loans will be settled in 20 years after the end of reporting period according to agreement, and the cash outflow of principal and interest are \$2,254,196 thousand and \$2,013,685 thousand, respectively.

b) Financing facilities

As of December 31, 2022 and 2021, unused financing facilities amounted to \$787,098 thousand and \$634,886 thousand, respectively.

**30. TRANSACTIONS WITH RELATED PARTIES**

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Edimax USA	Subsidiary
Edimax Europe	Subsidiary
ABS Telecom	Subsidiary
SMAX Technology	Subsidiary
Comtrend	Subsidiary
Edimax Electronic (Dongguan)	Sub-subsubsidiary
Datamax Technology Shanghai Inc.	Sub-subsubsidiary
Talent Vantage Limited (ITI)	Associate
Crystal Centre Int'l Corp. (Crystal)	Associate
Onward Security Corp.	Related party in substance

b. Sales of goods

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Sales	Subsidiary	\$ 327,594	\$ 406,359
	Sub-subsubsidiary	8,444	5,976
	Associate	<u>-</u>	<u>21,552</u>
		<u>\$ 336,038</u>	<u>\$ 433,887</u>

The sales prices and collection terms for transactions with related parties were not significantly different from third parties.

c. Purchases of goods

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Associate - ITI	<u>\$ 797,365</u>	<u>\$ 600,161</u>

There was no significant difference between related parties and third parties regarding transaction terms of purchase prices and payment terms.

d. Processing fees (accounting for operating costs)

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
		<b>2022</b>	<b>2021</b>
Processing fees	Sub-subsidiary Dongguan	<u>\$ 1,200,393</u>	<u>\$ 896,935</u>

e. Receivables from related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Accounts receivable	Subsidiary		
	Comtrend	\$ 54,688	\$ 58,128
	Other	<u>25,075</u>	<u>15,590</u>
		<u>79,763</u>	<u>73,718</u>
	Sub-subsidiary		
	Dongguan	-	98,844
	Other	<u>852</u>	<u>1,478</u>
		<u>852</u>	<u>100,322</u>
		<u>\$ 80,615</u>	<u>\$ 174,040</u>
Other receivables	Subsidiary		
	Comtrend	\$ 2,848	\$ 1,402
	Sub-subsidiary	218	247
	Associate - Crystal	<u>18,637</u>	<u>16,608</u>
		<u>\$ 21,703</u>	<u>\$ 18,257</u>

The price that the Company sells to its subsidiary or sub-subsidiary is determined in accordance with product specification and local market supply and demand. The terms of collection are 60-180 days.

The sales price and payment terms for related parties are not significantly different from ordinary customers.

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

Other receivables are advance payment of material, customs clearance fee, freight on behalf of related parties, other outstanding accounts receivable and dividends receivable from related parties.



f. Payables to related parties

Line Item	Related Party Category	December 31	
		2022	2021
Accounts payable	Sub-subsidiary		
	Dongguan	\$ 53,454	\$ -
	Associate - ITI	<u>146,295</u>	<u>113,741</u>
		<u>\$ 199,749</u>	<u>\$ 113,741</u>
Other payables	Subsidiary	\$ 50	\$ 168
	Sub-subsidiary	1,631	2,652
	Associate	<u>3,837</u>	<u>2,034</u>
		<u>\$ 5,518</u>	<u>\$ 4,854</u>

The purchase price of subsidiary, sub-subsidiary and associate is based on the general market conditions. The payment terms are equivalent to the other suppliers, and the monthly settlement is 45 days.

