Stock Code：3022

# IEI INTEGRATION CORP.
# AND SUBSIDIARIES

## Consolidated Financial Statements

## With Independent Auditors' Report
## For the Years Ended December 31, 2022 and 2021

Address: No.29, Zhongxing Rd., Xizhi Dist., New Taipei City
Telephone:(02)2690 2098

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

## STATEMENT OF NONREPETATIVE REPORTING

The entities that are required to be included in the combined financial statements of the IEI Integration Corp. as of and for the year ending on December 31, 2022, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the within consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in such combined financial statements is included in the within consolidated financial statements. Consequently, the IEI Integration Corp. and Subsidiaries do not separately prepare a set of combined financial statements.

Respectfully yours,

Ming-Chi Chang
Chairman
IEI Integration Corp.
March 10, 2023

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the IEI Integration Corp.:

**Opinion**

We, the undersigned, have audited the accompanying consolidated financial statements of IEI Integration Corp. and its subsidiaries (collectively the "Group"), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the period from January 1 to December 31, 2022 and 2021, as well as notes to the consolidated financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements are compiled, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and fairly represent the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and consolidated cash flows for the period from January 1 to December 31, 2022 and 2021.

**Basis for Opinion**

We conducted the within audits according to 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 the standards are more fully set forth in the Auditors' Responsibilities in Audits of consolidated Financial Statements section of this report. We the practitioners at KPMG who are subject to the standards of independence have remained independent of the Group, and we have fulfilled the ethical responsibilities prescribed in The Norm of Professional Ethics for Certified Public Accountants of the Republic of China. We believe that the evidence we have obtained through the audits is adequate and sufficient to provide the basis for our opinion.

**Key Audit Matters**

"Key audit matters" are those areas that, in our professional judgment, were most important within the purview of the audit of the Group's consolidated financial statements for the year ending on December 31, 2022. As these matters have substantively been addressed in the context of our audit of the Group's consolidated financial statements as a whole, and we do not separately express any opinions on the matters.

1. Sales Recognition

Please refer to Note 4(16) and Note 6(17) to these consolidated financial statements for the accounting policies and discussions, respectively, concerning sales recognition.

<u>Explanation</u>

The Group transacts sales by directly shipping the final products to the customers from the overseas manufacturing plant in mainland China and recognizes the sales revenue upon transfer of control to the buyers. However, the timing of the transfer of control varies per transaction due to variations in delivery conditions depending on the negotiated times and locations for delivery based on the terms of the respective agreements, which might cause sales revenues to be recognized in the wrong reporting period for the sales realized close to the cutoff date of the last period. Therefore, we recognized the assessment of the adequacy of the timing of sales recognition was one of the key autdit matters in our audit of the Group's consolidated financial statements.

Procedure:

- Assess relevant control procedures and execution efficiency in the delivery and payment cycle.
- Sample and audit the accuracy of sales recognition dates for product sales recorded within set time period(s) before and after the date of the balance sheet.
- Examine relevant documents to verify the adequacy of the timings of transfer of control and the reasonableness of each sales recognition.

2. Inventory Valuation

Please refer to Note 4(8), Note 5(1) and Note 6(5), to these consolidated financial statements for the accounting policies concerning inventory, the accounting estimates and presumption of uncertainty in inventory valuation, and details of inventory values, respectively.

Explanation

The value of inventory in the financial statements is the cost or net realizable value, whichever is lower. The rapid roll-out of next-gen products and intense competition in the market might cause the cost of inventory to exceed its net realizable value.

Procedure

- Assess the Group's statement and analysis of inventory age and analyze changes in inventory age in the respective time periods.
- Obtain valid statements of changes to verify the accuracy of the reporting periods for inventory age.
- Sample the current replacement costs for row materials and current product market values, and re-compute the net realized value upon assessment of the promotional expense ratio, to evaluate the reasonableness of the net realized value reported by the Group in the statements.

**Relevant Information**

We have audited and issued an opinion without reservation on the parent only financial statements of IEI Integration Corp. for the years ending on December 31, 2022 and 2021.

**Responsibilities of Management and Governing Bodies for the Consolidated Financial Statements**

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC

Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for maintaining such internal procedures as it deems necessary for the preparation thereof, to ensure the consolidated financial statements are free of material misrepreentation, whether due to fraud or mistake.

In preparing the consolidated financial statements, management is also responsible for evaluating the Group's ability to continue as a going concern, disclosure of pertinent information, and implementation of going concern basis of accounting, unless management intends to liquidate or cease the operations of the Group, or has no other practicable alternatives other than doing so.

The governing bodies of the Group, including the Audit Committee, are responsible for overseeing its financial reporting process.

**Auditors' Responsibilities in Auditing the Consolidated Financial Statements**

The objectives of our audit of the consolidated financial statements are to deduce reasonable assurance whether the consolidated financial statements as a whole are free of material misrepresentation, whether due to fraud or mistake, and to issue a report on our findings and opinion. Reasonable assurance denotes a high level of certainty, but is not a guarantee that an audit conducted according to the Standards on Auditing of the Republic of China will always ferret out a material misrepresentation when it exists in the consolidated financial statements. Misrepresentations can arise from fraud or mistake and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users who make such decisions on the basis of these consolidated financial statements.

We exercised professional judgment and maintained professional skepticism in conducting the audit pursuant to the Standards on Auditing of the Republic of China. In addition, we:

1. Identified and assessed potential material misrepresentations in the consolidated financial statements, whether due to fraud or mistake; planned and executed responsive procedures to the potentials thus identified; and deduced valid and sufficient evidence to form the bases for our opinion. Because fraud involves conspiracy, forgery, intentional omissions, deceitful representation, and/or matters beyond internal control, the probability of failing to identify a material misrepresentation as a result of fraud is higher than that as a result of mistake.

2. Attained an adequate understanding of the internal procedures that had bearings on the audit in planning for such audit procedures suitable for the circumstances, although the purpose was not to express any opinions concerning the efficacy of said internal procedures.

3. Evaluated the adequacy of the accounting policies and the reasonableness of the accounting estimates and relevant disclosures made by management.

4. Drew conclusion, based on evidence obtained from the audit, on the adequacy of the going concern basis of accounting implemented by management and the existence of material uncertainty whether there might be matters or circumstances that might cast significant doubt on the Group's ability to continue as a going concern. If we believed such a material uncertainty existed, we were required in the auditors' report to draw the attention of the consolidated financial statements to the relevant disclosures made therein, or, in the case that the disclosures were deemed inadequate, to amend our

opinion. Our conclusions are based on evidence obtained in the course of the audit up to the date of this auditors' report. Future events or conditions might nevertheless affect the ability of the Group to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements fairly represent the underlying transactions and matters.

6. Expressed our opinion concerning the consolidated financial statements upon obtaining adequate and sufficient audit evidence on the financial status of the Group's constituent entities. We were responsible for the direction, supervision and execution of the audit activities and for deriving an opinion therefrom about the Group.

Matters we discussed with the governing bodies include planned scope and timing of the audit and important audit findings, including significant deficiencies in the internal procedures identified during the course of the audit.

We also provided the governing bodies with a statement that we the practitioners at KPMG who are subject to the standards of independence have complied with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China regarding independence, and communicated to the governing bodies all the relationships and other matters that might be deemed to affect the independence of the auditors, including relevant safeguards.

In the matters discussed with the governing bodies, we determined which matters were of the most significance in auditing the consolidated financial statements (i.e., the key audit matters) for the year ending on December 31, 2022. We disrcibe these matters in the auditors' report unless disclosure of the matters is forbidden by law or regulations or when, in extremely rare circumstances, we have determined that a particular matter should not be discussed in our report, in which case it should reasonably be inferred that the detrimental effects from the disclosure outweigh the public interest.

Audit undertaken and report prepared by Chen, Chung-Che and Lai, Li-Chen

KPMG
Taipei, Taiwan
Republic of China
March 10, 2023

**Notes to Readers:** The accompanying consolidated financial statements are intended only to present the consolidated financial statements of financial position, financial performance and its cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC). The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.
The auditor's review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditor's review report and consolidated financial statements, the Chinese version shall prevail..

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

# IEI Integration Corp. and Subsidiaries

## CONSOLIDAETD BALANCE SHEET

## As of December 31, 2022 and 2021

In thousands of NTD

| Code | ASSETS | Notes | Dec. 31, 2022 Amount | % | Dec. 31, 2021 Amount | % |
|---|---|---|---|---|---|---|
| | **Current Assets:** | | | | | |
| 1100 | Cash and cash equivalents | 6(1)(20) | $ 4,137,537 | 31 | 3,539,466 | 32 |
| 1110 | Financial assets at fair value through profit or loss -current | 6(2)(20) | 381,000 | 3 | - | - |
| 1170 | Notes and accounts receivable, net | 6(4)(17)(20) | 972,262 | 7 | 955,015 | 8 |
| 1180 | Accounts receivable from related parties, net | 6(20)&7 | 19,600 | - | 45,939 | - |
| 1210 | Other receivables from related parties | 6(20)&7 | 171,114 | 1 | 305,495 | 3 |
| 130X | Inventory | 6(5) | 1,798,197 | 14 | 1,530,051 | 13 |
| 1476 | Other financial assets - current | 6(6)(20)&8 | 1,477,113 | 11 | 295,393 | 3 |
| 1479 | Other current assets | | 222,013 | 2 | 166,340 | 1 |
| | | | 9,178,836 | 69 | 6,837,699 | 60 |
| | **Non-current Assets:** | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(3)(20) | 32,025 | - | 36,639 | - |
| 1550 | Investments accounted for using equity method | 6(7) | 2,403,180 | 18 | 2,184,461 | 19 |
| 1600 | Property, plant and equipment | 6(8)&7 | 1,312,659 | 10 | 1,209,310 | 10 |
| 1755 | Right-of-use assets | 6(9) | 20,534 | - | 10,163 | - |
| 1760 | Investment properties, net | 6(10) | 277,453 | 2 | 283,250 | 2 |
| 1821 | Other intangible assets, net | | 20,341 | - | 16,666 | - |
| 1840 | Deferred income tax assets | | 99,099 | 1 | 65,190 | 1 |
| 1975 | Net defined benefit assets - non-current | 6(13) | 8,093 | - | 8,811 | - |
| 1980 | Other financial assets - non-current | 6(6)(20) | - | - | 911,712 | 8 |
| 1990 | Other non-current assets | | 21,361 | - | 32,197 | - |
| | | | 4,194,745 | 31 | 4,758,399 | 40 |
| | **Total Assets** | | $ 13,373,581 | 100 | 11,596,098 | 100 |

| Code | LIABILITIES AND EQUITY | Notes | Dec. 31, 2022 Amount | % | Dec. 31, 2021 Amount | % |
|---|---|---|---|---|---|---|
| | **Current Liabilities:** | | | | | |
| 2130 | Contract liabilities - current | 6(17)&7 | $ 530,865 | 4 | 499,060 | 4 |
| 2170 | Accounts payable | 6(20) | 1,234,942 | 9 | 1,013,117 | 9 |
| 2180 | Accounts payable to related parties | 6(20)&7 | 148,467 | 1 | 108,321 | 1 |
| 2219 | Other payables | 6(20) | 634,530 | 5 | 497,397 | 4 |
| 2220 | Other payables to related parties | 6(20)&7 | 128,613 | 1 | 268,699 | 2 |
| 2230 | Income tax payable | | 426,973 | 3 | 188,276 | 2 |
| 2280 | Lease liabilities - current | 6(11)(20) | 11,070 | - | 8,004 | - |
| 2399 | Other current liabilities | | 37,239 | - | 22,288 | - |
| | | | 3,152,699 | 23 | 2,605,162 | 22 |
| | **Non-current Liabilities:** | | | | | |
| 2570 | Deferred income tax liabilities | | 921,131 | 7 | 893,546 | 8 |
| 2580 | Lease liabilities - non-current | 6(11)(20) | 10,298 | - | 3,612 | - |
| 2670 | Other non-current liabilities | | 57,155 | 1 | 56,329 | - |
| | | | 988,584 | 8 | 953,487 | 8 |
| | **Total Liabilities** | | 4,141,283 | 31 | 3,558,649 | 30 |
| | **Equity Attributable to Shareholders of the Parent** | 6(15) | | | | |
| 3100 | Share Capital | | 1,765,978 | 13 | 1,765,978 | 15 |
| 3200 | Capital surplus | | 820,437 | 6 | 820,325 | 7 |
| | Retained earnings: | | | | | |
| 3310 | Legal reserve | | 1,753,262 | 13 | 1,665,388 | 15 |
| 3320 | Special reserve | | 687,892 | 5 | 604,488 | 5 |
| 3350 | Unappropriated retained earnings | | 4,658,093 | 35 | 3,868,090 | 34 |
| | | | 7,099,247 | 53 | 6,137,966 | 54 |
| 3400 | Other equity | | (453,579) | (3) | (687,892) | (6) |
| | Total equity attributable to shareholders of parent | | 9,232,083 | 69 | 8,036,377 | 70 |
| 36XX | Non-controlling interests | | 215 | - | 1,072 | - |
| | **Total Equity** | | 9,232,298 | 69 | 8,037,449 | 70 |
| | **Total Liabilities and Equity** | | $ 13,373,581 | 100 | 11,596,098 | 100 |

(See accompanying notes to consolidated financial statements.)

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

# IEI Integration Corp. and Subsidiaries

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### January 1 to December 31, 2022 and 2021

**In thousands of NTD**

| | | Notes | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|---|
| 4110 | **Sales Revenue** | | $ 7,975,814 | 99 | 6,270,298 | 100 |
| 4170 | Sales returns and discounts | | 33,399 | (1) | 26,789 | - |
| | **Net Sales Revenue** | 6(17)&7 | 7,942,415 | 100 | 6,243,509 | 100 |
| 5110 | **Cost of Sales** | 6(5)(13)&7&12 | 5,062,708 | 64 | 4,151,602 | 66 |
| | **Gross Profit** | | 2,879,707 | 36 | 2,091,907 | 34 |
| 5910 | Unrealized profit (loss) from sales | | (1,526) | - | (330) | - |
| 5920 | Realized profit (loss) from sales | | 330 | - | 765 | - |
| | **Gross Profit from operations** | | 2,878,511 | 36 | 2,092,342 | 34 |
| | **Operating Expenses** | 6(4)(13)(18)&7&12 | | | | |
| 6100 | Selling expenses | | 527,140 | 7 | 448,105 | 7 |
| 6200 | General and administrative expenses | | 464,882 | 6 | 427,443 | 7 |
| 6300 | Research and development expenses | | 554,961 | 7 | 496,794 | 8 |
| 6450 | Expected credit impairment loss (gain) | | 13,829 | - | (923) | - |
| | **Total Operating Expenses** | | 1,560,812 | 20 | 1,371,419 | 22 |
| | **Net Operating Income** | | 1,317,699 | 16 | 720,923 | 12 |
| | **Non-operating Income and Expenses** | 6(12)(19)&7 | | | | |
| 7100 | Interest income | | 76,942 | 1 | 47,729 | 1 |
| 7010 | Other income | | 92,269 | 1 | 56,928 | 1 |
| 7020 | Other gains and losses, net | | 296,319 | 4 | (37,627) | (1) |
| 7050 | Finance costs | | (5,293) | - | (441) | - |
| 7060 | Share of profits of associates and joint ventures accounted for using equity method, net | | 124,475 | 2 | 251,196 | 4 |
| | **Total Non-operating Income and Expenses** | | 584,712 | 8 | 317,785 | 5 |
| | **Profit Before Income Tax** | | 1,902,411 | 24 | 1,038,708 | 17 |
| 7950 | **Income tax expense** | 6(14) | 411,079 | 4 | 173,128 | 3 |
| | **Profit for the year** | | 1,491,332 | 20 | 865,580 | 14 |
| 8300 | **Other Comprehensive Income :** | | | | | |
| 8310 | **Components that will not be reclassified to profit or loss** | | | | | |
| 8311 | Gain/(loss) on re-measurements of defined benefit plans | | (1,394) | - | 15,999 | - |
| 8316 | Unrealized gain/(loss) from investments in equity instruments measured at fair value through other comprehensive income | | (10,114) | - | 3,158 | - |
| 8320 | Share of other comprehensive gain/(loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | | 140,853 | 2 | (45,223) | (1) |
| 8349 | Income tax related to components that will not be reclassified to profit or loss | | 279 | - | (3,200) | - |
| | **Total components that will not be reclassified to profit or loss** | | 129,624 | 2 | (29,266) | (1) |
| 8360 | **Components that will be reclassified to profit or loss** | | | | | |
| 8361 | Exchange differences on translation | | 80,917 | 1 | (33,028) | (1) |
| 8370 | Share of other comprehensive gain/(loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | | 22,657 | - | (8,311) | - |
| 8399 | Income tax related to components that will be reclassified to profit or loss | | - | - | - | - |
| | **Total components that will be reclassified to profit or loss** | | 103,574 | 1 | (41,339) | (1) |
| 8300 | **Other Comprehensive Income (Loss), net** | | 233,198 | 3 | (70,605) | (2) |
| | **Total Comprehensive Income** | | **$ 1,724,530** | **23** | **794,975** | **12** |
| | **Profit Attributable to:** | | | | | |
| 8610 | Shareholders of the parent company | | $ 1,492,189 | 20 | 865,945 | 14 |
| 8620 | Non -controlling interests | | (857) | - | (365) | - |
| | | | **$ 1,491,332** | **20** | **865,580** | **14** |
| | **Comprehensive Income Attributable to:** | | | | | |
| 8710 | Shareholders of the parent company | | $ 1,725,387 | 23 | 795,340 | 12 |
| 8720 | Non -controlling interests | | (857) | - | (365) | - |
| | | | **$ 1,724,530** | **23** | **794,975** | **12** |
| | **Earnings per Share (NT$)** | | | | | |
| | **Basic Earnings per Share (NT$)** | 6(16) | **$** | **8.45** | | **4.90** |
| | **Diluted Earnings per Share (NT$)** | 6(16) | **$** | **8.38** | | **4.86** |

(See accompanying notes to consolidated financial statements.)