The above payment is the advertising subsidy paid to the related parties, freight and customs clearance fee.

g. Endorsement guarantee

Information about the endorsement guarantee to its subsidiaries, please refer to Table 1.

h. Other transactions with related parties

Line Item	Related Party Category	For the Year Ended December 31	
		2022	2021
Rent revenue	Subsidiary		
	Edimax Europe	<u>\$ 2,328</u>	<u>\$ 2,476</u>

i. Remuneration of key management personnel

The total remuneration of directors and other key management personnel is as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 33,027	\$ 14,612
Share-based payments	<u>260</u>	<u>251</u>
	<u>\$ 33,287</u>	<u>\$ 14,863</u>

The remuneration of directors and other key management personnel, as determined by the remuneration committee, was based on the performance of individuals and on market trends.

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings of property:

	<u>December 31</u>	
	2022	2021
Property, plant and equipment	<u>\$ 1,889,415</u>	<u>\$ 1,950,610</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at the balance sheet date were as follows:

- a. As of December 31, 2022, the Company issued promissory notes with stated amounts of \$1,871,000 thousand and US\$23,500 thousand as collateral for loans and foreign exchange forward contracts.
- b. As of December 31, 2022, the Company made endorsements and guarantees for SMAX Technology and Edimax Europe with stated amounts of \$20,000 thousand and \$65,440 thousand, respectively, and actual borrowings amounted to \$0 thousand and \$19,632 thousand, respectively.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 46,152	30.71 (USD:NTD)	\$ 1,417,328
Non-monetary items			
Investments accounted for using the equity method			
USD	9,696	30.71 (USD:NTD)	297,767
EUR	766	32.72 (EUR:NTD)	25,070
<u>Financial liabilities</u>			
Monetary items			
USD	13,812	30.71 (USD:NTD)	424,167

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 38,763	27.68 (USD:NTD)	\$ 1,072,960
Non-monetary items			
Investments accounted for using the equity method			
USD	9,925	27.68 (USD:NTD)	274,723
EUR	989	31.32 (EUR:NTD)	30,988
<u>Financial liabilities</u>			
Monetary items			
USD	17,643	27.68 (USD:NTD)	488,358

The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>Functional Currency</b>	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Loss</b>
NTD	1 (NTD:NTD)	<u>\$ 153,625</u>	1 (NTD:NTD)	<u>\$ (35,063)</u>

#### **34. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions:

- 1) Financing provided to others (None).
- 2) Endorsements/guarantees provided (Table 1).
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities) (Table 2).
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None).
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None).
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None).
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4).

- 9) Trading in derivative instruments (None).
- b. Information on investees (Table 5).
- c. Information on investment in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 7)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8).

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
0	The Company	SMAX Technology	b	\$ 513,024	\$ 20,000	\$ 20,000	\$ -	\$ -	0.78	\$ 1,282,562	Y	N	N	Note 3
		Edimax Europe	b	513,024	65,440	65,440	19,632	-	2.55	1,282,562	Y	N	N	Note 3

Note 1: Endorser/guarantor is numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered starting from 1.

Note 2: Relationship between endorser/guarantor and endorsee/guarantee are categorized as follows:

- a. Business deals between the Company and guarantee party.
- b. Sum of direct holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 50%.
- c. Direct and indirect holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 50%.
- d. Sum of direct holding of the subsidiaries' common stocks through the Company and its subsidiaries for more than 90%.
- e. Owing to the joint venture funded by all shareholder on its endorsement of its holding company.
- f. Owing to the joint venture funded by each shareholder on its endorsement of its holding company.
- g. Inter-industry performance guarantee joint guarantees for pre-sale house sales contracts in accordance with the Consumer Protection Law.

Note 3: The limit on endorsement/guarantee given on behalf of each party is 20% of the individual companies' net assets based on the most recent financial statements.

Note 4: The aggregate endorsement/guarantee limit is 50% of the individual companies' net assets based on the most recent financial statements.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
The Company	<u>Stock</u>							
	Bluechip Infotech Pty Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	333	\$ 18,798	5.82	\$ 18,798	
	Status Internet Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	345	4,516	16.66	4,516	
	Ecobear Technology Corp.	None	Financial assets at fair value through other comprehensive income - non-current	1,212	6,621	13.54	6,621	
	Onward Security Corp.	Related party in substance	Financial assets at fair value through other comprehensive income - non-current	6,230	17,070	9.58	17,070	
	Newgreen tech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	300	6,498	8.33	6,498	
Comtrend	<u>Stock</u>							
	EMMT Systems	None	Financial assets at fair value through other comprehensive income - non-current	357	-	0.52	-	Note 2
	Edimax	Parent company	Financial assets at fair value through other comprehensive income - current	4,120	62,212	1.99	62,212	

Note 1: For information about investments in subsidiaries, please refer to Table 5 and Table 6.

Note 2: There was no available information on equity as of December 31, 2022. The Company has recognized an impairment loss on these securities.

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Comtrend Edimax Electronic (Dongguan) ITI	Subsidiary Subsidiary Associate	Sales	\$ (223,121)	(5.58)	Normal	Normal	Normal	\$ 54,688	6.44	
			Processing fee	1,200,393	27.43	By operating condition	Normal	By operating condition	(53,454)	(13.02)	
			Purchase	797,365	18.22	By operating condition	Normal	By operating condition	(146,295)	(35.64)	
Comtrend	CUSA	Subsidiary	Sales	(442,587)	(26.12)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	197,822	39.09	
	CTBV	Subsidiary	Sales	(563,514)	(33.26)	Normal; collection period: 60-180 days	Normal	Normal; collection period: 60-180 days	97,182	19.20	

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Comtrend	CUSA	Subsidiary	\$ 197,822	2.86	\$ 30,945	Subsidiary repayment has been actively arranged	\$ 109,304	\$ -



## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	Edimax USA	USA	Networking equipment wholesale	\$ 49,803	\$ 49,803	17,046	100.00	\$ 70,105	\$ 954	(573)	Subsidiary
	Edimax BVI	British Virgin Islands	Networking equipment wholesale	287,735	287,735	8,966,076	100.00	156,131	(12,354)	(12,354)	Subsidiary
	Edimax Europe	Holland	Networking equipment wholesale	196,773	196,773	1,600	100.00	25,070	(2,943)	(7,729)	Subsidiary
	Edimax AU	Australia	Networking equipment wholesale	-	22,641	-	-	-	-	(170)	Subsidiary
	ABS Telecom	Taiwan	Telecommunication equipment wholesale, transmission and rental	66,000	66,000	10,500,000	100.00	151,854	25,105	21,280	Subsidiary
	SMAX Technology	Taiwan	Wired/wireless telecommunications equipment manufacturing	137,175	137,175	2,139,400	100.00	22,530	720	720	Subsidiary
Comtrend	Comtrend	Taiwan	Cable and cableless transmission equipment wholesale, research and development and retail sale	278,084	278,084	19,649,060	33.60	425,356	9,268	3,766	Subsidiary
		Seychelles	Seychelles General import and export trade and investing	31,815	31,815	1,050,000	30.00	71,531	85,007	25,502	Associate
Edimax BVI	Datamax HK	Hong Kong	Investing	271,417	271,417	64,906,002	100.00	2,654	(29,972)	(29,972)	Second-tier subsidiary
	Edimax Poland	Poland	Networking equipment wholesale	-	10,801	-	100.00	-	-	-	Second-tier subsidiary
ABS Telecom	ABST	Mauritius	Investing	4,175	4,175	140,000	100.00	12,853	2,162	2,162	Second-tier subsidiary
SMAX Technology	Smax Japan Inc.	Japan	Networking equipment wholesale	1,992	1,992	8,000,000	100.00	(242)	(1,205)	(1,205)	
Comtrend	CUSA	USA	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	98,341	98,341	200,000	100.00	73,511	(20,133)	(47,728)	Second-tier subsidiary
	Interchan	Samoa	Investing	-	42,393	-	-	-	-	-	Second-tier subsidiary
CTBV	CTBV	Holland	Cable and cableless transmission equipment wholesale, retail sale and international trade, etc.	50,901	50,901	1,518,000	100.00	105,968	3,700	3,417	Second-tier subsidiary
		Taiwan	Telecommunication value-added services	-	2,915	-	-	-	-	-	-
Interchan	8086	Taiwan	Telecommunication value-added services	-	2,915	-	-	-	-	-	Second-tier subsidiary
				Czech Republic	Wholesale, retail sale and international trade, etc.	71,438	71,438	-	100.00	53,834	(84)
CTBV	Iberia	Spain	Wholesale, retail sale and international trade, etc.	12,294	12,294	-	100.00	8,999	1,101	1,101	Second-tier subsidiary