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**IEI Integration Corp. and Subsidiaries**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### January 1 to December 31, 2022 and 2021

**In thousands of NTD**

| | | Equity Attributable to Shareholders of the Parent Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share Capital | | Retained Earnings | | | | Others | | | | | |
| Code | | Common Shares | Capital Suprplus | Legal Reserve | Special Reserve | Unappropri-ated retained earnings | Total | Exchange differences on translation of foreign financial statements | Unrealized Gain (Loss) on financial assets measured at fair falue through other comprehensive Income | Total | Total Equity Attributable to Shareholders of the parent company | Non-controlling Interests | Total Equity |
| A1 | **Balance at January 1, 2021** | $ 1,765,978 | 819,341 | 1,566,050 | 635,680 | 3,410,688 | 5,612,418 | (472,411) | (132,077) | (604,488) | 7,593,249 | 1,437 | 7,594,686 |
| D1 | Profit for the year | - | - | - | - | 865,945 | 865,945 | - | - | - | 865,945 | (365) | 865,580 |
| D3 | Other comprehensive income (loss) | - | - | - | - | 12,799 | 12,799 | (41,339) | (42,065) | (83,404) | (70,605) | - | (70,605) |
| D5 | Total comprehensive income (loss) | - | - | - | - | 878,744 | 878,744 | (41,339) | (42,065) | (83,404) | 795,340 | (365) | 794,975 |
| | Earnings appropriation and distribution: | | | | | | | | | | | | |
| B1 | Legal reserve appropriated | - | - | 99,338 | - | (99,338) | - | - | - | - | - | - | - |
| B5 | Cash dividends | - | - | - | - | (353,196) | (353,196) | - | - | - | (353,196) | - | (353,196) |
| B17 | Reversal of special reserve | - | - | - | (31,192) | 31,192 | - | - | - | - | - | - | - |
| | Changes in other capital reserves: | | | | | | | | | | | | |
| C7 | Adjustments to share of changes in equities of associates | - | (1,872) | - | - | - | - | - | - | - | (1,872) | - | (1,872) |
| C17 | Other changes in capital reserves | - | 2,856 | - | - | - | - | - | - | - | 2,856 | - | 2,856 |
| | **Balance at December 31, 2021** | 1,765,978 | 820,325 | 1,665,388 | 604,488 | 3,868,090 | 6,137,966 | (513,750) | (174,142) | (687,892) | 8,036,377 | 1,072 | 8,037,449 |
| D1 | Profit for the year | - | - | - | - | 1,492,189 | 1,492,189 | - | - | - | 1,492,189 | (857) | 1,491,332 |
| D3 | Other comprehensive income (loss) | - | - | - | - | (1,115) | (1,115) | 103,574 | 130,739 | 234,313 | 233,198 | - | 233,198 |
| D5 | Total comprehensive income (loss) | - | - | - | - | 1,491,074 | 1,491,074 | 103,574 | 130,739 | 234,313 | 1,725,387 | (857) | 1,724,530 |
| | Earnings appropriation and distribution: | | | | | | | | | | | | |
| B1 | Legal reserve appropriated | - | - | 87,874 | - | (87,874) | - | - | - | - | - | - | - |
| B3 | Special reserve | - | - | - | 83,404 | (83,404) | - | - | - | - | - | - | - |
| B5 | Cash dividends | - | - | - | - | (529,793) | (529,793) | - | - | - | (529,793) | - | (529,793) |
| | Changes in other capital reserves: | | | | | | | | | | | | |
| C7 | Adjustments to share of changes in equities of associates | - | (134) | - | - | - | - | - | - | - | (134) | - | (134) |
| C17 | Other changes in capital reserves | - | 246 | - | - | - | - | - | - | - | 246 | - | 246 |
| **Z1** | **Balance at December 31, 2022** | **$ 1,765,978** | **820,437** | **1,753,262** | **687,892** | **4,658,093** | **7,099,247** | **(410,176)** | **(43,403)** | **(453,579)** | **9,232,083** | **215** | **9,232,298** |

(See accompanying notes to consolidated financial statements.)

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**IEI Integration Corp. and Subsidiaries**

## CONSOLIDATED STATEMENT OF CASH FLOWS

**January 1 to December 31, 2021 and 2022**

**In thousands of NTD**

| | | 2022 | 2021 |
|---|---|---|---|
| AAAA | **Cash Flows from Operating Activities:** | | |
| A10000 | **Profit before income tax** | $ 1,902,411 | 1,038,708 |
| A20000 | **Adjustments items:** | | |
| A20100 | Depreciation expense | 112,661 | 104,173 |
| A20200 | Amortization expense | 22,613 | 18,850 |
| A20300 | Expected credit impairment loss (reversal of impairment loss) | 13,829 | (923) |
| A20400 | Net loss (gain) on financial assets or liabilities at fair value through profit or loss | (2,587) | (16,664) |
| A20900 | Interest expense | 5,293 | 441 |
| A21200 | Interest income | (76,942) | (47,729) |
| A21300 | Dividend income | (647) | (1,581) |
| A22300 | Share of profits of associates and joint ventures accounted for using equity method | (124,475) | (251,196) |
| A22500 | Impairment loss (gain) on property, plant and equipment | 25,936 | 756 |
| A23100 | Impairment loss (gain) on investments | - | (124) |
| A23700 | Allowance for inventory valuation and obsolescence loss | 155,547 | 35,377 |
| A24000 | Unrealized (realized) profit from sales | 1,196 | (435) |
| A24100 | Unrealized loss (gain) on foreign exchange | (59,982) | (3,718) |
| A20010 | Total adjustments to reconcile profit (loss) | 72,442 | (162,773) |
| A30000 | Changes in operating assets and liabilities: | | |
| A31115 | Decrease (increase) in financial assets measured at fair value through profit and loss | (378,413) | 76,667 |
| A31150 | Decrease (increase) in Notes and accounts receivable | (22,579) | 144,879 |
| A31160 | Decrease (increase) in accounts receivable from related parties | 63,222 | (20,232) |
| A31190 | Decrease (increase) in other receivables from related parties | 188,365 | (118,672) |
| A31200 | Decrease (increase) in Inventory | (390,428) | (471,324) |
| A31240 | Decrease (increase) in Other current assets | (14,695) | (51,580) |
| A31990 | Decrease (increase) in Net defined benefit assets | (676) | (847) |
| A32000 | Changes in operating liabilities, net: | | |
| A32125 | Increase (decrease) in contract liabilities | 31,805 | 233,854 |
| A32150 | Increase (decrease) in Notes and accounts payable | 227,589 | 91,799 |
| A32160 | Increase (decrease) in accounts payable to related parties | 19,791 | (46,401) |
| A32180 | Increase (decrease) in other payables | 121,828 | 5,178 |
| A32190 | Increase (decrease) in Other payables to related parties | (146,553) | 13,868 |
| A32200 | Increase (decrease) in liability provisions | 4,155 | (1,079) |
| A32230 | Increase (decrease) in Other current liabilities | 293 | 8,555 |
| A30000 | Total changes in operating assets and liabilities | (296,296) | (135,335) |
| A20000 | Total adjustments | (223,854) | (298,108) |
| A33000 | Cash inflow generated from operations | 1,678,557 | 740,600 |
| A33100 | Interest received | 40,358 | 17,105 |
| A33200 | Dividends received | 69,779 | 103,371 |
| A33300 | Interest paid | (5,293) | (441) |
| A33500 | Income tax paid | (178,599) | (144,994) |
| AAAA | **Net cash flows from (used in) operating activities** | 1,604,802 | 715,641 |
| BBBB | **Cash Flows from Investing Activities:** | | |
| B00010 | Acquisition of financial assets at fair value through other comprehensive income | (6,000) | - |
| B00030 | Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 500 | 2,700 |
| B01900 | Disposals of investment accounted for using equity method | - | 8,019 |
| B02700 | Acquisition of property, plant and equipment | (194,171) | (145,678) |
| B02800 | Disposal of property, plant and equipment | 4,225 | 2,469 |
| B04500 | Acquisition of intangible assets | (25,523) | (27,472) |
| B06500 | Decrease (increase) of other financial assets | (232,291) | 821,552 |
| B06700 | Decrease (increase) of other non-current assets | 8,845 | (8,826) |
| BBBB | **Net cash flows from (used in) investing activities** | (444,415) | 652,764 |
| CCCC | **Cash Flows from Financing Activities:** | | |
| C03000 | Decrease in guarantee deposit received | (151) | (395) |
| C04020 | Payment of lease liabilities | (11,413) | (9,132) |
| C04500 | Cash dividends paid | (529,793) | (353,196) |
| C09900 | Other financing activities | 32 | - |
| CCCC | **Net cash flows from (used in) financing activities** | (541,325) | (362,723) |
| DDDD | Effects of Exchange Rate changes on Cash and Cash Equivalents | (20,991) | (6,448) |
| EEEE | Net Increase in Cash and Cash Equivalents | 598,071 | 999,234 |
| E00100 | Cash and Cash Equivalents at Beginning of Year | 3,539,466 | 2,540,232 |
| E00200 | Cash and Cash Equivalents at End of Year | $ 4,137,537 | 3,539,466 |

(See accompanying notes to consolidated financial statements.)

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

# IEI Integration Corp. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## For the Years Ending on December 31, 2022 and 2021

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

### 1. GENERAL

The IEI Integration Corp. (the “Company” or “IEI” ) was incorporated with the Taiwan Ministry of Economic Affairs on April 17, 1997. The principal business of the Company and its subsidiaries (collectively the “Group” ) involves the manufacturing and sales of computer, computer components and peripherals and related trading.

### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved for issuance by the Board of Directors on March 10, 2023.

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effects from the Application of New and Revised Standards and Interpretations Endorsed and Issued into Effect by the Financial Supervisory Commission

Effective January 1, 2022, the Group has applied the following international financial reporting standards, which do not significantly affect the consolidated financial statements.

- Amendments to the International Accounting Standards (IAS) 16, “Property, Plant and Equipment – Proceeds Before Intended Use”
- Amendments to IAS 37, “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to International Financial Reporting Standards (IFRS) 2018-2020
- Amendments to IFRS 3, “Reference to the Conceptual Framework”

(2) Effects from Non-application of Standards Endorsed and Issued into Effect by the FSC

The Group finds that the application of the following international financial reporting standards which have been promulgated since January 1, 2023, will not significantly affect the consolidated financial statements.

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

(3) New and Revised Standards and Interpretations Not Yet Endorsed and Issued into Effect by the Financial Supervisory Commission

The Group finds that the following new and revised standards which have not been endorsed by the Financial Supervisory Commission (FSC) will not significantly affect the consolidated financial statements.

- IFRS 10 and Amendments to IAS 28, “Sales or Contributions of Assets Between an Investor and Its Associate/Joint Venture”
- IFRS 17, “Insurance Contracts,” and Amendments to IFRS 17
- Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1, “Non-current Liabilities with Covenants”
- Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the accompanying consolidated financial statements, which apply categorically to the entire reporting periods thus covered, are summarized as follows:

(1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and the IFRS, the IAS, IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC (collectively the "Standards").

(2) Bases for Preparation

1) Measurement bases

The accompanying consolidated financial statements are prepared on the basis of historical cost, except the following key items in the balance sheet:

a) Financial assets at fair value through profit or loss are measured at fair value.

b) Financial assets at fair value through other comprehensive income are measured at fair value.

c) Net defined benefit liabilities (assets) are measured by deducting the current value of defined benefit obligation from pension plan assets at fair value, subject to the upper limit as prescribed in Note 4(17).

2) Functional and presentation currencies

The Group and its associates and subsidiaries use the prevailing currency of the principal economic environment in which it conducts business as its functional currency. Monetary values in the accompanying consolidated financial report is presented in the Company's functional currency, the New Taiwan dollar (NTD). All the financial data expressed in NTD are in thousands of NTD unless specified otherwise.

(3) Bases for Consolidation

1) Bases for the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by it (i.e., its subsidiaries). The Company controls an entity through investment when it is exposed to variable returns from sources involving the entity or is entitled to such variable returns and when it can influence such variable returns through its rights in the entity in which it invests.

The financial statements of a subsidiary is incorporated into the consolidated financial statements from the date the Company begins to exercise control over the subsidiary and until the date it ceases control over the latter. The transactions, balances and any unrealized profit or loss among consolidated entities extinguish upon preparation of the consolidated financial statements. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a negative balance

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Company.

2) Subsidiaries included in the consolidated financial statements

The following subsidiaries are included in the consolidated financial statements:

| | | | Percentage of Ownership | | |
|---|---|---|---|---|---|
| **Name of Investor** | **Name of Investee** | **Nature of Business** | **12/31/2022** | **12/31/2021** | **Note** |
| IEI Integration Corp. | ICP Electronics Limited | Holding company and sales of computer related products | 100% | 100% | |
| IEI Integration Corp. | Internet Application Technology Ltd. | Holding company and sales of computer related products | 100% | 100% | |
| IEI Integration Corp. | BriteMed Technology Inc | Computer components manufacturing and sales | 100% | 100% | |
| IEI Integration Corp. | IEI Halza Health Intelligence Corp. | Development of medical software and related prooduct | 55% | 55% | |
| ICP Electronics Limited | Fortunetec International Corp. | Holding company and sales of computer related products | 100% | 100% | |
| Fortunetec International Corp. | Armorlink SH Corp. | Manufacturing and sales of computer-related products | 100% | 100% | |
| Fortunetec International Corp. | Ailean Technologies Corp. | Manufacturing and sales of computer-related products | - % | 100% | Note |
| Internet Application Technology Ltd. | Rich Excel Corporation Holdings Limited | Holding company and sales of computer related products | 100% | 100% | |
| Rich Excel Corporation Holdings Limited | Equilico Inc. | Real estate release agency | 100% | 100% | |
| Rich Excel Corporation Holdings Limited | Potency Inc. | Holding company and sales of computer related products | 100% | 100% | |
| Equilico Inc. | Suntend LLC | Real estate release agency | 100% | 100% | |
| Armorlink SH Corp. | IEI Technology (Shanghai) Co., Ltd. | Logistics center, sales of computer-related products | 100% | 100% | |
| Armorlink SH Corp. | Weibotong Technology (Shanghai) Co., Ltd. | Logistics center, sales of computer-related products | 100% | 100% | |
| Armorlink SH Corp. | Ailean Technologies Corp. | Computer components manufacturing and sales | 100% | - % | Note |
| Ailean Technologies Corp. | ASH ENERGY GROUP LIMITED | Supply chain management | 100% | 100% | |
| Potency Inc. | IEI Technology USA Corporation | Sales of computer-related products | 100% | 100% | |

Note: Adjustment of equity structure in subsidiaries in mainland China in the years 2022 and 2021 due to operational considerations.

3) Subsidiaries not included in the consolidated financial statements: None.

(4) Foreign Currencies

1) Foreign currency transactions

Transactions using foreign currencies are recognized in the respective functional currencies of Group entities at the exchange rates prevailing on the dates of the respective transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the exchange rates prevailing on the reporting period’s end date (“the reporting date”).

Non-monetary items measured at fair value that are denominated in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated at the exchange rates on the dates of the respective transactions.

The differences resulting from the exchange rates are typically recognized in profit or loss, whereas equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

2) Overseas Operations

Assets and liabilities of overseas operations are translated into NTD at the exchange rates prevailing on the reporting date. Income and expenses are translated into NTD at the average exchange rate for the reporting period, and the resulting exchange differences are recognized in other comprehensive income.

When the disposition of an overseas operation results in the loss or share of control or in serious consequences, the cumulative exchange differences related to said overseas operation are reclassified into profit or loss. Upon partial disposition of a subsidiary which has units operating overseas, the relevant cumulative exchange differences are reattributed proportionally to noncontrolling interests. Upon partial disposition of an investment in an affiliate or joint venture which has units operating overseas, the relevant cumulative exchange differences are reclassified proportionally to profit or loss.

When there is no plan to settle a monetary receivable or payable to an overseas operation and it is not likely to be settled in the foreseeable future, the resultant foreign exchange gain or loss is deemed as part of the net investment in the overseas operation and recognized in other comprehensive income.

(5) Guidelines for classification of Assets and Liabilities into Current and Non-current

An asset is classified current if it is any of the following. All assets that are not current are non-current assets.

1) The asset is expected to be realized in the normal operating cycle or intended to be sold or consumed;
2) The asset is held primarily for trading purposes;
3) The asset is expected to be realized within 12 months of the reporting period; or
4) The asset is cash or cash equivalent, unless it is otherwise restricted from being traded or used to settle a liability for at least twelve months after the reporting period.

A liability is classified current if it is any of the following. All liabilities that are not current are non-current liabilities.

1) The liability is expected to be settled in the normal operating cycle;
2) The liability is maintained primarily for trading purposes;
3) The liability is expected to be settled within 12 months of the reporting period; or
4) The liability is not attached with an unconditional right to defer settlement for at least 12 months after the reporting period. The classification is not affected if the terms of the liability may, at the option of the counterparty, be settled through the issuance of equity instruments.

(6) Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to a minimal risk of value variation. Time deposits that meet the foregoing definition and are held to meet short-term cash commitments rather than for investment or other purposes are reported as cash equivalents.

(7) Financial Instruments

Accounts receivable and debt securities issued are recognized initially when incurred. All other financial assets and financial liabilities are recognized when initially the Company becomes a party to the contractual provisions of the financial instruments. Financial assets (other than accounts receivable which do not involve a significant financial element) or financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance thereof. Accounts receivable that do not involve significant financial elements are measured initially at their transaction prices.

1) Financial assets

For the purchase or sale of financial assets consistent with customary trading practices, the Group categorically accounts for all purchases and sales of the financial assets that are classified in the same categories on the date of the transaction or settlement.

Financial assets are classified on initial recognition as financial assets carried at amortized cost, investments in debt instruments measured at fair value through other comprehensive income, investments in equity instruments measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. The Group will reclassify all of the affected financial assets effective the first day of the next reporting period only when the Group changes its operating models for managing financial assets.

a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it is not designated as at fair value through profit or loss, and it meets the following criteria:

- The financial asset is held pursuant to an operating model which purpose is to receive cash flow under the contractual terms.
- The financial asset under the contractual terms is to generate cash flow on a specific date and solely for the purpose of repaying the principal and interest on the outstanding sum of principal.

These assets are subsequently measured at their initially recognized values plus or minus the cumulative amortization using the effective interest method, adjusted for the amortized cost of any loss allowances. Interest income, foreign currency exchange gains or losses and impairment losses are recognized in profit or loss. On derecognition, the gains or losses are recognized in profit or loss.

b) Financial assets measured at fair value through other comprehensive income

An investment in debt instrument is measured at fair value through other comprehensive income when it is not designated as measured at fair value through profit or loss and meets both of the following criteria:

- The financial asset is held pursuant to an operating model which purpose is to receive cash flow and resale under the contractual terms.
- The financial asset under the contractual terms is to generate cash flow on a specific date and solely for the purpose of repaying the principal and interest on the outstanding sum of principal.

On initial recognition, the Group may make an irrevocable choice to report subsequent changes in the fair value of investments in equity instruments not held for trading purposes in other comprehensive income. The aforesaid choice is made on an instrument-by-instrument basis.

Investments in debt-instrument are subsequently measured at fair value. Interest income, foreign currency exchange gains or losses and impairment losses calculated based on the effective interest method are recognized in profit or loss, while other net gains or losses are recognized in other comprehensive income. Upon derecognition, the accumulated other comprehensive income is reclassified to profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income (unless it clearly reflects a partial recovery of investment costs) is recognized in profit or loss, while the other net gains or losses are recognized in other comprehensive income and are not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date the Group has the right to receive the dividends (usually the ex-dividend date).

c) Financial assets measured at fair value through profit or loss

Financial assets, that are not classified as measured at amortized cost or at fair value through other comprehensive income as described above, are measured at fair value through profit or loss—this includes derivative financial assets. Upon initial recognition, the Group may irrevocably designate such financial assets, which qualify as measured at amortized cost or at fair value through other comprehensive income, as financial assets measured at fair value through profit or loss, for the purpose of eliminating or significantly reducing accounting mismatches.

These assets are subsequently measured at fair value, which net gains or losses (including any dividends and interest income) are recognized in profit or loss.

d) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

Loss allowance for the following financial assets is measured based on the value of the expected credit loss over 12 months, while loss allowance for others is measured based on the value of the expected credit loss over the life of the asset:

- Debt securities determined to have a low credit risk on the reporting date.
- Other debt securities and bank deposits which credit risk (i.e., the risk of default over the expected life of the financial instruments) has not increased significantly since initial recognition.

Loss allowance on accounts receivable and contract assets is measured based on the value of the expected credit loss over the life of the contract.

In determining whether there has been a significant increase in credit risk since initial recognition, the Group takes into account reasonable information based on evidence that are available without undue cost or input, including qualitative and quantitative data and analyses based on the Group's past experience, credit evaluations and prospective information

The Group assumes that the credit risk on a financial asset has increased significantly if payments are overdue under the contractual terms.

The Group considers a financial asset to be in default if it is unlikely that the borrower will be able to fulfill its credit obligation to pay the full amount to the Group.

Expected credit losses over the life of the instrument are the expected credit losses arising from all possible defaults over the expected life of the instrument

Expected credit loss over twelve months is the expected credit loss arising from a possible default of the financial instrument within twelve months after the reporting date, or a shorter period if the expected life of the financial instrument is less than twelve months.

The maximum time period for measuring expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

The expected credit loss is a weighted estimate of the probability of credit loss over the expected life of the financial instrument. Credit losses are measured at the present value of all the cash shortfalls, which is the difference between the cash flows that the Group can receive under the contracts and those that it expects to receive. Expected credit losses are discounted based on the effective interest rates of the financial assets.

On each reporting date the Group assesses whether financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income are impaired. A financial asset is credit-impaired if one or more events have occurred which have an adverse effect on the estimated future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes observable information as follows:

- Significant financial difficulties of the borrower or issuer;
- Defaults, such as delays or exceeding credit terms over a extended period;
- The Group has made concessions that it otherwise would not have considered but for some economic or contractual reasons related to the borrower's financial difficulties;
- The borrower is likely to file for bankruptcy or undertake other financial reorganization; or
- Loss of an active market for the financial asset due to financial difficulties

Allowance for loss on financial assets measured at amortized cost is deducted from the carrying amount of the assets.

The Group reduces the total carrying amount of a financial asset when it cannot reasonably expect to recover all or part of the financial asset. For corporate accounts, the Group assesses the timing and amount of write-off on a case-by-case basis based on whether recovery is reasonably expected. The Group does not expect any material reversal of the amount that has thus been written off. However, financial assets that have been written off are still enforceable to comply with the Group's procedures for recovering past due amounts.

e) Derecognition of financial assets

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

When entering into a transaction to transfer a financial asset, the Group continues to recognize a financial asset on its balance sheet if it retains all or nearly all the risks and rewards related to the ownership of the transferred financial asset.

2) Financial liabilities and equity instruments

a) Classification as debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity based on the substance of the contractual agreements and the definition of financial liabilities.

b) Equity Transactions

An equity instrument is any contract that recognizes the Group's remaining interest in an asset from which all of its liabilities are deducted. Equity instruments issued by the Group are recognized at the acquisition price less direct issue costs.

c) Financial liabilities

Financial liabilities are classified as measured either at amortized cost or at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, are derivative instruments or are so designated at initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and the associated net gains and losses, including any interest expense, are recognized in profit or loss.

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

d) Derecognition of financial liabilities

The Group derecognize a financial liability when the contractual obligations pertaining thereto expire or are discharged or cancelled. When the terms of a financial liability are amended and the cash flows per the liability are materially different upon amendment, the pre-amendment financial liability is derecognized and the amended liability is recognized at fair value based on the amended terms.

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

(8) Inventory

Inventories are measured at its cost or net realizable value, whichever is lower. Cost includes the cost of acquisition, production or processing, plus other associated costs, incurred in bringing the inventory to the location and condition in which it becomes available for use.

Net realizable value is the estimated selling price under normal operations less the estimated costs necessary to complete the project and to make the sale.

(9) Investments in Associates

An associate is an entity over which the Group has significant influence, but not control or joint control, in its financial and operating policies. The Group's equity interest in an associate is accounted for using the equity method. Under the equity method, the original acquisition is recognized at cost, and the cost of investment includes the transaction cost. The carrying amount of an investment in an associate includes the goodwill recognizable at the time of investment, less any accumulated impairment loss.

The consolidated financial statements include the amount of profit or loss and other comprehensive income of the associates, recognized in proportion to the Company’s equity interest in each associate during the time in which the Group retains said signification influence and after adjustments to attain conformity to the Group's accounting policies. When there is a change in equity in an associate not recognized as profit or loss nor other comprehensive income that does not proportionally affect the Group's share in the associate, the Group recognizes the change in equity corresponding to its equity interest in the associate as capital surplus in proportion to its holdings.

Unrealized gains and losses arising from transactions between the Group and its associates are recognized in its financial statements only to the extent of equity interest in the associates not owned by the Group.

The Group ceases to recognize an associate’s losses when its share of such losses equals or exceeds its equity interest in the associate. Thereafter the Group recognizes additional losses and associated liabilities only to the extent of any legal or constructive obligations incurred or of any payments made on behalf of the investee.

From the date investment in the associate terminates, the Group ceases to use the equity method and measures any remaining interest in the associate at fair value. The difference between the fair value of the remaining interest and the disposal price and the carrying amount of the investment on the date the Group ended the equity method is recognized in profit or loss for the reporting period. All amounts previously recognized in other comprehensive income pertaining to the investment are accounted for on the same basis as that applicable in cases in which the relevant assets or liabilities are disposed of by the associate. For instance, any gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss, or retained earnings, upon disposal of the relevant assets or liabilities—i.e., when an enterprise ceases to use the equity method, the gains or losses are reclassified from equity to profit or loss, or retained earnings. If the Group continues to apply the equity method when its ownership interest in an associate has declined, the Group shall reclassify the gains or losses previously recognized in other comprehensive income that are attributable to the decrease in ownership interest and make adjustments according to the preceding method proportionate to the reduction in ownership.

In cases of an investment in an associate becoming that of a joint venture, or vice versa, the Group will continue to apply the equity method without reevaluating the retained interest.

(10) Investment Properties

Investment properties are real properties held for rental revenue or asset appreciation, or both, but not for sale in the ordinary course of business, nor to use for production, supply of goods or services or administrative purposes.

Investment property is initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment, and the methods used to account for the depreciation, useful life and residual value follows those used for property, plant and equipment.

Gain or loss upon disposal of investment property, calculated as the difference between the net price of disposal and the carrying amount of the item, is recognized in profit or loss.

Lease revenue from investment properties is recognized in non-operating income from other income using the straight-line method over the lease term. Lease incentives granted are recognized as part of lease revenue over the lease term.

(11) Property, Plant and Equipment

1) Recognition and measurement

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

If the major components of property, plant and equipment have different service lives, they are deemed separate items (primary components) of property, plant and equipment.

Gain or loss upon disposal of property, plant and equipment is recognized in profit or loss.

2) Subsequent costs

Subsequent expenditures are capitalized only if it is likely that future economic benefits will flow into the Company.

3) Depreciation

Depreciation is calculated as the cost of an asset less its residual value and is recognized in profit or loss over the estimated useful lives of each component using the straight-line method.

Land is not account for depreciation.

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

- Premises and buildings 3 to 55 years
- Machines and equipment 2 to 13 years
- Other equipment 1 to 15 years

The Group reviews the depreciation method, useful life and residual value at each reporting and makes appropriate adjustments as necessary.

(12) Leases

The Group assesses, on the date a contract is entered into, whether a contract is a lease or includes a lease. If a contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is a lease or includes a lease.

1) Lessee

The Group recognizes a right-of-use asset and a lease liability on the commencement date of the lease. A right-of-use asset is measured initially at cost, which comprises the original measurement of the lease liability, adjusted for any lease payments made on or before the commencement date of the lease, plus the original direct costs incurred and the estimated costs for dismantling and removing and restoring the subject asset, whether by itself or to its location, and less any lease incentives received

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date of the lease to either the end of the useful life or the end of the lease term, whichever is sooner, of the right-of-use asse. In addition, the Gruop periodically assesses whether a right-of-use asset is impaired and addresses any impairment loss incurred and, when lease liability is remeasured, adjusts the right-of-use asset accordingly.

Lease liabilities are measured initially at present value of the lease payments outstanding on the date the lease is entered into. The discount rate is set to the implied interest rate of the lease if it is readily determinable and, if it is not, to the Group's incremental borrowing rate. In general, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities include:

a) fixed payment, including real fixed payment;
b) variable lease payment that depend on some index or rate, measured initially using the index or rate at the commencement date of each lease;
c) the expected payment of the balance of the lease deposit; and
d) the price or penalty to pay to exercise purchase option or lease termination option upon a reasonable amount of certainty that it will be exercised.

The interest for lease liabilities is subsequently calculated using the effective interest method and will be remeasured when:

a) the index or rate used to determine lease payments has changed that causes future lease payments to change;
b) the expected payment of the balance of the lease deposit has changed;
c) the expectation concerning the purchase option for the subject asset has changed;
d) the expectation whether to exercise the option to extend or terminate the lease has changed that causes the expectation of the duration of the lease to change; or
e) the subject, scope or other terms of the lease have changed.

When a lease liability is remeasured as a result of changes in the index or rate used to determine lease payments, changes in the balance of the lease deposit and changes in the assessment of purchase, extension or termination options, as described above, the carrying amount of the right-of-use asset shall be adjusted accordingly, and, when the carrying amount of the right-of-use asset is reduced to zero, the remaining amount upon remeasurement is recognized in profit or loss.

When the scope of the lease is narrowed upon amendment, the carrying amount of the right-of-use asset is reduced to reflect the termination of the lease in full or in part, and the difference between the carrying amount and the remeasurement amount of the lease liability is recognized in profit or loss.

The Group itemizes right-of-use assets and lease liabilities that do not meet the definition of investment properties in separate lines in the balance sheet.

The Group elects not to recognize short-term leases and leases of low-value assets as right-of-use assets or lease liabilities and, instead, recognizes the relevant lease payments as expenses on a straight-line basis over the lease term.

2) Lesser

Transactions in which the Group is the lessor are classified as finance lease if, on the date the lease was entered into, the lease contract transfers nearly all the risks and rewards associated with the ownership of the subject asset, and as operating lease if it does not. In said assessment, the Group considers pertinent specific indicators such as whether the lease term covers a significant portion of the economic life of the subject asset.

If the Group is a sublessor, it then processes the master lease and any sublease transactions separately and determines the classification of a sublease transaction based on the right-of-use assets arising from the master lease. If the master lease is a short-term lease to which a recognition exemption applies, the sublease transaction should be classified as an operating lease.

If a lease agreement includes both lease and non-lease components, the Group uses IFRS 15 to allocate the consideration in the contract.

(13) Intangible Assets

1) Recognition and measurement

Expenditures related to research activities are recognized in profit or loss when incurred.

Development expenditures are capitalized only when: the expenditures can be reliably measured; the technical or commercial feasibility of the product or process has been achieved; future economic benefits will most likely flow to the Group; and the Group intends and has sufficient resources to complete the development and use or sell the asset. Other development expenditures are recognized in profit or loss when incurred. After initial recognition, capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment.

Other intangible assets acquired by the Group with finite useful lives are measured at cost less accumulated amortization and accumulated impairment.

2) Subsequent expenditures

Subsequent expenditures are capitalized only to the extent that they will enhance the future economic benefits of the specific asset to which they relate. All other expenses, including goodwill and branding for internal development, are recognized in profit or loss when incurred.

3) Amortization

For amortization, the amortizable amount is calculated by deducting the residual value from the cost of the asset.

Intangible assets are amortized on a straight-line basis over their estimated useful lives (one to three years) from the date they attain their serviceable condition, and the amortization is recognized in profit or loss.

The Group reviews the amortization method and the useful lives and residual values of intangible assets on each reporting date, and makes appropriate adjustments as necessary.

(14) Impairment of non-financial assets

The Group assesses at each reporting whether there is any indication that the carrying amount of non-financial assets (other than inventories, contract assets and deferred income tax assets) may have been impaired. If any such indication exists, the recoverable amount of the asset will then be assessed.

In detecting impairment, a group of assets with cash inflows that are predominantly independent of other individual assets or groups of assets is treated as the smallest identifiable group of assets.

The recoverable amount is the fair value of an individual asset or cash-generating unit less its value in use or costs to sell, whichever is higher. If the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit is adjusted downward to its recoverable amount, and an impairment loss is recognized for the difference. The impairment loss is recognized, immediately in the current period, in profit or loss.

The Group re-evaluates at each reporting whether there is any indication that an impairment loss recognized for a non-financial asset in the preceding year may no longer exist or may have decreased. If there is any change in the estimates used to determine the recoverable amount, the impairment loss is reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, but not to exceed the carrying amount, less recognizable depreciation or amortization, that would have been determined if no impairment loss had been recognized for that individual asset or cash-generating unit in the preceding year.

(15) Liability Reserve

A liability reserve is recognized when the Group is exposed, by a present obligation resulting from a past event, to the likelihood under which it is required to direct an outflow of economic resources to settle the obligation in the future, when the amount of the obligation can reliably be estimated. The liability reserve is discounted at a pre-tax discount rate that reflects the market’s current assessments of the time value of money and the risks specific to the liability, with amortization of the discount being recognized as interest expense.

Warranty liability reserve is recognized upon the sale of goods or services. The reserve is measured based on historical warranty information and all possible outcomes weighted by their respective probabilities.

(16) Revenue Recognition

1) Revenue from customer contracts

Revenue is measured as the consideration to which one expects to be entitled for transferring goods or services. The Group recognizes an item in revenue when it has performed the obligation by transferring control of the goods or services to customers. The Group's primary sources of revenue are described as follows:

a) Product sales

The Group’s primary business is the manufacture and sale of computers and computer peripherals. The Group recognizes an item in revenue when it has transferred control of a product. The transfer of control of the product means that the product has been delivered to the customer who then has the sole discretion over the marketing channel and price of the product and to whom no outstanding obligation needs to be performed for the customer's acceptance of the product. Delivery occurs when the product is delivered to the specified location at which the risks of obsolescence and loss are transferred to the customer and when the customer has accepted the product in accordance with the sales contract, the terms of acceptance have lapsed, or the Group has objective evidence that all the conditions for acceptance have been met.

The Group provides general warranties on products sold and recognizes them as liability reserve at the time of sale.

The Group recognizes accounts receivable upon delivery of goods because the Group has an unconditional right to receive consideration at that point in time.

b) Financial components

The Group expects that the time interval between the transfer of goods or services to a customer and the payment for the goods or services by the customer will not exceed one year for all customer contracts. Therefore, the Group does not adjust the transaction price for the time value of money.

(17) Employee Benefits

1) Defined contribution plans

The contribution obligation for defined contribution pension plans is recognized as an expense over the period of service rendered by the employees.

2) Defined benefit plans

The Group's net obligation for defined benefit plans is calculated for each plan by discounting the amounts of future benefits earned by employees for the current or the preceding period to the present value, less the fair value of any plan assets.

The defined benefit obligation is actuarially determined annually by a certified actuary using the projected unit benefit method. When the result of the calculation is likely to be beneficial to the Group, the asset is recognized to the extent of the present value of any economic benefits available in the form of refund of contributions from the plan or reduction in future contributions to the plan. The present value of the economic benefits is calculated by taking into account any minimum contribution funding requirements.

The remeasurement of the net defined benefit liability, which includes actuarial gains and losses, compensation on plan assets (excluding interest), and any change in the asset ceiling effect (excluding interest) is recognized immediately in other comprehensive income and accumulated in retained earnings. The Group determines the net interest expense (or income) on the net defined benefit liability (or asset) using the net defined benefit liability (or asset) and the discount rate determined at the beginning of the annual reporting period. Net interest expense and other expenses for defined benefit plans are recognized in profit or loss.

When a plan is amended or curtailed, the change in benefits related to the previous service cost or the curtailment benefit or loss is recognized immediately in profit or loss. The Group recognizes a gain or loss on the settlement of a defined benefit plan at the time of the settlement.

3) Short-term employee benefits

A short-term employee benefit obligation is recognized as an expense when the subject services are being rendered. The amount is recognized as a liability if the Group has a present legal or constructive obligation to pay for services rendered by the employees in the past and if the obligation can reliably be estimated.

(18) Income Tax

Income tax consists of the current and deferred income taxes. The current and deferred income taxes are recognized in profit or loss, except when they relate to business combinations or items directly recognizable in equity or in other comprehensive income.