Note 1: Please refer to Table 6 for the information on investments in mainland China.

Note 2: The share of profits/losses of the investee included net income of \$954 thousand less the unrealized gross profit of \$1,527 thousand on intercompany transactions.

Note 3: The share of profits/losses of the investee included net loss of \$2,943 thousand less the unrealized gross profit of \$4,786 thousand on intercompany transactions.

Note 4: The share of profits/losses of the investee included net income of \$25,105 thousand less the unrealized gross profit of \$3,825 thousand on intercompany transactions.

Note 5: The share of profits/losses of the investee included net income of \$3,146 thousand plus the unrealized gross loss of \$620 thousand on intercompany transactions.

Note 6: The share of profits/losses of the investee included net loss of \$20,133 thousand less the unrealized gross profit of \$27,595 thousand on intercompany transactions.

Note 7: The share of profits/losses of the investee included net income of \$3,700 thousand less the unrealized gross profit of \$283 thousand on intercompany transactions.

## EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Edimax Electronic (Dongguan)	Production and sale of network equipment	\$ 257,046	b.	\$ 257,046	\$ -	\$ -	\$ 257,046	\$ (30,005)	100	\$ (30,005)	\$ 2,580	\$ -	2)
ABST Information Telecom Service	Telecommunication equipment wholesale, transmission and rental	4,175	b.	4,175	-	-	4,175	2,259	100	2,259	13,640	-	3)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$264,698	\$279,572 (Note 3)	\$1,539,074

Note 1: The methods of making investments in mainland China include the following:

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through companies registered in a third region.
- c. Other methods.

Note 2: Investment gain (loss):

- a. If it is in preparation and there is no investment gain (loss), it should be indicated.
- b. The recognition of investment gain (loss) is divided into the following three types, it should be indicated.
  - 1) The financial statement is audited and attested by certified public accounting firm with all cooperative relations with the Republic of China Accounting Firm.
  - 2) The financial statement is audited and attested by certified public accountants of Taiwan.
  - 3) Others.

Note 3: The conversion is based on the spot exchange rate on the balance sheet date.

**EDIMAX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(In Thousands of New Taiwan Dollars)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Edimax Electronic (Dongguan)	Processing fees	\$ 1,200,393	27.43	Normal	By operating conditions	By operating conditions	\$ (53,454)	(13.02)	\$ -	

**EDIMAX TECHNOLOGY CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Trust account of CTBC Bank Co., Ltd. for employee stock ownership of Edimax Technology Co., Ltd.	10,583,814	5.09

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day of the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different basis in preparation.

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

# EDIMAX TECHNOLOGY CO., LTD.

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**EDIMAX TECHNOLOGY CO., LTD.****STATEMENT OF CASH****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash on hand	Note 1	\$ 211
Check deposits		3,845
Demand deposits	Note 2	819,555
Time deposits	Note 3	<u>122,840</u>
		<u>\$ 946,451</u>

Note 1: Including US\$0.4 thousand, HK\$0.07 thousand and CNY23 thousand.

Note 2: Including US\$22,352 thousand, EUR86 thousand, CNY307 thousand, AUD144 thousand and JPY3,000 thousand.

Note 3: Including US\$4,000 thousand.