The current income tax includes the estimated income tax payable or tax refund receivable based on the current year taxable income (or loss), with any adjustments for the preceding year's income tax payable or tax refund receivable. The amount is determined as the best estimate of the amount expected to be paid or received pursuant to the statutory or substantively enacted tax rate on the reporting date.

Deferred income tax is recognized and determined from the temporary differences between the carrying amounts of assets and liabilities for purposes of financial reporting and their tax bases. Deferred income tax is not recognized for temporary differences arising from the following:

1) Assets or liabilities that are not initially recognized in a business combination and do not affect the accounting profit or taxable income (or loss) at the time of the transaction;
2) Temporary differences arising from investments in subsidiaries, associates and joint ventures where the Group can control the timing of the reversal of the temporary difference and where it is most likely that the temporary difference will not reverse in the foreseeable future; and
3) Taxable temporary differences arising from the original recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses and unused income tax credits in the next reporting period, with deductible temporary differences, to the extent that taxable income will most likely be available in the future. Deferred income tax assets are reassessed on subsequent reporting dates on which such assets may be written down to the extent that the relevant income tax benefit will be less likely to be realized and on which such write-down may be reversed to the extent that it appears sufficient taxable income will most likely be available.

Deferred income tax is measured based on the tax rate at the time the temporary difference is expected to be reversed, using the statutory tax rate or rate prescribed by substantive legislation.

Deferred income tax assets and deferred income tax liabilities are offset only if both of the following conditions are met:

1) There is a right by law to offset the period's income tax assets and income tax liabilities; and
2) The deferred income tax assets and deferred income tax liabilities pertain to one of the following taxable entities which are subject to income taxation by the same taxing authority:
    a) the same taxable entity; or
    b) different taxable entities, provided that each entity intends to settle each period's income tax liabilities with the period's income tax assets on a net basis, or to realize such assets and settle such liabilities at the same time, in each future period in which significant amounts of deferred income tax assets and significant amounts of deferred income tax liabilities are expected to be recovered and settled respectively.

(19) Earnings Per Share

The Group accounts for the basic and diluted earnings per share attributable to equity holders of the Company's common stock. The basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's common stock by the weighted-average number of common shares outstanding during the period. The diluted earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's common stock by the weighted-average number of common shares outstanding, after adjusting each first for all the potential dilutive effects of the common shares.

(20) Segment Information

An operating segment is a component of the Group that engages in business activities that may generate revenues and incur expenses, including those revenues and expenses related to transactions with other components of the Group. The Group's chief operational decision-maker regularly reviews the operational outcomes of all operating segments to make decisions concerning the allocation of resources to the segments and to evaluate their performance. Each operating segment maintains its individual financial information.

## 5. KEY SOURCES OF UNCERTAINTY FOR CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

The preparation of the within individual financial statements requires management to make judgments, estimates and assumptions which affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses reported. Actual outcomes may differ from the estimates.

Management reviews estimates and underlying assumptions on an ongoing basis and recognizes changes in accounting estimates in the period of change and in the future periods affected.

The accounting policies which involve critical judgments and significantly affects the amounts recognized in the within consolidated financial statements are as follows:

1) Determination as to whether the investee company has substantial control over its affairs

   The Group holds 24.44% of the voting shares, and is the single largest shareholder, of the QNAP Systems, Inc. (QNAP). Although the other 75.56% of the QNAP shares are not concentrated specifically in large shareholders, the Group has yet to acquire a majority of the seats of directors of QNAP and has yet to attain a majority voting right among the attendant members at its shareholders' meetings. It is thus determined that the Group has significant influence on QNAP.

The uncertainty inherent in the assumptions and estimates described as follows pose significant risks of material adjustments to the carrying amounts of assets and liabilities in the next financial year:

1) Valuation of Inventory

   Because inventory is measured at the lower of cost or net realizable value, the Group evaluates the amount of inventory through normal wear and tear, obsolescence or having no market value as of the reporting date and writes down the cost of inventory to the net realizable value. Said inventory valuation is based primarily on the estimation of product demand in a specific period in the future and is subject to vary significantly due to rapid changes in the industry. Please refer to Note 6(5), for estimates in inventory valuation.

The Group's accounting policies and disclosures include the use of fair value to measure its financial or non-financial assets and liabilities. The Group verifies that independent sources of information approximate market conditions and that the sources of information are independent, reliable, consistent with other sources, and representative of executable prices. The Group regularly calibrates its valuation models, performs back testing, updates input values and information and any other necessary fair value adjustments as required by the valuation models to ensure that the outcome of the valuation is reasonable.

The Group uses observable input from the market whenever possible to measure its assets and liabilities. The fair value hierarchy is based on the input values used in the valuation technique and is set forth as follows:

Level 1: Publicly quoted price for the identical asset or liability in an active market (unadjusted).

Level 2: Except the publicly available quotation in Level 1, the input value for an asset or a liability is observable either directly (i.e., the price) or indirectly (i.e., derived from the price).

Level 3: The input value for an asset or a liability that is not based on observable market data (non-observable value)

If a transfer among the fair value hierarchy occurs, the Group recognizes it on the reporting date.

Please refer to Note 6(20), for information related to the assumptions used to measure the fair value of financial instruments.

## 6. SIGNIFICANT ACCOUNTS

### (1) Cash and Cash Equivalents

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Cash and cash equivalents | $ 8,176 | 5,771 |
| Bank deposits | 1,452,063 | 2,061,119 |
| Cash equivalents | 2,677,298 | 1,472,576 |
| Cash and cash equivalents in the statement of cash flows | $ 4,137,537 | 3,539,466 |

1) The above cash and cash equivalents are not pledged as security.
2) Time deposits not fitting the definition of cash equivalents have been re-recognized in other financial assets. Please refer to Note 6(6).
3) Please refer to Note 6(20), for the disclosure of interest rate risk and sensitivity analysis of the Group's financial assets and liabilities.

### (2) Financial assets at fair value through profit or loss

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Financial assets that must be measured at fair value through profit or loss: | | |
| Fund beneficiary certificates | $ 381,000 | - |

1) Please refer to Note 6(19) for the amount recognized in profit or loss based on fair value remeasurement.
2) The above financial assets are not pledged as security.

### (3) Financial assets at fair value through other comprehensive income

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Equity instruments measured at fair value through other comprehensive income: | | |
| Domestic listed company stocks | $ - | 2,595 |
| Domestic unlisted company stocks | 32,025 | 34,044 |
| Total | $ 32,025 | 36,639 |

1) The Group holds these equity instruments not for trading purposes but as long-term strategic investments and have thus designated them as measured at fair value through other comprehensive income.
2) Please refer to Note 6 (20) for credit risk and market risk information.
3) The above financial assets are not pledged as security.

### (4) Notes and Accounts Receivable

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Notes receivable | $ 91,090 | 198,023 |
| Accounts receivable | 897,048 | 758,977 |
| Deduct: loss allowance | (15,876) | (1,985) |
| | $ 972,262 | 955,015 |

The Group takes a simplified approach to estimate expected credit losses for all notes and accounts receivable, which is to measure the expected credit losses over the life of the contract. For purposes of the measurement, these notes and accounts receivable are grouped, upon incorporation of prospective information, by the common credit risk characteristics that represent the customer's ability to pay all the amounts due under the terms of the contract. The aging schedule of the Group's notes and accounts receivable is as follows

1) Group One

| | 12/31/2022 | | |
|---|---|---|---|
| | Accounts receivable carrying amount | Weighted average expected credit loss ratio | Allowance for credit loss over life of contract |
| Not past due | $ 813,419 | 0% | - |
| Past due 0-90 days | 159,748 | 0%~3.98% | 984 |
| Past due 90-180 days | 88 | 12.83% | 11 |
| Past due over 181 days | 440 | 0%~100% | 438 |
| | $ 973,695 | | 1,433 |

| | 12/31/2021 | | |
|---|---|---|---|
| | **Accounts receivable carrying amount** | **Weighted average expected credit loss ratio** | **Allowance for credit loss over life of contract** |
| Not past due | $ 857,455 | 0% | - |
| Past due 0-90 days | 96,848 | 0.03%~1.48% | 1,236 |
| Past due 90-180 days | 856 | 0.00%~1.81% | 225 |
| Past due over 181 days | 1,841 | 9.09%~100% | 524 |
| | $ 957,000 | | 1,985 |

2) Group Two

| | 12/31/2022 | | |
|---|---|---|---|
| | **Accounts receivable carrying amount** | **Weighted average expected credit loss ratio** | **Allowance for credit loss over life of contract** |
| Not past due | $ 6,285 | 100% | 6,285 |
| Past due 0-90 days | 4,944 | 100% | 4,944 |
| Past due 90-180 days | 3,214 | 100% | 3,214 |
| Past due over 181 days | - | 0% | - |
| | $ 14,443 | | 14,443 |

The changes in the allowances for loss on notes and accounts receivable were as follows:

| | **2022** | **2021** |
|---|---|---|
| Balance, beginning of period | $ 1,985 | 2,985 |
| Impairment losses recognized (Reversal) | 13,829 | (923) |
| Amounts written off as uncollectible during the year | - | (53) |
| Foreign exchange gains/(losses) | 62 | (24) |
| Balance, end of period | $ 15,876 | 1,985 |

As of December 31, 2022 and 2021, the Group had not pledged the aforementioned notes receivable and accounts receivable as collateral.

(5) Inventories

| | **12/31/2022** | **12/31/2021** |
|---|---|---|
| Finished goods | $ 762,359 | 490,135 |
| Work in progress | 228,858 | 105,980 |
| Raw Materials | 806,980 | 933,936 |
| | $ 1,798,197 | 1,530,051 |

1) For the years ended December 31, 2022 and 2021, the costs of inventories recognized as costs of goods sold were $5,062,708 thousand and $4,151,602 thousand, respectively. For the years ended December 31, 2022 and 2021, the Company recognized losses of $155,547 thousand and $35,377 thousand, respectively, on the write-down of inventories to net realizable value.
2) As of December 31, 2022 and 2021, none of the Group's inventories were pledged as collateral.

(6) Other Financial Assets

The breakdown of the Group's other financial assets is as follows:

| | **12/31/2022** | **12/31/2021** |
|---|---|---|
| Current | | |
| Time Deposits and Restricted Assets | $ 1,477,113 | 295,393 |
| Non-current | | |
| Time deposits | $ - | 911,712 |

Please refer to Note 8 for information on pledges of other financial assets of the Group.

(7) Investments Accounted for Using the Equity Method

The Group's investments accounted for using the equity method as of the reporting date are as follows:

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Associates | $ 2,403,180 | 2,184,461 |

1) Information on associates of significant importance to the Group is as follows:

| Name of associate | Nature of relationship with the Company | Main business venue/country of incorporation | Percentage of ownership and voting rights 12/31/2022 | 12/31/2021 |
|---|---|---|---|---|
| QNAP Systems, Inc. | Sales of network security monitoring and network storage & communication related products | Taiwan | 24.44% | 24.43% (Note) |

Note: On April 29, 2021, the Group disposed of 0.07% of the shares in QNAP Systems, Inc., for $8,019 thousand, and the gain on disposal of $124 thousand has been included in "Other gains and losses" in the Consolidated Statement of Comprehensive Income.

The aggregate financial information on associates of significant importance to the Group, which has been adjusted for amounts reported in the associates' financial statements prepared per IFRS standards to reflect the fair-value adjustments made upon the Group's acquisition of equity interest in the associates and the adjustments for differences in accounting policies, is as follows:

**Aggregate financial information for QNAP Systems, Inc.**

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Current assets | $ 2,301,697 | 3,079,211 |
| Non-current assets | 7,663,244 | 6,892,010 |
| Current liabilities | (1,311,110) | (2,167,235) |
| Non-current liabilities | (143,519) | (91,188) |
| Net assets | $ 8,510,312 | 7,712,798 |

| | 2022 | 2021 |
|---|---|---|
| Operating revenue | $ 4,926,063 | 6,112,009 |
| Net income of continuing operations for the period | $ 445,134 | 1,030,038 |
| Other comprehensive income | 631,893 | (204,161) |
| Total comprehensive income | $ 1,077,027 | 825,877 |
| Total comprehensive income attributable to the Group | $ 268,342 | 205,548 |

| | 2022 | 2021 |
|---|---|---|
| Carrying amount of equity held by the Group in the associate, beginning of period | $ 1,879,323 | 1,790,477 |
| Total comprehensive income attributable to the Group for the period | 268,342 | 205,548 |
| Disposal during the period | - | (7,895) |
| Recognition of Changes in the associate | (134) | (1,872) |
| Dividends received from the associate during the period | (67,866) | (101,790) |
| The Group's share of the associate's net assets, end of period | 2,079,665 | 1,884,468 |
| Deduct: Unrealized write-off of sales benefits from side-stream sales transactions | 6,440 | 4,745 |
| Unrealized write-off of sales benefits from counterflow sales transactions | 909 | 400 |
| Carrying amount of equity held by the Group in the associate, end of period | $ 2,072,316 | 1,879,323 |

As of December 31, 2022, QNAP Systems, Inc., held 23,963 thousand shares of the Company's stock.

2) The aggregate financial information on associates of individual and insignificant relationships with the Group, which has been included in the Group's consolidated financial statements, is as follows:

| | | 12/31/2022 | 12/31/2021 |
|---|---|---|---|
| Aggregate carrying amount of equity in individual insignificant associates, end of period | $ | 330,864 | 305,138 |

| | | 2022 | 2021 |
|---|---|---|---|
| Attributable to the Group: | | | |
| Net income of continuing operations for the period | $ | 17,902 | 780 |
| Other comprehensive income | | 9,090 | (3,520) |
| Total comprehensive income | $ | 26,992 | (2,740) |

3) Collateral

As of December 31, 2022 and 2021, none the Group's investments accounted for under the equity method was pledged as collateral.

(8) Property, Plant and Equipment

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

| | | Land | Premises & Buildings | Machinery & Equipment | Other Equipment | Total |
|---|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | | |
| Balance on 01/01/2022 | $ | 417,748 | 1,032,120 | 376,355 | 397,269 | 2,223,492 |
| Additions | | - | 152 | 162,756 | 43,759 | 206,667 |
| Disposal | | - | - | (254,939) | (58,178) | (313,117) |
| Reclassification | | 2,000 | - | (93) | 93 | 2,000 |
| Effect of exchange rate changes | | 7,728 | 4,347 | 5,745 | 8,648 | 26,468 |
| Balance on 12/31/2022 | $ | 427,476 | 1,036,619 | 289,824 | 391,591 | 2,145,510 |
| Balance on 01/01/2021 | $ | 405,679 | 1,087,733 | 364,400 | 363,201 | 2,221,013 |
| Additions | | - | 39,018 | 34,467 | 72,650 | 146,135 |
| Disposal | | - | (53,133) | (20,742) | (36,337) | (110,212) |
| Reclassification | | 14,109 | (36,942) | - | - | (22,833) |
| Effect of exchange rate changes | | (2,040) | (4,556) | (1,770) | (2,245) | (10,611) |
| Balance on 12/31/2021 | $ | 417,748 | 1,032,120 | 376,355 | 397,269 | 2,223,492 |
| Depreciation and impairment loss: | | | | | | |
| Balance on 01/01/2022 | $ | - | 431,103 | 299,140 | 283,939 | 1,014,182 |
| Depreciation | | - | 42,707 | 12,472 | 40,924 | 96,103 |
| Disposal | | - | - | (230,553) | (52,028) | (282,581) |
| Effect of exchange rate changes | | - | (4,381) | 5,353 | 4,175 | 5,147 |
| Balance on 12/31/2022 | $ | - | 469,429 | 86,412 | 277,010 | 832,851 |
| Balance on 01/01/2021 | $ | - | 446,840 | 309,819 | 283,239 | 1,039,898 |
| Depreciation | | - | 42,657 | 9,505 | 36,589 | 88,751 |
| Disposal | | - | (53,133) | (18,672) | (34,807) | (106,612) |
| Reclassification | | - | (3,312) | - | - | (3,312) |
| Effect of exchange rate changes | | - | (1,949) | (1,512) | (1,082) | (4,543) |
| Balance on 12/31/2021 | $ | - | 431,103 | 299,140 | 283,939 | 1,014,182 |
| Carrying amount: | | | | | | |
| December 31, 2022 | $ | 427,476 | 567,190 | 203,412 | 114,581 | 1,312,659 |
| January 1, 2021 | $ | 405,679 | 640,893 | 54,581 | 79,962 | 1,181,115 |
| December 31, 2021 | $ | 417,748 | 601,017 | 77,215 | 113,330 | 1,209,310 |

1) Please refer to Note 6, (19), for the Group's gains or losses on disposal of property, plant and equipment.
2) As of December 31, 2022 and 2021, none of the Group's property, plant or equipment was pledged as collateral.