**EDIMAX TECHNOLOGY CO., LTD.****STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Related party	
Comtrend	\$ 54,688
Edimax Europe	13,840
Edimax USA	9,685
Others (Note)	<u>2,402</u>
	<u>80,615</u>
Non-related party	
A Corporation	183,421
B Corporation	140,844
C Corporation	108,134
D Corporation	79,311
E Corporation	46,983
F Corporation	45,108
Others (Note)	<u>216,762</u>
	<u>820,563</u>
Less: Allowance for impairment loss	<u>(52,754)</u>
	<u>767,809</u>
	<u>\$ 848,424</u>

Note: The amount of individual clients does not exceed 5% of the account balance.

**EDIMAX TECHNOLOGY CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Cost</b>	<b>Net Realizable Value</b>
Raw materials	Electronic parts	\$ 504,383	\$ 511,575
Work in process	Network equipment products	128,246	147,360
Semi-finished goods	Network equipment products	224,463	237,171
Finished goods	Network equipment products	74,320	88,502
Merchandise	Computer peripherals	<u>28,903</u>	<u>43,543</u>
		960,315	<u>\$ 1,028,151</u>
Less: Allowance for inventory valuation losses		<u>(73,524)</u>	
		<u>\$ 886,791</u>	



## EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars and Shares)

Investees	Balance, January 1, 2022		Additions		Decreases		Balance, December 31, 2022		Accumulated Impairment	Provide Guarantee or Pledge Situation	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount			
Bluechip Infortech Pty. Ltd.	333	\$ 24,149	-	\$ -	-	\$ (5,351)	333	\$ 18,798	N	N	
Status Internet Co., Ltd.	300	6,078	45	-	-	(1,562)	345	4,516	N	N	The increase is stock dividend
Ecobear Technology Corp.	1,212	7,942	-	-	-	(1,321)	1,212	6,621	N	N	
Newgreen Technology Co., Ltd.	300	20,940	-	-	-	(14,442)	300	6,498	N	N	
Onward Security Corp.	6,230	<u>17,008</u>	-	<u>62</u>	-	<u>-</u>	6,230	<u>17,070</u>	N	N	
		<u>\$ 76,117</u>		<u>\$ 62</u>		<u>\$ (22,676)</u>		<u>\$ 53,503</u>			

## EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars and Shares)

	Balance, January 1, 2022		Additions		Decreases		Balance, December 31, 2022			Net Assets Value	Evaluation Method	Provide Guarantee or Pledge Situation	Note
	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	%	Amount				
Edimax USA	17	\$ 63,298	-	\$ 8,334	-	\$ (1,527)	17	100.00	\$ 70,105	\$ 70,105	Equity method	N	Note 1
Edimax Europe	2	30,988	-	1,811	-	(7,729)	2	100.00	25,070	25,070	Equity method	N	Note 2
Edimax AU	800	473	-	308	(800)	(781)	-	100.00	-	-	Equity method	N	Note 3
Crystal	1,050	57,398	-	32,770	-	(18,637)	1,050	30.00	71,531	71,531	Equity method	N	Note 4
Edimax BVI	8,966	154,027	-	14,458	-	(12,354)	8,966	100.00	156,131	156,131	Equity method	N	Note 5
ABS Telecom	10,500	154,264	-	25,192	-	(27,602)	10,500	100.00	151,854	151,854	Equity method	N	Note 6
SMAX	2,139	25,293	-	720	-	(3,483)	2,139	100.00	22,530	22,530	Equity method	N	Note 7
Comtrend	19,649	435,205	-	13,276	-	(23,125)	19,649	33.60	425,356	423,114	Equity method	N	Note 8
		<u>\$ 920,946</u>		<u>\$ 96,869</u>		<u>\$ (95,238)</u>			<u>\$ 922,577</u>	<u>\$ 920,335</u>			

Note 1: Additions are investment gain recognized under equity method of \$954 thousand and gross unrealized gain of \$7,380 thousand, decreases are unrealized gross gain of \$1,527 thousand.