(9) Right-of-Use Assets

The changes in the cost, depreciation and impairment losses of the right-of-use assets recognized for the premises and buildings leased by the Group are as follows:

| | | Premises and Buildings |
|---|---|---|
| Cost of right-of-use assets: | | |
| Balance on January 1, 2022 | $ | 31,222 |
| Additions | | 20,383 |
| Reductions | | (20,383) |
| Effect of exchange rate changes | | 1,186 |
| Balance on December 31, 2022 | $ | 32,408 |
| Balance on January 1, 2021 | $ | 20,383 |
| Additions | | 10,968 |
| Effect of exchange rate changes | | (129) |
| Balance on December 31, 2021 | $ | 31,222 |
| Depreciation and impairment losses of right-of-use assets: | | |
| Balance on January 1, 2022 | $ | 21,059 |
| Annual depreciation | | 10,685 |
| Reductions | | (20,383) |
| Effect of exchange rate changes | | 513 |
| Balance on December 31, 2022 | $ | 11,874 |
| Balance on January 1, 2021 | $ | 10,651 |
| Annual depreciation | | 10,450 |
| Effect of exchange rate changes | | (42) |
| Balance on December 31, 2021 | $ | 21,059 |
| Carrying amount: | | |
| December 31, 2022 | $ | 20,534 |
| January 1, 2021 | $ | 9,732 |
| December 31, 2021 | $ | 10,163 |

(10) Investment Properties

| | | Land and Improvements | Premises and Buildings | Total |
|---|---|---|---|---|
| Cost or deemed cost: | | | | |
| Balance on January 1, 2022 | $ | 124,376 | 215,967 | 340,343 |
| Effect of exchange rate changes | | - | 302 | 302 |
| Balance on December 31, 2022 | $ | 124,376 | 216,269 | 340,645 |
| Balance on January 1, 2021 | $ | 138,485 | 179,129 | 317,614 |
| Reclassification | | (14,109) | 36,942 | 22,833 |
| Effect of exchange rate changes | | - | (104) | (104) |
| Balance on December 31, 2021 | $ | 124,376 | 215,967 | 340,343 |
| Depreciation and impairment losses: | | | | |
| Balance on January 1, 2022 | $ | - | 57,093 | 57,093 |
| Annual depreciation | | - | 5,873 | 5,873 |
| Effect of exchange rate changes | | - | 226 | 226 |
| Balance on December 31, 2022 | $ | - | 63,192 | 63,192 |
| Balance on January 1, 2021 | $ | - | 48,883 | 48,883 |
| Annual depreciation | | - | 4,972 | 4,972 |
| Reclassification | | - | 3,312 | 3,312 |
| Effect of exchange rate changes | | - | (74) | (74) |
| Balance on December 31, 2021 | $ | - | 57,093 | 57,093 |
| Carrying amount: | | | | |
| December 31, 2022 | $ | 124,376 | 153,077 | 277,453 |
| January 1, 2021 | $ | 138,485 | 130,246 | 268,731 |
| December 31, 2021 | $ | 124,376 | 158,874 | 283,250 |
| Fair value: | | | | |
| December 31, 2022 | | | | $ 724,374 |
| December 31, 2021 | | | | $ 594,295 |

1) The fair value of investment properties is assessed based on the Group's evaluation using the comparative method with reference to information such as real estate agency transaction quotations and the transaction price registry maintained by the Ministry of the Interior. The input values used in the fair value valuation technique are classified as Level 3.
2) In 2021, the Group decided to lease some of its offices to an associate and thus transferred the property from property, plant and equipment to investment properties (please refer to Note 6(8)).
3) As of December 31, 2022 and 2021, none of the Group's investment properties was pledged as collateral.

(11) Lease Liabilities

The Group’s lease liabilities are as follows:

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Current | $ 11,070 | 8,004 |
| Non-current | $ 10,298 | 3,612 |

Please refer to Note 6(20) “Financial Instruments”, for maturity analysis.
The amounts recognized in profit or loss are as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest expense on lease liabilities | $ 406 | 417 |
| Expenses relating to short-term leases | 6,439 | 7,349 |

The amounts recognized in the Statement of Cash Flows are as follows:

| | 2022 | 2021 |
|---|---|---|
| Total cash outflow for leases | $ 18,258 | 16,898 |

Lease of land, premises and buildings
In January 2021, April 2022 and September 2022, respectively, the Group leased premises and buildings for use as factory for a period normally of one year with the option to extend, at the end of the lease, for another contractual period identical to that of the original.

(12) Operating Leases

The leasing out of investment properties by the Group is classified as operating leases because, as described in Note 6(10), “Investment Properties,” it does not transfer nearly all of the risks and rewards associated to the ownership of the subject assets to the lessee.
The maturity analysis of lease payments for accounting of the total undiscounted lease payments to be received in the future is shown in the following table:

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Less than one year | $ 8,178 | 6,183 |
| Total undiscounted lease payments | $ 8,178 | 6,183 |

Rental income generated by investment properties amounted to $10,376 thousand and $10,718 thousand for the years ended on December 31, 2022 and 2021, respectively.

(13) Employee Benefits

1) Defined benefit plans

A reconciliation of the present value of the Group’s defined benefit obligation to the fair value of plan assets is as follows:

| | 12/312022 | 12/31/2021 |
|---|---|---|
| Present value of defined benefit obligation | $ 2,028 | 35,233 |
| Fair value of plan assets | (10,121) | (44,044) |
| Net defined benefit liability (assets) | $ (8,093) | (8,811) |

The Group's defined benefit plan is contributed to the Bank of Taiwan's Labor Retirement Reserve Fund. The retirement payment for each employee under the Labor Standards Law is calculated based on the base figure obtained from years of service and the average salary for the six months prior to retirement.

a) Plan assets composition

The Group's retirement fund under the Labor Standards Act is managed by the Ministry of Labor, Bureau of Labor Funds. According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," the minimum annual earnings to be distributed from the fund shall not be less than the earnings calculated based on the two-year time deposit rate of the local bank.

As of the date of reporting, the balance in the Group’s labor pension reserve funds account in the Bank of Taiwan's was $10,121 thousand. Please visit the Bureau of Labor Funds’ website for information on the utilization of the labor retirement fund assets including the fund yield and fund asset allocation.

b) Changes in the present value of the defined benefit obligation

The changes in the present value of the Group's defined benefit obligation for the years ended on December 31, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---|---|---|
| Defined benefit obligation, January 1 | $ 35,233 | 51,001 |
| Service cost and interest for the period | 182 | 267 |
| Remeasurement of net defined benefit liability (assets) | | |
| - Actuarial gains and losses resulting from experiential adjustments | 5,341 | (14,491) |
| - Actuarial gains and losses resulting from changes in financial assumptions | (508) | (823) |
| Plan benefit payments | (38,220) | (721) |
| Defined benefit obligation, December 31 | $ 2,028 | 35,233 |

c) Changes in the fair value of plan assets

The changes in the current value of the Group's defined benefit plan assets for the years ended on December 31, 2022 and 2021, were as follows

| | 2022 | 2021 |
|---|---|---|
| Fair value of plan assets, January 1 | $ (44,044) | (42,966) |
| Interest income | (230) | (134) |
| Remeasurement of net defined benefit liability (assets) | | |
| - Return on plan assets (excluding interest for the period) | (3,439) | (685) |
| Amount contributed to the plan | (628) | (980) |
| Plan benefit payments | 38,220 | 721 |
| Fair value of plan assets, December 31 | $ (10,121) | (44,044) |

d) Expenses recognized in profit or loss

For the years ended on December 31, 2022 and 2021, the Company reported the following expenses:

| | 2022 | 2021 |
|---|---|---|
| Service cost for the period | $ - | 108 |
| Net interest on net defined benefit liabilities | (48) | 24 |
| | $ (48) | 132 |
| Operating costs | $ (12) | 13 |
| Marketing expenses | (15) | 51 |
| Management expenses | (23) | 29 |
| Research and development expenses | 2 | 39 |
| | $ (48) | 132 |

e) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

The remeasurement of the net defined benefit liabilities cumulatively recognized by the Group in other comprehensive income was as follows:

| | 2022 | 2021 |
|---|---|---|
| Cumulative balance on January 1 | $ (716) | (13,515) |
| Recognized loss for the period | (1,115) | 12,799 |
| Cumulative balance on December 31 | $ (1,831) | (716) |

e) Actuarial assumptions

The key actuarial assumptions taken to determine the present value of the Group's defined benefit obligation at the end of the financial reporting period are as follows:

| | **12/31/2022** | **12/31/2021** |
|---|---|---|
| Discount rate | 1.7744% | 0.5170% |
| Future salary increase rate | 1.25% | 1.25% |

The Group expects to contribute $86 thousand to the defined benefit plan within one year from the reporting date in 2022.

The weighted-average duration of the defined benefit plan is 22.42 years.

f) Sensitivity analysis

The calculation of the present value of the defined benefit obligation requires the Group to exercise judgment and estimation to determine the pertinent actuarial assumptions on the date of the balance sheet. Subject considered includes discount rates, employee turnover rates and future salary changes. Any changes in actuarial assumptions could materially affect the amount of the Group's defined benefit obligation.

The effect of changes in the key actuarial assumptions as of December 31, 2022 and 2021, on the present value of the defined benefit obligation is as follows:

| | **Effect on the defined benefit obligation** | |
|---|---|---|
| | **Increase** | **Decrease** |
| December 31, 2022 | | |
| 0.5% change in discount rate | $ (209) | 237 |
| 1% change in future salary increase rate | 498 | (395) |
| December 31, 2021 | | |
| 0.5% change in discount rate | (1,922) | 2,085 |
| 1% change in future salary increase rate | 4,204 | (3,648) |

The foregoing sensitivity analysis assesses the effect of changes in each individual assumption ceteris paribus. In reality, changes in multiple assumptions may intertwine. The sensitivity analysis is consistent with the methodology used to calculate the net defined benefit liabilities in the balance sheet.

The methodology used and assumptions taken in the sensitivity analysis in the current period are the same as those used in the previous period.

2) Defined contribution plans

Pursuant to the Labor Pension Act, the Group contributes 6% of each employee's monthly wages under the defined contribution plan to an individual labor pension account administered by the Bureau of Labor Insurance. Upon contributing the specific amount to the Bureau of Labor Insurance under the plan, the Group has no further legal or constructive obligation for any additional payments.

For the years ended on December 31, 2022 and 2021, the Group's pension expenses under the defined contribution pension plan were $18,566 thousand and $19,526 thousand, respectively, which have been transferred to the Bureau of Labor Insurance.

(14) Income Tax

1) The breakdown of the Group's income tax expenses for the years ended on December 31, 2022 and 2021, is as follows:

| | **2022** | **2021** |
|---|---|---|
| Income tax expenses for the period | | |
| Incurred in current period | $ 418,181 | 116,112 |
| Tax on unappropriated earnings | 8,884 | 26,373 |
| Adjustment for prior periods | (10,821) | (33,663) |
| | 416,244 | 108,822 |

| | 2022 | 2021 |
|---|---|---|
| Deferred income tax expenses | | |
| Origination/reversal of temporary differences | (5,165) | 64,306 |
| Income tax expenses | $ 411,079 | 173,128 |

2) The Group's income tax (expense) benefit recognized under other comprehensive income for the years ended on December 31, 2022 and 2021, was as follows:

| | 2022 | 2021 |
|---|---|---|
| Items not reclassified to the income statement: | | |
| Remeasurement of defined benefit plans | $ (279) | 3,200 |

3) A reconciliation of the Group's income tax expenses to net income before income tax for the years ended on December 31, 2022 and 2021, is as follows

| | 2022 | 2021 |
|---|---|---|
| Net income before income tax | $ 1,902,411 | 1,038,708 |
| Income tax based on the Company's domestic tax rate | 504,938 | 261,509 |
| Tax-exempt income | (400) | (359) |
| Investment benefits under the equity method | (23,383) | (50,436) |
| Under(over) estimate for prior periods | (10,821) | (33,663) |
| Tax on unappropriated earnings | 8,884 | 26,373 |
| Others | (68,139) | (30,296) |
| | $ 411,079 | 173,128 |

4) Deferred income tax assets and liabilities

a) Unrecognized deferred income tax assets

The following is not recognized as deferred income tax assets:

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Investment deduction | $ 22,893 | 22,585 |

Investment tax credits for investments in equipment, technology, research and development, and personnel training are deducted from net income for the current year in accordance with the Statute for Industrial Innovation before income tax is applied. These items are not recognized as deferred income tax assets because there is significant uncertainty in the assessment of the realization of these investment tax credits.

b) Deferred income tax assets and liabilities recognized

The changes in deferred income tax assets and liabilities for the years ended on December 31, 2022 and 2021, were as follows:

Deferred income tax assets:

| | Loss from inactive inventory | Allowance for post-sale service liabilities | Unused vacation time bonus | Others | Total |
|---|---|---|---|---|---|
| **January 1, 2022** | $ 49,947 | 2,862 | 6,156 | 6,225 | 65,190 |
| (Debit) Credit in income statement | 22,417 | 1,160 | (534) | 9,986 | 33,029 |
| Exchange differences from translation of financial statements of foreign operations | 870 | - | 43 | (33) | 880 |
| **December 31, 2022** | $ 73,234 | 4,022 | 5,665 | 16,178 | 99,099 |
| **January 1, 2021** | $ 49,371 | 3,078 | 5,699 | 11,368 | 69,516 |
| (Debit) Credit in income statement | 951 | (216) | 469 | (5,155) | (3,951) |
| Exchange differences from translation of financial statements of foreign operations | (375) | - | (12) | 12 | (375) |
| **December 31, 2021** | $ 49,947 | 2,862 | 6,156 | 6,225 | 65,190 |

Deferred income tax liabilities:

| | Subsidiaries' undistributed earnings | Defined benefit retirement plan | Others | Total |
|---|---|---|---|---|
| **January 1, 2022** | $ 889,750 | 3,603 | 193 | 893,546 |
| (Debit) Credit in income statement | 27,719 | 136 | 9 | 27,864 |
| (Debit) Credit in other comprehensive income | - | (279) | - | (279) |
| **December 31, 2022** | **$ 917,469** | **3,460** | **202** | **921,131** |
| | | | | |
| **January 1, 2022** | $ 824,944 | 234 | 4,842 | 830,020 |
| (Debit) Credit in income statement | 64,806 | 169 | (4,620) | 60,355 |
| (Debit) Credit in other comprehensive income | - | 3,200 | - | 3,200 |
| Exchange differences from translation of financial statements of foreign operations | - | - | (29) | (29) |
| **December 31, 2022** | **$ 889,750** | **3,603** | **193** | **893,546** |

5) The most recent income tax returns of the Company and its domestic subsidiaries that were cleared by the tax authorities as are follows:

| Company Name | Year |
|---|---|
| The Company | 2020 |
| BriteMED Technology Inc. | 2020 |
| IEI Halza HealthIntelligence Corp. | 2022 |

(15) Capital and Other Equity

As of December 31, 2022 and 2021, the total authorized capital stock of the Company was $3,500,000 thousand, with a par value of $10 per share for 350,000 thousand shares, in which 176,598 thousand shares have been issued. All issued shares were paid up upon issuance.

1) Capital surplus

The Company's capital surplus comprises the following:

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Additional paid-in capital | $ 46,223 | 46,223 |
| From convertible bonds | 730,821 | 730,821 |
| From treasury stock | 13,187 | 13,187 |
| From changes in net equity in affiliates | 12,264 | 12,398 |
| Others | 17,942 | 17,696 |
| | **$ 820,437** | **820,325** |

2) Retained earnings

Pursuant to the Company's Articles of Incorporation, if there are any profits in the Company's annual final accounts, the Company shall reserve taxes to be paid, offset losses, set aside 10% of the remainder as the legal capital reserve, and set aside or reverse the special reserve as required by law. If there is any remaining balance, the Board of Directors shall prepare a proposal for the distribution of the surplus, together with the accumulated undistributed earnings, and submit it to the shareholders for resolution.

The Company is in a business growth phase. In response to the overall industry environment and for needs in business expansion, the future dividend distribution will be based on mid- to long-term capital budget planning, with the goal of pursuing a balanced dividend policy and stable and sustainable business development. The Board of Directors will consider the past issuance, industry standards and future operating capacity and other factors in formulating a proposal for dividends to shareholders. The total amount of dividends to shareholders shall not exceed 90% of the accumulated earnings available for distribution each year, of which the percentage of cash dividends shall not be less than 5% of the total amount of dividends to shareholders.

a) Legal capital reserve

When it has incurred no loss, the Company may distribute dividends in new shares or cash from the legal capital reserve by resolution at the shareholders' meeting. The distribution is limited to the portion of the reserve in excess of 25 percent of the paid-in capital.

b) Special capital reserve

In accordance with the regulations of the FSC, when it distributes distributable earnings, the Company shall set aside a special capital reserve equivalent to the current period’s net debit balance of the other components of the shareholders’ equity from the current period's profit or loss and the prior period's undistributed earnings. The amount of the debit balance in the other components of the shareholders' equity carried over from the prior period is not distributable from the special capital reserve set aside from the prior period’s undistributed earnings. If there is a reversal of the debit balance in other components of the shareholders' equity subsequently, the amount reversed may be distributed as distributable earnings.

c) Earnings distribution

At the annual shareholders’ meetings on June 14, 2022, and August 6, 2021, the Company resolved the appropriation of earnings for the years ended on December 31, 2021, and December 31, 2020, respectively, and the amounts of dividends distributed to shareholders were as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Per share (NT$)** | **Total** | **Per share (NT$)** | **Total** |
| Dividends to common shareholders: | | | | |
| Cash Dividends | $ 3.00 | 529,793 | 2.00 | 353,196 |

On March 10, 2023, the Board of Directors approved the appropriation of earnings for the year ended on December 31, 2022, and the amount of dividends to be distributed to shareholders is as follows

| | 2022 | |
|---|---|---|
| | **Per share (NT$)** | **Total** |
| Dividends to common shareholders: | | |
| Cash Dividends | $ 3.50 | 618,092 |

3) Other equity (net of tax)

| | Exchange differences on translation of financial statements of overseas operations | Unrealized (loss) gain on financial assets at fair value through other comprehensive income | Total |
|---|---|---|---|
| Balance, January 1, 2022 | $ (513,750) | (174,142) | (687,892) |
| Exchange differences arising from the translation of net assets of foreign operations | 80,917 | - | 80,917 |
| Unrealized (loss) gain on financial assets at fair value through other comprehensive income | - | (10,114) | (10,114) |
| Share of unrealized gain or loss on financial assets at fair value through other comprehensive income attributed to affiliates | - | 140,853 | 140,853 |
| Share of exchange differences on translation attributed to affiliates | 22,657 | - | 22,657 |
| Balance, December 31, 2022 | **$ (410,176)** | **(43,403)** | **(453,579)** |
| | | | |
| Balance, January 1, 2021 | $ (472,411) | (132,077) | (604,488) |
| Exchange differences arising from the translation of net assets of foreign operations | (33,028) | - | (33,028) |
| Unrealized (loss) gain on financial assets at fair value through other comprehensive income | - | 3,158 | 3,158 |
| Share of unrealized gain or loss on financial assets at fair value through other comprehensive income attributed to affiliates | - | (45,223) | (45,223) |
| Share of exchange differences on translation attributed to affiliates | (8,311) | - | (8,311) |
| Balance, December 31, 2021 | **$ (513,750)** | **(174,142)** | **(687,892)** |

(16) Earnings Per Share

The calculations of the Group's basic earnings per share and diluted earnings per share are as follows:

| | 2022 | 2021 |
|---|---|---|
| **Basic earnings per share (NT$)** | | |
| Net income attributable to holders of the Company's common stock | $ 1,492,189 | 865,945 |
| Weighted-average number of outstanding common shares (in thousands) | 176,598 | 176,598 |
| | $ 8.45 | 4.90 |
| **Diluted earnings per share (NT$)** | | |
| Net income attributable to holders of the Company's common stock (after adjusting for the effects of dilutive potential ordinary shares) | $ 1,492,189 | 865,945 |
| Weighted-average number of outstanding common shares (in thousands) | 176,598 | 176,598 |
| Effect of dilutive potential ordinary shares | | |
| Effect of stock-based employee compensation | 1,557 | 1,584 |
| Weighted-average number of outstanding common shares (after adjusting for the effects of dilutive potential ordinary shares) (in thousands) | 178,155 | 178,182 |
| | $ 8.38 | 4.86 |

(17) Revenue from Contracts with Customers

1) Revenue sources

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Orders, design and Brand sales | Product Manufacturing | Brand Sales, China | Other operating departments | Total |
| Major markets: | | | | | |
| Domestic | $ 303,403 | - | - | - | 303,403 |
| Asia | 1,885,368 | 178,367 | 1,778,392 | 11,825 | 3,853,952 |
| America | 894,266 | 25,802 | - | 1,884,784 | 2,804,852 |
| Europe | 928,402 | 176 | - | 8,695 | 937,273 |
| Others | 42,935 | - | - | - | 42,935 |
| | $ 4,054,374 | 204,345 | 1,778,392 | 1,905,304 | 7,942,415 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Orders, design and Brand sales | Manufacturing | Brand Sales, China | Other operating departments | Total |
| Major markets: | | | | | |
| Domestic | $ 346,234 | - | - | - | 346,234 |
| Asia | 1,527,716 | 187,590 | 1,725,832 | 4,811 | 3,445,949 |
| America | 789,323 | 2,746 | - | 796,515 | 1,588,584 |
| Europe | 816,960 | 546 | - | 6,960 | 824,466 |
| Other | 38,276 | - | - | - | 38,276 |
| | $ 3,518,509 | 190,882 | 1,725,832 | 808,286 | 6,243,509 |

2) Contract balances

| | 12/31/2022 | 12/31/2021 | 01/01/2022 |
|---|---|---|---|
| Notes and Accounts Receivable | $ 988,138 | 957,000 | 1,101,720 |
| Less: loss allowance | (15,876) | (1,985) | (2,985) |
| Total | $ 972,262 | 955,015 | 1,098,735 |
| Contract liabilities – prepayment received | $ 530,865 | 499,060 | 265,206 |

Please refer to Note 6(4) for the disclosure of notes and accounts receivable and the impairment thereof.

The opening balances of contract liabilities as of January 1, 2022 and 2021, were recognized as income in the amounts of $499,060 thousand and $265,206 thousand, respectively, for the years ended on December 31, 2022 and 2021.

(18) Remuneration for employees, directors and supervisors

Pursuant to the Company's Articles of Incorporation, 5% to 20% of the annual profit shall be appropriated as compensation to employees and up to 3% as compensation to directors and supervisors. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The aforementioned employees' remuneration includes that of the employees of the Company’s subsidiaries which meet the predefined criteria.

For the years ended on December 31, 2022 and 2021, the estimated amount of employee compensation was $91,976 thousand and $62,016 thousand, respectively, and the estimated amount of director compensation was $3,300 thousand for each year. The estimated amounts were based on the Company's pre-tax net income for the respective periods, before deducting employee and director compensations, multiplied by the distribution percentages of employee and director compensations as prescribed in the Company's Articles of Incorporation, and reported as operating costs or operating expenses for the years ended on December 31, 2022 and 2021. If the amounts actually distributed differ from the estimated amounts in the ensuing year, the differences are deemed as changes in accounting estimate and recognized in profit or loss for the that year.

For the years ended on December 31, 2021 and 2020, the amount of employee compensation was $62,016 thousand and $72,739 thousand, respectively, and the amount of director or supervisor compensation was $3,300 thousand for each year, which did not differ from the actual distribution. Please visit the Market Observation Post System for relevant information.

(19) Non-operating Income and Expenses

1) Interest income

The Group’s interest income for the years ended on December 31, 2022 and 2021, is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Interest income from bank deposits | $ | 76,942 | 47,729 |

2) Other income

The Group’s other income for the years ended on December 31, 2022 and 2021, were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Rental income | $ | 10,376 | 10,718 |
| Dividends | | 647 | 1,581 |
| Government subsidies | | 26,628 | 3,323 |
| Others | | 54,618 | 41,306 |
| Total | $ | 92,269 | 56,928 |

3) Other gains and losses

The Group’s other gains and losses for the years ended on December 2022 and 2021, were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Foreign exchange gains (losses) | $ | 326,378 | (48,400) |
| Net gains on financial assets at fair value through profit or loss | | 2,587 | 16,664 |
| Gains (Losses) on disposals of property, plant and equipment | | (25,936) | (756) |
| Gains on disposal of investments | | - | 124 |
| Others | | (6,710) | (5,259) |
| Total | $ | 296,319 | (37,627) |

4) Financial costs

The Group’s financial costs for the years ended on December 31, 2022 and 2021, were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Interest expenses | | | |
| Other financial costs | $ | 5,293 | 441 |

(20) Financial Instruments

1) Credit risk

a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount of credit risk.

b) Credit risk concentration

Because the Group sells globally, it does not have significant concentration of transactions with a single customer and has scattered sales regions, so there is no obvious concentration of credit risk on accounts receivable. For the purpose of reducing credit risk, the Group continues to evaluate the financial positions of customers on a regular basis, although it normally does not require customers to provide collaterals.

c) Credit risk with accounts receivable

Please refer to Note 6(4), for information on the credit risk exposure concerning notes and accounts receivable.

Other financial assets measured at amortized cost include other receivables and other financial assets, among others. Please refer to Note 6(6), for information on relevant investments. All of these financial assts carry low credit risk, and, therefore, the allowance for loss is measured at the amount of expected credit loss for the 12-month period. The Group's time deposit institutions and trading and contractual counterparties are considered to have low credit risk because they are financial institutions with investment grade or above.

The related information on allowance for loss in 2022 and 2021, please refer to 6(4).

2) Liquidity risk

The following table shows the contract maturities for financial liabilities, including estimated interest but excluding the effect of netting agreements:

| | Carrying amount | Contract cash flow | Within 6 months | 6-12 months | 1-2 years | 2-5 years |
|---|---|---|---|---|---|---|
| **December 31, 2022** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Non-interest-bearing liabilities (including related parties) | $ 2,146,551 | 2,146,551 | 2,054,575 | 91,976 | - | - |
| Lease liabilities | 21,368 | 21,797 | 6,181 | 5,598 | 6,994 | 3,024 |
| | **$ 2,167,919** | **2,168,348** | **2,060,756** | **97,574** | **6,994** | **3,024** |
| **December 31, 2021** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Non-interest-bearing liabilities (including related parties) | $ 1,887,534 | 1,887,534 | 1,825,518 | 62,016 | - | - |
| Lease liabilities | 11,616 | 11,859 | 5,742 | 2,330 | 3,787 | - |
| | **$ 1,899,150** | **1,899,393** | **1,831,260** | **64,346** | **3,787** | **-** |

The Group does not expect the timing of the cash flows in the maturity analysis to be significantly earlier or the actual amounts to be significantly different.

3) Exchange rate risk

a) Exchange rate risk exposure

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

| | 12/31/2022 | | | 12/31/2021 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange Rate | NTD | Foreign currency | Exchange Rate | NTD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | $ 101,384 | 30.710 | 3,113,497 | 92,823 | 27.680 | 2,569,340 |
| USD : CNY (Note) | 38,550 | 6.96 | 1,183,868 | 27,179 | 6.38 | 752,302 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | 25,605 | 30.710 | 786,318 | 21,170 | 27.680 | 585,989 |
| USD : CNY (Note) | 16,840 | 6.96 | 517,148 | 19,074 | 6.38 | 527,960 |

Note: Because the functional currency of some of the subsidiaries of the Group is not NTD, it must be taken it into account when disclosing information on the exchange rate risk. For example, when a subsidiary's functional currency is RMB, but has financial components valued in the U.S. dollar, we must then take that into account.

b) Sensitivity Analysis

The exchange rate risk for the Group's monetary items arises primarily from foreign currency denominated cash and cash equivalents, accounts receivable and other receivables, accounts payable and other payables, which generate foreign exchange grains or losses when translated. As of December 31, 2022 and 2021, if NTD had weakened or strengthened by 5% against the U.S. dollar, with all other factors held constant and the same assumption applied to both periods, net income would have decreased or increased by $119,756 thousand and $88,308 thousand, respectively, for the years ended on December 31, 2022 and 2021.

c) Exchange gains or losses on monetary items

As there is a variety of functional currencies within the Group, information on the foreign currency exchange gains or losses on monetary items is disclosed here in the aggregate. The realized and unrealized foreign exchange gains or losses (in parentheses) are $326,378 thousand and ($48,400) thousand, respectively, for the years ended on December 31, 2022 and 2021.

4) Interest rate risk

The Group's interest rate risk exposure of financial assets and financial liabilities is duscussed in the foregoing Liquidity Risk section in this note.

The flunctuation rate used in internal reporting of interest rates to the Group’s key management is a five basis point in increase or decrease, which also represents management's expectation of the reasonably possible fluctuation in interest rates

If interest rates had increased or decreased by 5 basis points, with all other factors held constant, the Group's net income would have decreased or increased by $581 thousand and $825 thousand for the years ended on December 31, 2022 and 2021, respectively.

5) Other price risk

The effects on comprehensive income of changes in commodity prices or equity securities prices, with all other factors held constant, as of the reporting dates for the following periods, which are analyzed on the same basis for both periods, are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **Securities prices as of reporting date** | **Other comprehensive income, after tax** | **Net income** | **Other comprehensive income, after tax** | **Net income** |
| Increase 5% | $ 1,601 | 19,050 | 1,832 | - |
| Decrease 5% | $ (1,601) | (19,050) | (1,832) | - |

6) Fair value analysis

a) Types of financial intruments and fair values

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The carrying amounts and fair values, including fair value hierarchy information, of different types of financial assets and financial liabilities are presented as follows (the carrying amount of a financial instrument not carried at fair value is a reasonable approximation of fair value, and the disclosure of fair value information on lease liabilities is not required under the regulations):

| | 12/31/2022 | | | | |
|---|---|---|---|---|---|
| | **Carrying** | **Fair value** | | | |
| | **amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets at fair value through profit or loss** | | | | | |
| Non-dirivative financial assets mandatorily measured at fair value | $ 381,000 | 381,000 | - | - | 381,000 |
| **Finanacial assets at fair value through other comprehensive income** | | | | | |
| Domestic unlisted stocks | $ 32,025 | - | - | 32,025 | 32,025 |

| | 12/31/2022 | | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | | | |
| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets at amortized cost** | | | | | |
| Cash and cash equivalents | $ 4,137,537 | - | - | - | - |
| Notes and accounts receivables (including related parties) | 991,862 | - | - | - | - |
| Other receivables - related parties | 171,114 | - | - | - | - |
| Other financial assets (including current and non-current) | 1,477,113 | - | - | - | - |
| Total | 6,777,626 | - | - | - | - |
| **Finanacial liabilities at amortized cost** | | | | | |
| Notes and accounts receivables (including related parties) | $ 1,383,409 | - | - | - | - |
| Other receivables - related parties | 763,143 | - | - | - | - |
| Lease liabilities | 21,368 | - | - | - | - |
| Total | 2,167,920 | - | - | - | - |

| | 12/31/2021 | | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | | | |
| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Finanacial assets at fair value through other comprehensive income** | | | | | |
| Domestic listed stocks | $ 2,595 | 2,595 | - | - | 2,595 |
| Domestic unlisted stocks | 34,044 | - | - | 34,044 | 34,044 |
| Total | 36,639 | 2,595 | - | 34,044 | 36,639 |
| **Financial assets at amortized cost** | | | | | |
| Cash and cash equivalents | $ 3,539,466 | - | - | - | - |
| Notes and accounts receivables (including related parties) | 1,000,954 | - | - | - | - |
| Other receivables - related parties | 305,495 | - | - | - | - |
| Other financial assets (including current and non-current) | 1,207,105 | - | - | - | - |
| Total | 6,053,020 | - | - | - | - |
| **Finanacial liabilities at amortized cost** | | | | | |
| Notes and accounts receivables (including related parties) | $ 1,121,438 | - | - | - | - |
| Other receivables - related parties | 766,096 | - | - | - | - |
| Lease liabilities | 11,616 | - | - | - | - |
| Total | 1,899,150 | - | - | - | - |

b) Fair value valuation techniques for financial instruments not carried at fair value

The methods and assumptions used by the Group to estimate values of instruments that are not measured at fair value are as follows:

A) Financial assets measured at amortised cost and financial liabilities measured at amortised cost

If information on relevant transactions or quotations from the market maker is available, the most recent transaction price and quotation information will be used as the basis for assessing the fair value. If market values are not available, the valuation techniques will be used, i.e., to assess the fair value using the valuation method and assumptive discounted cash flow for estimation.

c) Fair value valuation techniques for financial instruments carried at fair value

A) Non-dirivative financial instruments

If there is a public quotation on a financial instrument in the active market, the fair value of the instrument will be based on the quotation. The fair values of listed equity instruments and of debt instruments with quotations in the active market are based on the market prices announced by the major exchanges and, for instruments that are deemed popular, by the government bond OTC trading locations.

A financial instrument has a public quotation in the active market if quotations can be obtained, timely and routinely, from exchanges, brokers, underwriters, industry associations, pricing services or the competent authority and if the price represents those of actual and normal fair market transactions. If the aforementioned conditions are not met, the market is considered inactive. Generally, a large bid-ask spread, a significant increase in the bid-ask spread, or a low volume of transactions are all indicators of an inactive market.

Except the aforementioned financial instruments with quotes in active markets, the fair values of all other financial instruments are obtained using the valuation techniques or by reference to quoted prices from counterparties. The fair value obtained through the valuation techniques may be determined by reference to the current fair values of other financial instruments with similar substantive conditions and characteristics, or using the discounted cash flow method, or using other valuation techniques, including computation using models built on market information available as of the date of the consolidated balance sheet.

d) Transfer between Level 1 and Level 2: None.

e) Table of changes in Level 3

| | **At fair value through profit or loss** | **At fair value through other comprehensive income** | |
|---|---|---|---|
| | **Non-dirivative financial assets required at fair value through profit or loss** | **Financial instruments without public quotation** | **Total** |
| January 1, 2022 | $ - | 34,044 | 34,044 |
| Total gains or losses | | | |
| Recognized in profit or loss | 1,251 | - | 1,251 |
| Recognized in other comprehensive income | - | (10,114) | (10,114) |
| Reclassification | - | 2,595 | 2,595 |
| Purchase | 301,517 | 6,000 | 307,517 |
| Disposal | (302,768) | - | (302,768) |
| Cash capital reduction | - | (500) | (500) |
| Effect of changes in exchange rate | - | - | - |
| December 31, 2022 | $ - | 32,025 | 32,025 |
| January 1, 2021 | $ - | 35,033 | 35,033 |
| Total gains or losses | | | |
| Recognized in profit or loss | 16,448 | - | 16,448 |
| Recognized in other comprehensive income | - | 1,711 | 1,711 |
| Purchase | 1,749,613 | - | 1,749,613 |
| Disposal | (1,766,061) | - | (1,766,061) |
| Cash capital reduction | - | (2,700) | (2,700) |
| December 31, 2021 | $ - | 34,044 | 34,044 |

The foregoing total gains or losses was reported in “other gains and losses ” and "unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income". Of these, the following related to the assets owned as of December 31, 2022 and 2021:

| | **2022** | **2021** |
|---|---|---|
| Total gains or losses | | |
| Recignized in other comprehensive income (reported in “Unrealized valuation gains (losses) on fanacial assets at fair value through other comprehensive income)”) | $ (10,114) | 1,711 |

f) Quantitative information on fair value measurements of significant unobservable input (Level 3)

The Company's fair value measurements classified as Level 3 apply primarily to financial assets measured at fair value through other comprehensive income - equity securities investments.

The majority of the Group's fair values that are classified as Level 3 have only one single significant unobservable input, and only investments in equity instruments without an active market have multiple significant unobservable inputs. Significant unobservable inputs to investments in equity instruments with no active market are not correlated with one another as they are independent of any other.

The quantitative information of significant unobservable input values is listed below:

| Assets | Valuation technique | Significant unobservable input | Relationship between signification unobservable input and fair value |
|---|---|---|---|
| Financial assets at fair value through other comprehensive income - investments in equity instruments with no active market | Discounted cash flow Approach<br>Asset Approach<br>Market Approach-valuation multiples of comparable listed company | • Weighted average capital cost (7.50%~13.16% for both years)<br>• Lack of market liquidity discount (20% for both years)<br>• Minority interest discount (18.57%~21.30% for both years)<br>• Price-Book ratio (1.38~ 1.74 for both years)<br>• Price to Sales ratio (1.08~1.71 for both years) | • The higher the weighted average capital cost, the minority interest discount and the lack of liquidity discount, the lower the fair value<br>• The lower the multiplier, the lower the fair value |

g) Analysis of sensitivity of fair values to reasonably possible alternatives for Level 3 fair value measurement

The Group's fair value measurements of financial instruments may differ if different valuation models or valuation parameters are used.

(21) Financial Risk Management

1) Overview

The Group is exposed to the following risks due to the use of financial instruments:

a) Credit risk

b) Liqiudity risk

c) Market risk

This Note presents information on the Group's exposure to each of the risks in the above and the Group's objectives, policies and procedures for measuring and managing the risks. For further quantitative disclosures, please refer to the respective notes to the individual financial statements.

2) Risk management framework

The Board is fully responsible for and oversees the risk management of the Group. The Board is responsible for and controls the Group's risk management policies and reports regularly to the directors on its operations.

The Group's risk management policy is established to identify and analyze the risks faced by the Group, to set appropriate risk limits and control, and to monitor risks and compliance with risk limits. Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the Group's operations. The Group develops a disciplined and constructive control environment through training, management guidelines and operating procedures so that all employees understand their roles and responsibilities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the Group's risk management framework with respect to the risks it faces. Internal auditorial personnel assists the Audit Committee in its oversight role. Said personnel conduct regular and non-regular reviews of risk management controls and procedures and report the results of these reviews to management.