Note 2: Additions are foreign currency statements translation adjustments of \$1,811 thousand, decreases are investment loss recognized under equity method of \$2,943 thousand and unrealized gross gain of \$4,786 thousand.

Note 3: Additions are foreign currency statements translation adjustments of \$308 thousand, decreases are investment loss recognized under equity method of \$170 thousand and exchange loss \$609 thousand.

Note 4: Additions are investment gain recognized under equity method of \$25,502 thousand and foreign currency statements translation adjustments of \$7,268 thousand, decreases are paying cash dividends of \$18,637 thousand.

Note 5: Additions are foreign currency statements translation adjustments of \$14,458 thousand, decreases are investment loss recognized under equity method of \$12,354 thousand.

Note 6: Additions are investment gain recognized under equity method of \$25,105 thousand and foreign currency statements translation adjustments of \$87 thousand, decreases are unrealized gross loss of \$3,825 thousand, receiving cash dividends from subsidiaries of \$22,317 thousand and actuarial loss of \$1,460 thousand.

Note 7: Additions are investment gain recognized under equity method of \$720 thousand, decreases are foreign currency statements translation adjustments of \$60 thousand and receiving cash dividends from subsidiaries of \$3,423 thousand.

Note 8: Additions are investment gain recognized under equity method of \$3,146 thousand, foreign currency statements translation adjustments of \$7,778 thousand, unrealized gross loss of \$620 thousand and actuarial gain of \$1,732 thousand, decreases are receiving cash dividends from subsidiaries of \$19,483 thousand and change in ownership of subsidiary of \$3,642 thousand.

**EDIMAX TECHNOLOGY CO., LTD.****STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Balance, January 1, 2022</b>	<b>Additions</b>	<b>Decreases</b>	<b>Balance, December 31, 2022</b>
Transportation equipment	\$ 10,279	\$ 105	\$ (820)	\$ 9,564
Building	<u>-</u>	<u>14,894</u>	<u>-</u>	<u>14,894</u>
	<u>\$ 10,279</u>	<u>\$ 14,999</u>	<u>\$ (820)</u>	<u>\$ 24,458</u>

**EDIMAX TECHNOLOGY CO., LTD.**

**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Balance, January 1, 2022</b>	<b>Additions</b>	<b>Decreases</b>	<b>Balance, December 31, 2022</b>
Transportation equipment	\$ 2,383	\$ 3,253	\$ (820)	\$ 4,816
Building	<u>-</u>	<u>2,042</u>	<u>-</u>	<u>2,042</u>
	<u>\$ 2,383</u>	<u>\$ 5,295</u>	<u>\$ (820)</u>	<u>\$ 6,858</u>

## EDIMAX TECHNOLOGY CO., LTD.

## STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Types of Loans and Creditors	Deadline of Loans	Annual Interest Rate (%)	Balance	Financing Amount	Mortgage or Guarantee
Credit loan - Chang Hwa Commercial Bank	2023.06.28	2.19	\$ 300,000	\$ 300,000	N
Credit loan - Mega Bank	2023.04.10	1.73	40,000	40,000	N
Credit loan - Land Bank of Taiwan	2023.03.26	1.88	30,000	35,000	N
Credit loan - Shin Kong Commercial Bank	2023.03.16	1.76	50,000	50,000	N
Credit loan - CTBC Bank	2023.03.23	1.55	66,000	66,000	N
Credit loan - CTBC Bank	2023.02.17	1.49	34,000	34,000	N
Credit loan - KGI Commercial Bank	2023.03.30	2.01	60,000	60,000	N
Credit loan - First Commercial Bank	2023.02.09	1.72	30,000	30,000	N
Credit loan - Taiwan Cooperative Bank	2023.01.04	1.60	25,000	25,000	N
Credit loan - Taiwan Cooperative Bank	2023.01.04	1.60	15,000	15,000	N
Credit loan - Taiwan Business Bank	2023.01.26	1.68	50,000	50,000	N
Credit loan - Cathay United Bank	2023.03.02	1.74	20,000	21,000	N
			<u>\$ 720,000</u>	<u>\$ 726,000</u>	