3) Credit risk

Credit risk is the risk of financial loss arising from the failure of the Group's customers or financial instrument counter-parties to meet their contractual obligations. It is inherent primarily in the Group's accounts receivable from customers and bank deposits.

a) Accoutns receivable and other receivables

It is the Group's policy to transact only with reputable or long-standing counterparties and with businesses that are rated as investment grade or above based on information provided by independent rating agencies. If rating information is not available, the Group will use other publicly available financial information and transaction records to rate key customers. The Group monitors credit risk exposures and counterparty credit ratings on an ongoing basis, and it disperses the total transaction volumn over customers with qualified credit ratings and controls exposures to credit risk by reviewing counterparty credit limits annually.

b) Investments

The credit risk in bank deposits, fixed-income investments and other financial instruments is measured and monitored by the Group's finance department. The Group's transactional and contractual counter-parties are financial institutions, corporate organizations and government agencies with outstanding credit ratings so as to cast no significant doubt about their performance and, thus, to give rise to no significant credit risk.

c) Guarantee

The Group had not provide any endorsement or guarantee as of December 31, 2022 and 2021.

4) Liquidity risk

The Group manages and maintains sufficient amounts of cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. All of he non-dirivative financial intruments for which the Group has definitive repayment dates are financial liabilities due in one year (including mostly short-term borrowings, notes and accounts payables, accounts payable – related parties, other payables and other payables – related parties). At current, the Group has sufficient capital and working capital to meet all of its contractual obligations and, thus, is not exposed to liquidity risk which might arise from its inability to raise capital to meet contractual obligations. As of December 31, 2022 and 2021, the Group had unused financing facilities of $500,000 thousand and $300,000 thousand, respectively.

5) Market risk

Market risk is the risk that subjects the Group’s earnings or the values of the financial intruments it holds to the influence of changes in the market price, such as changes in exchange rates, interest rates or prices of equity intruments. The goal of market risk management is to control the degree of exposure to market risk within acceptable levels and to optimize investment returns. The Group's market risk management practices are as follows:

a) Exchange rate risk

The Group is exposed to exchange rate risk in the sales, purchase and borrowing transactions that are not denominated in a functional currency. The principal currencies in which these transactions are denominated are NTD, RMB and the U.S. dollar.

When there is a short-term imbalance in a monetary asset or liability denominated in one of the other foreign currencies, the Company purchases or sells the foreign currency at the prevailing exchange rate to ensure that the net risk exposure is maintained at an acceptable level.

b) Interest rate risk

The Group's policy is to adopt a fixed interest rate for time deposit. Considering that market interest rates at present are relatively low, the Group has not entered into any interest rate swap contracts. However, it may consider using interest rate swap to reduce risk should the interest rates rise.

c) Other market risk

The Group is exposed to equity price risk due to its investments in listed equity securities. The equity investments are not held for trading and are for strategic porposes. The Group does not actively trade these investments, and its management manages the risk by maintaining a investment portfolio with different risks.

(22) Capital Management

The Group's objectives in capital management are to ensure the ability to continue as a going concern in order to continue to provide compensations to shareholders and profits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group may maintain or adjust its capital structure by adjusting the dividends paid to shareholders, reducing capital with refunds to shareholders, or issuing new shares.

As standard practice in the industry, the Group bases its capital control on the liability to capital ratio. This ratio is calculated by dividing net liability by total capital. Net liability is total liabilities as shown in the balance sheet less cash and cash equivalents. Total capital is the sum of all components of equity (i.e., capital stock, capital surplus, retained earnings and other equity) plus net debt.

The Group's capital management strategy was consistent through the years ended on December 31, 2022 and 2021. The liability-to-capital ratio as of December 31, 2022 and 2021 were as follows:

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| Total liabilities | $ 4,141,283 | 3,558,649 |
| Less: cash and cash equivalents | (4,137,537) | (3,539,466) |
| Net liability | $ 3,746 | 19,183 |
| Total equity | $ 9,232,298 | 8,037,449 |
| Liability to capital ratio | 0.04% | 0.24% |

## 7. RELATED-PARTY TRANSACTIONS

### (1) Names and relationship with related parties

The related parties with whom the Group had transactions during the period covered by the within consolidated financial statement were as follows:

| Name of Related Party | Relatinship with the Group |
|---|---|
| QNAP Systems, Inc. | Associate |
| QNAP Inc.(USA) | Associate |
| QNAP Inc.(Canada) | Associate |
| QNAP UK Limited | Associate |
| QNAP Co., Ltd. (Japan) | Associate |
| QNAP Gmbh | Associate |
| Oring Industrial Networking Corp. | Associate |
| Oring Industrial Networking Americas Inc. | Associate |
| Acquire System Inc. | Associate |
| XINGWEI Computer (Kunshan) Co.,Ltd. | Associate |
| Xuanwei Electronics (Beijing) Co., Ltd. | Associate |
| Anewtech Systems Pte Ltd. | Associate |
| ORing Industrial Networking Corp.(Shanghi) | Associate |
| BEYONDZB Inc. | Associate |
| Genevisio Co., Ltd. | Associate |
| QNAP HK Limited | Associate |
| Halza Pte.Ltd | Others |

### (2) Significant Transactions with Related Parties

1) Operating revenue

The Group's significant sales to related parties were as follows:

| | 2022 | 2021 |
|---|---|---|
| Associates | $ 107,326 | 158,559 |

The terms of sales to associates were not significantly different from the normal sales prices.

The Group engaged in transactions related to agency revenue, and the revenue and costs of these transactions have been netted out.

Receivables and payables related to agency transactions were presented in aggregate amount because they did not meet the criteria for derecognition of financial assets and liabilities.

2) Purchases

The Group's purchases from related parties were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Associates – QANP Systems, Inc. | $ | 294,902 | 383,340 |
| Associates | | 191,498 | 184,580 |
| | $ | 486,400 | 567,920 |

The purchase prices that the Group paid to the associates were not significantly different from that paid to other vendors in general.

3) Receivables and payables

The Group’s receivables from, and payables to, related parties were as follows:

| Account Item | Relationship | | 12/31/2022 | 12/31/2021 |
|---|---|---|---|---|
| Receivable | Associates | $ | 19,600 | 45,939 |
| Other receivable | Associate – QNAP Inc.(USA) | $ | 144,218 | 190,769 |
| Other receivable | Associates – QNAP Inc.(Canada) | | 25,839 | 113,548 |
| Other receivable | Associates | | 1,057 | 1,178 |
| | | $ | 171,114 | 305,495 |
| Payable | Associates – QNAP Systems, Inc. | $ | 102,789 | 57,328 |
| Payable | Associates | | 45,678 | 50,993 |
| | | $ | 148,467 | 108,321 |
| Other payable | Associates – QNAP Systems, Inc. | $ | 126,587 | 268,184 |
| Other payable | Associates | | 2,026 | 515 |
| | | $ | 128,613 | 268,699 |

As of December 31, 2022 and 2021, none of the Group’s accounts receivable or other receivables from related parties was overdue, and it did not expect any credit losses.

4) Contractual liabilities

The Company's contractual liabilities to related parties were as follows

| | | 12/31/2022 | 12/31/2021 |
|---|---|---|---|
| Associates | $ | 6,663 | - |

5) Property transactions

a) Disposal of property, plant and equipment

The disposal prices of the property, plant and equipment of the Group from related parties are summarized as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Associate – QNAP Systems, Inc. | $ | - | 50 |

b) Disposal of other properties

The Group’s sales of other properties to related parties are summarized as follows:

| Related Party | Account Item | | 2021 Disposal Price | 2021 Gain or Loss |
|---|---|---|---|---|
| QNAP Systems, Inc. | Investments accounted for using the equity method | $ | 8,019 | 124 |

QNAP Systems, Inc. repurchased 0.07% of its shares from the Group on April 29, 2021. Please refer to Note 6(7) for further information.

6) Lease

a) Lessees

| Account Item | Relationship | | 2022 | 2021 |
|---|---|---|---|---|
| Lease income | Associate – QNAP Systems, Inc. | $ | 8,023 | 6,480 |
| Lease income | Associates | | 639 | 143 |
| | | $ | 8,662 | 6,623 |

b) Lessors

In April and September, 2022, the Group leased a factory from related party – QNAP Systems, Inc., and, at the time of acquisition, a right-to-use asset and a lease liability, of $20,383 thousand each, were recognized. Earlier in 2021, the Group leased a factory from related party – BeyondZB Inc., and a right-to-use asset and a lease liability, of $11,032 thousand each, were recognized at the time of acquisition. The lease agreements were entered into upon referencing the rental quotes in the geographic area. Interest expenses of $406 thousand and $417 thousand were recognized in the years ended on December 31, 2022 and 2021, respectively, and the balance of lease liabilities were $21,368 thousand and $11,616 thousand as of December 31, 2022 and 2021, respectively.

7) Other transactions

| Account Item | Relationship | 2022 | 2021 |
|---|---|---|---|
| Other income | Associate – QNAP Systems, Inc. | $ 12,055 | 11,621 |
| Other income | Associates | 2,870 | 2,855 |
| Other income | Other related parties | - | 2,085 |
| Manufacturing and operating expenses | Associates | (76,273) | (22,767) |
| | | $ (61,348) | (6,206) |

(3) **Key Management Personnel**

Remuneration of key management personnel included:

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 42,349 | 44,683 |
| Post-employment benefits | 729 | 788 |
| | $ 43,078 | 45,471 |

## 8. PLEDGED ASSETS

The carrying values of the assets pledged by the Group were as follows:

| Assets Name | Collateral Pledged for | 12/31/2022 | 12/31/2021 |
|---|---|---|---|
| Other financial assets – current | Tax payable for release-first-tax-later imported goods | $ 7,260 | 7,226 |
| Other financial assets – current | Banker's acceptances | 91,712 | 46,943 |
| | | $ 98,972 | 54,169 |

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS: NONE.

## 10. LOSS DUE TO MAJOR DISASTER: NONE.

## 11. SIGNIFICANT POST-PERIOD EVENTS: NONE.

## 12. OTHER MATTERS

The employee benefits, depreciation and amortization expenses are summarized by function as follows:

| Function | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| Nature | Cost of sale | Operating expenses | Total | Cost of sale | Operating expenses | Total |
| Employee benefit expense | | | | | | |
| Salaries and Wages | 280,731 | 799,569 | 1,080,300 | 273,164 | 756,654 | 1,029,818 |
| Labor and Health Insurance | 41,556 | 84,032 | 125,588 | 36,004 | 78,386 | 114,390 |
| Pension | 1,660 | 16,858 | 18,518 | 1,473 | 18,185 | 19,658 |
| Other employee benefits | 12,455 | 21,486 | 33,941 | 982 | 32,809 | 33,791 |
| Depreciation | 20,505 | 86,283 | 106,788 | 20,166 | 79,035 | 99,201 |
| Amortization | - | 22,613 | 22,613 | - | 18,850 | 18,850 |

The depreciation expense in the above does not include the amount of depreciation of investment properties, which is recorded as non-operating expenses in the amounts as follows:

| | 2022 | 2021 |
|---|---|---|
| Depreciation of investment properties | $ 5,873 | 4,972 |

## 13. ADDITIONAL DISCLOSURE

### (1) Material Transactions

Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group should disclose information regarding material transactions for the year ended on December 31, 2022, as follows:

1) Loans to other parties

In thousands of NTD

| | No. (Note 1) | Name of lender | Name of borrower | Account Item | Related party | Maximum balance for the period (Note 2) | Ending balance (Note 2) | Amount actually drawn in the period (Note 2) | Interest rate | Nature for financing | Transaction amount for business | Reason for financing | Allowance for loss | Collateral | | Financing limit for each borrowing company (Note 3) | Total financing limit (Note 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | Item | Value | | |
| | 1 | Armorlink SH Corp. | Ailean Technologies Corp. | Other receivables – related party | Yes | 21,644 | - | - | - | Short-term financial assistance | - | Operating capital | - | None | - | 411,682 | 411,682 |

Note 1: Items are ordered as follows:
1. 0 for issuer.
2. The investee companies are numbered individually in order, starting with the Arabic number 1.
Note 2: The amounts are calculated based on the exchange rate of RMB$1 = NTD$4.4094 at the end of December 2022.
Note 3: The financing limit for each borrowing company and total financing limit amount are limited to 40% of the lending company's net worth as in its most recent financial statements as of December 31, 2022.
Note 4: The above-listed transaction has been offset in preparing the Group's consolidated financial statements.

2) Endorsements and guarantees: None.

3) Marketable Securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures:

In thousands of NTD

| Holder name | Marketable Securities type and name (Note 1) | Relationship with the issuer | Account Item | End of period | | | | Maximum percentage of ownership held during the period | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/units in thousands | Carrying value | Percentage of ownership | Fair value | | |
| IEI Integration Corp. | Mega Diamond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 15,722 | 200,391 | - % | 200,391 | - % | |
| IEI Integration Corp. | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss - current | 11,984 | 180,609 | - % | 180,609 | - % | |
| IEI Integration Corp. | Hundure Technology Co. Ltd. | - | Financial assets at fair value through other comprehensive income or loss - non-current | 497 | 2,380 | 4.78 % | 2,380 | 4.78 % | |
| IEI Integration Corp. | Hua Da Venture Capital Corp. | - | Financial assets at fair value through other comprehensive income or loss - non-current | 500 | 3,382 | 10.00 % | 3,382 | 10.00 % | |
| IEI Integration Corp. | Anteya Technology Corp. | - | Financial assets at fair value through other comprehensive income or loss - non-current | 500 | - | 5.26 % | - | 5.26 % | |
| IEI Integration Corp. | Genesis Photonics Inc. | - | Financial assets at fair value through other comprehensive income or loss - non-current | 309 | - | 0.41 % | - | 0.41 % | |
| IEI Integration Corp. | Castec International Corp. | - | Financial assets at fair value through other comprehensive income or loss - non-current | 2,400 | 26,263 | 6.60 % | 26,263 | 6.60 % | |

Note 1: "Marketable Securities" in this table refers to stocks, bonds, beneficiary certificates and other marketable securities derived from the aforementioned items that fall within the scope of IFRS 9, "Financial Instruments".

4) The cumulative amount of acquisition or disposal of the same marketable securities that exceeded $300 million or 20% of the paid-in capital.

In thousands of NTD

| Company name | Marketable security Type and Name | Account Item | Counterparty | Relationship | Beginning balance | | Acquisition | | Disposal | | | | Ending balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares/units (in thousands) | Amount | Shares/units (in thousands) | Amount | Shares/units (in thousands) | Amount | Carrying value | Gain/loss on disposal | Shares/units in thousands | Amount |
| IEI Integration Corp.. | Mega Diamond Money Market Fund | Financial assets at fair value through profit or loss - current | - | - | - | - | 38,577 | 490,0 | 22,855 | 290,335 | 290,000 | 335 | 15,722 | 200,391 |

Note: Amount at end of period includes valuation gains or losses of $391 thousand.

5) Acquisition of real properties in an amount that exceeded $300 million or 20% of the paid-in capital: None.

6) Disposal of real properties in an amount that exceeded $300 million or 20% of the paid-in capital: None.

7) Total purchase from or sales to related parties in an amount that exceeded $100 million or 20% of the paid-in capital:

In thousands of NTD

| Company name | Related party | Relationship | Transaction detail | | | | Abnormal transaction | | Notes/accounts receivable or payable | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ sales | Amount | Percentage to total | Payment terms | Unit price | Payment terms | Ending balance | Percentage to total | |
| IEI Integration Corp. | BriteMED Technology Inc. | Subsidiary | Sales | (284,995) | (5.44) % | 90 days | - | - | 43,483 | 6.48% | |
| BriteMED Technology Inc. | IEI Integration Corp. | Ultimate parent | Purchase | 284,995 | 70.17 % | 90 days | - | - | (43,483) | (54.90)% | |

| Company name | Related party | Relationship | Transaction detail | | | | Abnormal transaction | | Notes/accounts receivable or payable | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ sales | Amount | Percentage to total | Payment terms | Unit price | Payment terms | Ending balance | Percentage to total | |
| | | company | | | | | | | | | |
| IEI Integration Corp. | IEI Technology USA Corporation | Subsidiary | Sales | (1,563,419) | (29.84) % | 60 days | - | - | 205,838 | 30.68% | |
| IEI Technology USA Corporation | IEI Integration Corp. | Ultimate parent company | Purchase | 1,563,419 | 93.03 % | 60 days | - | - | (205,838) | (91.91)% | |
| Armorlink SH Corp. | IEI Integration Corp. | Ultimate parent company | Sales | (2,258,426) | (53.64) % | 60 days | - | - | 364,068 | 43.09% | |
| IEI Integration Corp. | Armorlink SH Corp. | Subsidiary | Purchase | 2,258,426 | 57.62 % | 60 days | - | - | (364,068) | (44.54)% | |
| Armorlink SH Corp. | IEI Technology (Shanghai) CO., Ltd. | Subsidiary | Sales | (1,256,433) | (29.84) % | 60 days | - | - | 343,673 | 40.68% | |
| IEI Technology (Shanghai) CO., Ltd. | Armorlink SH Corp. | Subsidiary | Purchase | 1,256,433 | 97.01 % | 60 days | - | - | (343,673) | (78.72)% | |
| Armorlink SH Corp. | Weibotong Technology (Shanghai) Co., Ltd. | Subsidiary | Sales | (431,630) | (10.25) % | 60 days | - | - | 120,441 | 14.26% | |
| Weibotong Technology (Shanghai) Co., Ltd. | Armorlink SH Corp. | Parent company | Purchase | 431,630 | 100.00 % | 60 days | - | - | (120,441) | (99.99)% | |
| QNAP Systems, Inc. | Armorlink SH Corp. | Associate | Sales | (195,094) | (3.96) % | 60 days | | | 84,764 | 9.99% | |
| Armorlink SH Corp. | QNAP Systems, Inc. | Associate | Purchase | 195,094 | 6.59 % | 60 days | | | (84,764) | (10.68)% | |
| Xingwei Computer (Kunshan) Co. Ltd. | Armorlink SH Corp. | Associate | Sales | (164,782) | (41.02) % | 30 days | | | 39,355 | 33.79% | |
| Armorlink SH Corp. | Xingwei Computer (Kunshan) Co. Ltd. | Associate | Purchase | 164,782 | 5.57 % | 30 days | | | (39,355) | (4.96)% | |

8) Receivables from related parties in an amount that exceeded $100 million or 20% of paid-in capital:

In thousands of NTD

| Company name | Related party | Relationship | Ending balance | (Note 2) Turnover rate | Overdue | | Amount received In subsequent period | Allowance for loss |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| IEI Integration Corp. | IEI Technology USA Corporation | Subsidiary | 206,524 | 9.53 | - | | 206,524 | - |
| Armorlink SH Corp. | IEI Integration Corp. | Ultimate parent company | 364,068 | 5.91 | - | | 335,822 | - |
| Armorlink SH Corp. | IEI Technology (Shanghai) CO., Ltd. | Subsidiary | 343,673 | 4.25 | - | | 190,266 | - |
| Armorlink SH Corp. | Ailean Technologies Corp. | Subsidiary | 735,449 | 25.57 | - | | 804 | - |
| Armorlink SH Corp. | Weibotong Technology (Shanghai) Co., Ltd. | Subsidiary | 120,441 | 5.51 | - | | 88,188 | - |
| IEI Technology USA Corporation | QNAP Inc. (USA) | Associate | 150,386 | 1.52 | - | | 150,386 | - |
| Fortunetec Internatinoal Corp. | Armorlink SH Corp. | Subsidiary | 2,259,415 | - | - | | - | - |

Note 1: Parent-subsidiary transaction has been offset in preparing the consolidated financial statements.
Note 2: The turnover calculation did not include other receivables.

9) Transactions involving derivative financial instruments: None.

10) Parent-subsidiary business relationships and significant transactions:

| No. (Note 1) | Company name | Counterparty | Relatinship (Note 2) | Parent-subsidiary transactions (Note 3) | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account Item | Amount | Terms | Percentage of consolidated net revenue or total assets (Note 4) |
| 0 | IEI Integration Corp. | BriteMED Technology Inc. | 1 | Sales | 284,995 | 90 days | 3.59% |
| 0 | IEI Integration Corp. | BriteMED Technology Inc. | 1 | Accounts receivable - related parties | 43,483 | 90 days | 0.33% |
| 0 | IEI Integration Corp. | IEI Technology USA Corporation | 1 | Sales | 1,563,419 | 60 days | 19.68% |
| 0 | IEI Integration Corp. | IEI Technology USA Corporation | 1 | Accounts receivable - related parties | 205,838 | 60 days | 1.54% |
| 1 | Armorlink SH Corp. | IEI Integration Corp. | 2 | Sales | 2,258,426 | 60 days | 28.44% |
| 1 | Armorlink SH Corp. | IEI Integration Corp. | 2 | Accounts receivable - related parties | 364,068 | 60 days | 2.72% |
| 1 | Armorlink SH Corp. | Weibotong Technology (Shanghai) Co., Ltd. | 1 | Sales | 431,630 | 60 days | 5.43% |
| 1 | Armorlink SH Corp. | Weibotong Technology (Shanghai) Co., Ltd. | 1 | Accounts receivable - related parties | 120,441 | 60 days | 0.90% |
| 1 | Armorlink SH Corp. | Ailean Technologies Corp. | 1 | Other receivables – related parties | 734,807 | Per agreement | 5.49% |
| 1 | Armorlink SH Corp. | IEI Technology (Shanghai) CO., Ltd. | 1 | Sales | 1,256,433 | 60 days | 15.82% |
| 1 | Armorlink SH Corp. | IEI Technology (Shanghai) CO., Ltd. | 1 | Accounts receivable - related parties | 343,673 | 60 days | 2.57% |
| 2 | IEI Technology USA Corp.oration | IEI Integration Corp. | 2 | Prepayments | 21,232 | Prepayment | 0.16% |
| 3 | Ailean Technologies Corp. | Armorlink SH Corp. | 2 | Lease income | 20,503 | Per agreement | 0.26% |
| 4 | Fortunetec Internatinal Corp. | Armorlink SH Corp. | 1 | Other receivables – related parties | 2,259,415 | Per agreement | 16.89% |
| 5 | IEI Technology (Shanghai) CO., Ltd. | Armorlink SH Corp. | 2 | Prepayments | 34,715 | Prepayment | 0.26% |

Note 1: Items are ordered as follows:
1. 0 for issuer.
2. The investee companies are numbered individually in order, starting with the Arabic number 1.

Note 2: The types of relationship with the counterparty are as follows:
1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: For each transaction, only the sales and receivable accounts are disclosed and the corresponding purchase and payable accounts are omitted here to avoid redundancy.

Note 4: The calculation is done by dividing the transaction amount by the consolidated net revenue or consolidated total assets multiplied by 100%.

(2) **Investments**

Information on the Group's investees for the year ended on December 31, 2022, was as follows (excluding investees located in mainland China):

In thousands of NTD

| Investor company | Investee company | Location | Main business and products | Original investment amount (Note 1) | | Balance as of December 31, 2022 (Note 1) | | | Maximum percentage of shares held during the period | Net income (loss) of Investee company | Share of investee's profit or loss (Note 2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2022 | December 31, 2021 | Shares (in thousands) | Percentage of ownership | Carrying value | | | | |
| IEI Integration Corp. | ICP Electronics Limited | Samoan Islands | Holding company and sales of computers and related products | 219,313 | 397,213 | 5,000 | 100.00% | 4,368,724 | 100.00% | 472,177 | 463,080 | Subsidiary |
| IEI Integration Corp. | QNAP Systems, Inc. | Taiwan | Sales of network security monitoring and network storage and communication related products | 584,106 | 584,106 | 33,930 | 24.44% | 2,072,316 | 24.44% | 445,134 | 106,573 | Investment using the equity method |
| IEI Integration Corp. | Internet Application Technology Ltd. | Samoan Islands | Holding company and sales of computer and related products | 375,897 | 375,897 | 11,853 | 100.00% | 1,123,413 | 100.00% | 90,613 | 90,613 | Subsidiary |
| IEI Integration Corp. | BriteMED Technology Inc. | Taiwan | Manufacturing and sales of electronic components | 80,000 | 80,000 | 8,000 | 100.00% | 274,828 | 100.00% | 134,226 | 134,226 | Subsidiary |
| IEI Integration Corp. | Oring Industrial Networking Corp. | Taiwan | Sales of products related to network storage and communication and electronic materials | 30,510 | 30,510 | 2,797 | 18.28% | 61,212 | 18.28% | 36,973 | 6,758 | Investment using the equity method |
| IEI Integration Corp. | IEI Halza Health Intelligence Corp. | Taiwan | Development of medical software and related products | 1,650 | 1,650 | 165 | 55.00% | 264 | 55.00% | (1,903) | (1,046) | Subsidiary |
| ICP Electronics Limited | Fortunetec International Corp. | Mauritius | Holding company and sales of computers and related products | 153,550 | 214,970 | 500 | 100.00% | 4,103,105 | 100.00% | 459,448 | Exempt from disclosure | Subsidiary |
| ICP Electronics Limited | Acquire System Inc. | Mauritius | Holding company and sales of computers and related products | 58,423 | 58,423 | 199 | 49.71% | 173,790 | 49.71% | 7,512 | Exempt from disclosure | Investment using the equity method |
| Internet Application Technology Ltd. | Rich Excel Corp.oration Holdings Limited | British Virgin Islands | Holding company and sales of computers and related products | 357,081 | 357,081 | 11,628 | 100.00% | 980,618 | 100.00% | 89,219 | Exempt from disclosure | Subsidiary |
| BriteMED Technology Inc. | Oring Industrial Networking Corp. | Taiwan | Sales of products related to network storage and communication and electronic materials | 30,517 | 30,517 | 1,483 | 9.69% | 33,002 | 9.69% | 36,973 | Exempt from disclosure | Investment using the equity method |
| Rich Excel Corp.oration Holdings Limited | Equilico Inc. | USA | Real estate leasing | 199,120 | 199,120 | 6,484 | 100.00% | 198,221 | 100.00% | 9,693 | Exempt from disclosure | Subsidiary |
| Rich Excel Corp.oration Holdings Limited | Potency Inc. | Samoan Islands | Holding company and sales of computers and related products | 228,221 | 228,221 | 5,840 | 100.00% | 750,178 | 100.00% | 79,217 | Exempt from disclosure | Subsidiary |
| Equilico Inc. | Suntend LLC | USA | Real estate leasing | 122,038 | 122,038 | - | 100.00% | 190,711 | 100.00% | 9,478 | Exempt from disclosure | Subsidiary |
| Potency Inc. | IEI Technology USA Corp.oration | USA | Sales of industrial computers and related products | 55,711 | 55,711 | 14,000 | 100.00% | 570,097 | 100.00% | 62,508 | Exempt from disclosure | Subsidiary |
| Potency Inc. | Anewtech Systems Pte. Ltd | Singapore | Sales of industrial computers and related products | 37,373 | 37,373 | 400 | 31.68% | 63,410 | 31.68% | 12,079 | Exempt from disclosure | Investment using the equity method |

Note 1: The original amount of investment and the carrying amount held at the end of the period were converted based the exchange rate as of December 31, 2022, of $1 U.S. dollar to $30.710 NTD.

Note 2: The profit or loss for the period is converted based on the exchange rate of $1 U.S. dollar to $29.805 NTD.

## (3) Investments in Mainland China

1) Information on the Group's investees located in mainland China for the year ended on December 31, 2022, was as follows:

In thousands of NTD

| Investee company | Main business and products | Total amount of paid-in capital | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of 01/01/2022 | Investment flows for the period | | Accumulated outflow of investment from Taiwan as of 12/31/2022 | Net income (loss) Of investee company | Percentage of ownership through direct or indirect investment | Maximum percentage of shares held during the period | Share of investee's Profit or loss | Carrying value as of 21/31/2022 | Accumulated inward remittance Of earnings as of 12/31/2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Out-flow | In-flow | | | | | | | |
| IEI Technology (Shanghai) Co., Ltd | Distribution center and sales of industrial computers | 115,354 (RMB26,161) | Investee of Armorlink SH Corp. | 109,021 (USD3,550) | - | - | 109,021 (USD3,550) | 1,336 | 100.00% | 100.00% | 1,336 | 90,211 | - |
| XINGWEI Computer (Kunshan) CO.,LTD. | Distribution center and sales of industrial computers | 147,408 (USD4,800) | Investment in mainland China through third party Acquire System Inc. | 58,410 (USD1,902) | - | - | 58,410 (USD1,902) | 6,557 | 49.71% | 49.71% | 3,259 | 162,319 | - |
| Armorlink SH Corp. | Manufacturing and sales of computers and related products | 245,680 (USD8,000) | Investment in mainland China through third party Fortunetec International Corp. | 391,553 (USD12,750) | - | 330,133 (USD10,750) | 61,420 (USD2,000) | 297,680 | 100.00% | 100.00% | 297,680 | 1,029,204 | 149,588 (USD4,871) |
| AILEAN Technologies Corp. | Manufacturing and sales of computers and related products | 258,563 (RMB58,639) | Investee of Armorlink SH Corp. | 760,073 (USD24,750) | - | 575,813 (USD18,750) | 184,260 (USD6,000) | 34,045 | 100.00% | 100.00% | 34,045 | 529,944 | 280,352 (USD9,129) |
| ASH ENERGY GROUP LIMITED | Supply chain management | 44,094 (RMB10,000) | Investee of AILEAN Technologies Corp. | - | - | - | - | 1,275 | 100.00% | 100.00% | 1,275 | 57,383 | - |
| Weibotong Technology (Shanghai) Co., Ltd. | Distribution center and sales of industrial computers | 8,819 (RMB2,000) | Investee of Armorlink SH Corp. | - | - | - | - | (15,967) | 100.00% | 100.00% | (15,967) | (18,388) | - |

Note 1: Furtunetec International Corp. disposed of shares in AILEAN Technologies Corp. and reinvested in Armorlink SH Corp. during the period ended on 12/31/2022.

2) Investment limit to mainland China:

| Accumulated investment in mainland China as of December 31, 2022 | Investment amounts authorized by the Investment Commission, MOEA | | Upper limit on investment per Investment Commission, MOEA (Note 4) |
|---|---|---|---|
| 413,111 (USD 13,452 ) | IEI Technology (Shanghai) | 109,021 (USD 3,550) | 5,539,379 |
| | XINGWEI Computer | 72,383 (USD 2,357) | |
| | Armorlink SH | 391,553 (USD 12,750) | |
| | AILEAN Technology | 760,073 (USD 24,750) | |

USD/NTD exchange rate: end of period 30.710, period average 29.805

RMB/NTD exchange rate: end of period 4.4094, period average 4.4341

Note 1: Investment methods are categorized as follows:

1) Direct investment in China.
2) Reinvestment in China through a third region company.
3) Other method.

Note 3: The relevant figures in this table are presented in NTD. The net investment income recognized for the period and the carrying value of investments at the end of the period that were measured in foreign currencies are translated into NTD using the average exchange rate for the financial reporting period and the exchange rate as of the date of the financial report, respectively.

Note 4: Calculation of investment limit: Net equity for the period × 60% = 9,232,298 thousand × 60% = 5,539,379 thousand.

Note 5: Due to operational considerations, the equity investments in subsidiaries in mainland China were restructured for the year ended on December 31, 2022.

3) Material transactions:

For information on material transactions between the Group and its investees in mainland China for the year ended on December 31, 2022, (the accounts for which have been offset in preparing the consolidated financial statements) please refer to the "a. Material Transactions" section.

## (4) Major Shareholders

In unit of shares

| Shares / Shareholder | Total shares owned | Ownership percentage |
|---|---|---|
| QNAP Systems, Inc. | 23,963,007 | 13.56% |
| KUO, PO-TA | 21,763,469 | 12.32% |
| Custodianship of bitbank investment account by HSBC | 13,392,000 | 7.58% |

## 14. OPERATING SEGMENTS INFORMATION

(1) General information

The Group has three reportable segments: Order, Design and Sales, Production, and Regional Sales, China, offering a variety of products and services. As each strategic business unit involves different technology and marketing strategy, it must be managed separately.

The Order, Design and Sales segment specializes in custom product design and global branding and marketing channels for industrial IT products in response to specific customer needs.

(2) Information on income, assets and liabilities and their measurement basis and reconciliation relating to the reportable segments

The Group uses the segmental profit or loss before tax (excluding extraordinary gain or loss and exchange gain or loss) in the internal management report reviewed and approved by the chief operating decision maker as the basis for managerial resource allocation and performance evaluation. The Group does not attribute income tax expenses (benefits), extraordinary gains or losses, and exchange gains or losses to separate segments because income tax, extraordinary gains or losses and exchange gains or losses are managed as a whole on the Group level. In addition, not all reportable segments have non-cash accounts of significance besides depreciation and amortization. The amounts reported here are consistent with those internally reported to operational decision makers.

The accounting policies of the operating segments are consistent with those set forth in Note 4, "Summary of Significant Accounting Policies," except that pension expenses for each operating segment are recognized and measured on the basis of cash payments to the pension plan.

The Group recognizes intersegment sales and transfers as transactions with third parties measured at current market prices.

Information on the Group's operating segments and a reconciliation of the accounts are as follows:

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Order, Design and Brand Sales | Product Manufacturing | Brand Sales, China | Other Operating Segments | Reconciliation and elimination | Total |
| Revenue: | | | | | | |
| From external sources | $ 4,054,374 | 204,345 | 1,778,392 | 1,905,304 | - | 7,942,415 |
| Intersegmental | 1,889,132 | 4,035,200 | 15,035 | 10,176 | (5,949,543) | - |
| Total | $ 5,943,506 | 4,239,545 | 1,793,427 | 1,915,480 | (5,949,543) | 7,942,415 |
| Interest expense | $ 5,105 | - | - | 188 | - | 5,293 |
| Share of profit or loss of affiliates and joint ventures | 124,475 | - | - | - | - | 124,475 |
| **Reportable segment income** | **$ 1,229,333** | **350,113** | **(14,918)** | **346,990** | **(9,107)** | **1,902,411** |
| **Reportable segment assets** | **$ 6,974,561** | **5,040,137** | **808,335** | **4,822,790** | **(4,272,242)** | **13,373,581** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Order, Design and Brand Sales | Product Manufacturing | Brand Sales, China | Other Operating Segments | Reconciliation and elimination | Total |
| Revenue: | | | | | | |
| From external sources | $ 3,518,509 | 190,882 | 1,725,832 | 808,286 | - | 6,243,509 |
| Intersegmental | 785,602 | 3,458,575 | 4,424 | 28,353 | (4,276,954) | - |
| Total | $ 4,304,111 | 3,649,457 | 1,730,256 | 836,639 | (4,276,954) | 6,243,509 |
| Interest expense | $ 126 | 22 | - | 293 | - | 441 |
| Share of profit or loss of affiliates and joint ventures | 251,196 | - | - | - | - | 251,196 |
| **Reportable segment income** | **$ 685,097** | **264,046** | **1,651** | **99,642** | **(11,728)** | **1,038,708** |
| **Reportable segment assets** | **$ 5,250,476** | **4,201,051** | **599,121** | **2,498,294** | **(952,844)** | **11,596,098** |

(3) Revenue by products or services

Information on the Group's revenue from external sources is as follows:

| Products or services | | 2022 | 2021 |
|---|---|---|---|
| Industrial computer | $ | 4,574,701 | 3,983,088 |
| Industrial computer components and peripherals | | 2,620,924 | 1,956,996 |
| Others | | 746,790 | 303,425 |
| Total | $ | 7,942,415 | 6,243,509 |

(4) Revenue by regions

Information on the Group's revenue based on the geographical location of the customer and non-current assets based on the geographical location of the assets is as follows:

| **Regions** | | **2022** | **2021** |
|---|---|---|---|
| Revenue from external sources: | | | |
| America | $ | 2,804,852 | 1,588,584 |
| Europe | | 937,273 | 824,466 |
| Asia | | 3,853,952 | 3,445,949 |
| Domestic | | 303,403 | 346,234 |
| Others | | 42,935 | 38,276 |
| Total | $ | 7,942,415 | 6,243,509 |
| Non-current assets: | | | |
| America | $ | 158,638 | 151,408 |
| Asia | | 536,441 | 440,281 |
| Domestic | | 965,362 | 968,708 |
| Total | $ | 1,660,441 | 1,560,397 |

Non-current assets exclude those classified as financial instruments or deferred income tax assets.

(5) Main customer information

| | | **2022** | **2021** |
|---|---|---|---|
| Customer A from Order, Design and Sales | $ | 809,490 | 493,126 |