**EDIMAX TECHNOLOGY CO., LTD.****STATEMENT OF TRADE PAYABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Related party	
ITI	\$ 146,295
Edimax Electronic (Dongguan)	<u>53,454</u>
	<u>199,749</u>
Non-related party	
A Corporation	55,825
B Corporation	44,837
C Corporation	34,124
D Corporation	30,948
Others (Note)	<u>242,520</u>
	<u>408,254</u>
	<u>\$ 608,003</u>

Note: The amount of individual clients does not exceed 5% of the account balance.

**EDIMAX TECHNOLOGY CO., LTD.**

**STATEMENT OF LONG-TERM BORROWING  
DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars, Unless Stated Others)**

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<b>Item</b>	<b>Summary</b>	<b>Amount</b>	<b>Deadline of Contract</b>	<b>Interest Rate Range</b>	<b>Mortgage or Guarantee</b>	<b>Note</b>
Chang Hwa Bank - Jiangzicui Branch	Mortgage loan	\$ 1,367,114	2036.02.01	1.63	Please refer to Note 31	
Less: Long-term loans due within a year		<u>(16,800)</u>				
Long-term loans due after a year		<u>\$ 1,350,314</u>				

**EDIMAX TECHNOLOGY CO., LTD.**

**STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Consumer internet goods	\$ 856,039
Enterprise network products	2,774,926
Telecom network products	217,132
Others	<u>150,289</u>
Net revenue	<u>\$ 3,998,386</u>



**EDIMAX TECHNOLOGY CO., LTD.****STATEMENT OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Direct materials	
Raw materials, beginning of year	\$ 831,768
Raw material purchased	1,379,530
Raw materials, end of year	(504,383)
Work in process transfer	12,197
Others	<u>19,206</u>
Manufacturing cost	1,738,318
Work in progress and semi-finished goods, beginning of year	55,862
Transfer of finished goods for reprocessing	399,117
Raw material purchased	1,325
Work in progress and semi-finished goods, end of year	(352,709)
Transfer to raw materials	(12,807)
Other	<u>83,263</u>
Cost of finished goods	1,912,369
Finished goods, beginning of year	49,744
Purchase	1,603,858
Transfer to work in process	(399,117)
Finished goods, end of year	(74,320)
Others	<u>(2,576)</u>
Cost of production sold	<u>3,089,958</u>
Merchandise, beginning of year	35,966
Merchandise purchased	795,300
Merchandise, end of year	(28,903)
Others	<u>(4,077)</u>
Cost of merchandise sold	<u>798,286</u>
Internal transaction write-off	<u>(588,924)</u>
Others	<u>3,401</u>
Operating costs	<u>\$ 3,302,721</u>

**EDIMAX TECHNOLOGY CO., LTD.**

**STATEMENT OF MARKETING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Payroll expenses	\$ 75,556
Import and export expenses	24,297
Miscellaneous expenses	9,998
Year-end bonus	8,352
Others (Note)	<u>38,405</u>
	<u>\$ 156,608</u>

Note: The amount of each item does not exceed 5% of the account balance.

**EDIMAX TECHNOLOGY CO., LTD.**

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Payroll expenses	\$ 84,112
Depreciation expense	10,941
Miscellaneous expenses	9,447
Import and export expenses	7,313
Labor fee	6,398
Others (Note)	<u>21,783</u>
	<u>\$ 139,994</u>

Note: The amount of each item does not exceed 5% of the account balance.

**EDIMAX TECHNOLOGY CO., LTD.**

**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Payroll expenses	\$ 181,036
Depreciation expense	24,046
Year-end bonus	19,398
Others (Note)	<u>65,139</u>
	<u>\$ 289,619</u>

Note: The amount of each item does not exceed 5% of the account balance.

## EDIMAX TECHNOLOGY CO., LTD.

STATEMENT OF LABOR, DEPRECIATION, DEPLETION AND AMORTIZATION BY FUNCTION  
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
 (In Thousands of New Taiwan Dollars)

	2022			2021		
	Classified as Operating Cost	Classified as Operating Expense	Total	Classified as Operating Cost	Classified as Operating Expense	Total
Employee benefit expenses						
Salary expense	\$ -	\$ 338,308	\$ 338,308	\$ -	\$ 315,329	\$ 315,329
Labor and health insurance	-	27,340	27,340	-	26,606	26,606
Pension	-	18,523	18,523	-	16,761	16,761
Others	-	11,339	11,339	-	10,222	10,222
Share-based payment	-	386	386	-	979	979
Remuneration of directors	-	2,010	2,010	-	2,340	2,340
	<u>\$ -</u>	<u>\$ 397,906</u>	<u>\$ 397,906</u>	<u>\$ -</u>	<u>\$ 372,237</u>	<u>\$ 372,237</u>
Depreciation expense	\$ 1,880	\$ 44,990	\$ 46,870	\$ 1,530	\$ 43,665	\$ 45,195
Amortization expenses	-	9,324	9,324	-	6,185	6,185

Note 1: For the years ended December 31, 2022 and 2021, the Company had 303 and 298 employees, respectively. There were 7 and 9 non-employee directors in year 2022 and 2021, respectively.

- Note 2:
- For the years ended December 31, 2022 and 2021, the average employee benefit expenses is \$1,337 thousand and \$1280 thousand, respectively. (Total employee benefit expenses for this year minus total remuneration of directors) ÷ (Total employees for this year minus non-employee directors).
  - For the years ended December 31, 2022 and 2021, the average employee salary expense is \$1,143 thousand and \$1,091 thousand, respectively. (Total employee salary expenses for this year) ÷ (Total employees for this year minus non-employee directors).
  - The change in average employee salary expense was 4.77%. (The average of employee salary expenses for this year minus the average of employee salary expenses for last year) ÷ (The average of employee salary expenses for last year).
  - For the years ended December 31, 2022 and 2021, the Company had no supervisor. There was no remuneration of supervisors.

(Continued)

e. Company salary policy

- 1) The Company's remuneration of directors is reviewed and approved by the salary and compensation committee, and each director (including independent directors) is paid a fixed salary monthly. If the Company makes a profit during the year, no more than 5% of the profit will be distributed as remuneration of directors. When the Company has accumulated losses, the losses should be first offset when there is profit. The remuneration distribution proposal of the directors should be submitted to the salary and compensation committee for resolution and proposed by the Company's board of directors. If the directors are also employees, they will be paid according to the following provisions (2) and (3).
- 2) The appointment, dismissal and remuneration of general manager and vice general manager of the Company should be conducted according to the regulations of the Company. The overall performance of the Company and the standard of payment and remuneration should be determined by the Human Resources Department of the Company in accordance with relevant regulations on performance appraisal, depending on individual performance and contribution to the Company's overall operations and taking into account the market peer level. After submitting to the salary and compensation committee for review, it is proposed by the Company's board of directors.
- 3) The Company's remuneration policy is based on personal ability, contribution to the Company, performance, and the correlation between business and performance; the Company monitors, evaluates and manages risks, so the correlation between the remuneration policy and future risks is low. The overall salary and remuneration mainly include basic salary, bonuses, employee dividends, welfare, etc. According to the standard of remuneration, the basic salary is based on the market conditions and the position held by the employee; bonuses and employee dividends are linked to employee's performance, department goals and company's operating performance; welfare design is based on compliance with laws and regulations and taking into account the needs of employees.

(Concluded)